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Friends Helped Labor Nominee Move Up, Then Almost Brought Her Down

By MICHAEL WINES

WASHINGTON, March 11 — Nobody doesn't like Alexis Herman.

Ask childhood friends about President Clinton's choice to be the next Secretary of Labor, and they recall how the tough-minded black youngster from Mobile, Ala., faced down a Catholic prelate over racial discrimination. An admirer remembers when she lent her good dresses in the 1970's to black women interviewing for office jobs. Democrats marvel over her management of the party's 1992 convention, the one that helped pump up Bill Clinton's support in polls by 20 percentage points.

She has been known to give presents to coworkers after tough workweeks. One man says she briefly considered becoming a nun.

"People who like her really like her," says Lamond Godwin, who grew up across the street from Ms. Herman in the 1950's. "Most of the people she meets who become her friends remain her friends forever."

Which, lately, is her biggest problem.

The Senate Labor Committee investigated Ms. Herman for two and a half months before scheduling a hearing on her nomination for next Tuesday. The delay had less to do with her résumé, a Horatio Alger story of pluck and hard work, than with the friends — powerful, sometimes controversial Democrats — she made on the way up.

Ms. Herman's confirmation now seems likely, but questions about those relationships had threatened her nomination and angered her supporters.

"Alexis is not somebody who's along for the ride," said Ricki Seidman, a White House aide during Ms. Herman's recent tenure as the Presidential liaison to business and the public. "She's a highly principled person."

Few dispute that. But the story of Ms. Herman's rise to influence, so intertwined with powerful friends, suggests how delicate the balance between politics and principle can be.

The White House declined to make Ms. Herman, 49, available for an interview, citing her upcoming confirmation hearing. But associates describe a woman who learned early that skin color does not determine success.

Religion and Politics Side by Side

Ms. Herman grew up in Mobile when white resistance to integration was peaking and Southern blacks were awakening to their political power. Her mother was a reading teacher. Her father, a mortician, was one of the first blacks elected to Alabama's Democratic Party organization. Friends recall watching national political conventions in the Herman living room, her father providing commentary.

Religion most shaped Ms. Herman's youth. Her Catholic parents shunned segregated state education and enrolled her in parochial schools — still segregated, but employing white priests and nuns whose tutoring was colorblind.

"The nuns and the priests kept us from becoming racists," Mr. Godwin said. "The best people we knew were white — people we spent the whole day with, who were the best examples of moral behavior. We had the Klan bombing churches, but we had these people on our side. It made it easy to understand that the problem was not us; the problem was the Klan."

It also enabled Ms. Herman to challenge racism. She once sneaked away from classmates at a school event, the annual Christ the King parade, to demand that a church official explain why black students never performed the celebration's symbolic highlight, crowning the Virgin Mary.

Ms. Herman's father once took her high school class on an unusual field trip: to a meeting of the Alabama Citizens Council, the front for the Ku Klux Klan.

"They started throwing things at us," said Paulette Lewis, a classmate and still a close friend. "Popcorn boxes, cans, whatever. This is the kind of upbringing we had."

Forging Friendships With the Influential

Most Pure Heart of Mary High School, where Ms. Herman was a class officer, produced extraordinary alumni in Ms. Herman's era: a Marine general and ambassador; an adviser to President Ronald Reagan; doctors; investment bankers like Mr. Godwin, a managing director of Smith Barney Inc.

Ms. Herman graduated from a Catholic university — Xavier University of Louisiana, in New Orleans — and returned to Mobile. She joined Catholic Charities in nearby Pascagoula, Miss., lobbying the city shipyard to give apprenticeships to unskilled black laborers.

She was good at it, blessed with self-confidence and an ability to bridge gaps between blacks and whites. Mr. Godwin, then working on minority-employment programs for the Southern Regional Council, touted her to Ray Marshall, a member of the council's executive committee. Mr. Marshall brought her to Atlanta to work on a project to persuade corporations to hire college-educated black women for office jobs that had been filled exclusively by whites.

"I was amazed," Mr. Marshall said recently. "She did a better job than I would have."

Using a Federal grant, Mr. Marshall expanded Ms. Herman's project and merged it with a New York City nonprofit group, the Recruitment and Training Program. Working there was another Southerner, who had impressed Mr. Marshall on a project to integrate the construction industry. His name was Ernest G. Green.

Mr. Green was already well known. When Federal troops forcibly integrated schools in Little Rock, Ark., in 1957, Mr. Green was among the first black students escorted into Central High. His coolness had made him something of a civil rights icon. He and Ms. Herman became fast friends.

Mr. Marshall and Mr. Godwin, meanwhile, had moved on to run a task force on the rural South whose directors included Georgia's Governor, Jimmy Carter. "We were having dinner at the initial meeting of the task force," Mr. Godwin said, "and Governor Carter said he was thinking about running for President. This was 1974. At the time, we all thought it was far-fetched."

But President Carter chose Mr. Marshall as his Secretary of Labor. Mr. Marshall named Mr. Green an assistant secretary, Mr. Godwin his head of national employment programs and Ms. Herman director of the women's bureau.

1/2

but Ms. Herman's life in politics, the three administered billions of dollars in grants much like those they had once received, and although Ms. Herman did not dispense money, she became a top adviser to Mr. Green and Mr. Marshall.

They also became political figures, if minor ones. Ms. Herman had worked on the Atlanta mayoral campaigns of Maynard H. Jackson and Andrew Young. She was also an early supporter of Marion S. Barry Jr., and got to know Ronald H. Brown, a National Urban League executive and Democratic Party figure.

At a 1980 testimonial dinner in Mobile, she met another rising political figure: the Rev. Jesse Jackson, then the head of Operation PUSH, the group that targeted companies with poor minority-employment practices.

After Mr. Carter lost the 1980 election, Mr. Green and Mr. Herman formed a firm that advised businesses on marketing and minority-hiring issues.

Within months, Republican critics accused Mr. Green of shoveling almost 300 Federal contracts and grants to cronies in the last months of Mr. Carter's term, including contracts to the Recruitment and Training Program and Operation PUSH. They also accused Green-Herman & Associates, the new consulting firm, of cashing in by obtaining subcontracts from some of those same cronies.

The Labor Department, the Senate and a United State Attorney's office all investigated. Though some Federal employees testified to irregularities, others called the complaints trumped up. No charges were filed. Mr. Godwin and Mr. Marshall, who now holds an endowed chair in economics and public affairs at the University of Texas, call the affair a political smear.

In fact, friends of Ms. Herman and Mr. Green now say, Green-Herman & Associates did benefit later from Mr. Jackson, who sometimes recommended their consulting firm to companies targeted by Operation PUSH. But that, they say, reflected not favor-trading but Mr. Jackson's growing friendship with the two and his confidence in their firm.

Building a Machine As Fortunes Rise

Ms. Herman's political and financial fortunes rose in tandem. In 1982, she supported Mr. Barry's re-election campaign for Mayor of Washington. In 1984, she worked for Mr. Jackson's Presidential campaign. About the same time, the developer of a Pennsylvania Avenue tract near the Capitol made Ms. Herman a partner, giving her 3.3 percent of an office-and-condominium complex for little or no money.

Then and now, such sweetheart deals are a common way of satisfying the affirmative-action demands of government boards that hand out lucrative contracts. Ms. Herman later sold part of her share and recently valued the remainder at $500,000 to $1 million.

Mr. Green sold his interest in the consulting firm to Ms. Herman in the mid-1980's and entered investment banking. In 1988, Ms. Herman joined Mr. Jackson's second Presidential campaign and found herself working with Mr. Brown, by now a prominent lawyer and lobbyist who was organizing Mr. Jackson's convention.

George Bush's triumph in 1988 left the Democratic alliance in tatters. Mr. Brown sought the chairmanship of the Democratic National Committee, and won. Ms. Herman became his deputy and, in 1992, the organizer of the party's national convention.

Together, they built an impressive financial and political machine. Just as in Pascagoula and Atlanta, Ms. Herman's deftness at organizing blacks, whites, rich and poor around a common purpose stood out.

She and Mr. Brown also came under attack for what U.S. News and World Report called the lavish use of perks like limousines, private jets and a Central Park apartment rented during planning for the 1992 convention, which was held in New York City.

To some others' dismay, Ms. Herman continued to run her consulting firm while running Democratic politics. In one case, her firm was paid $600,000 to advise the winning bidder for a $750 million Federal office project near the White House, a plum fought over at both ends of Pennsylvania Avenue. Critics later complained that she acted as a political fixer in the competition, an accusation the White House has denied.

When Mr. Clinton became President, Mr. Brown became Commerce Secretary. Ms. Herman went to the White House as head of the office of public liaison — in effect, the grass-roots organizer of support for Administration policies.

The job was ostensibly nonpolitical, but by its nature, it has almost inevitably taken on a political cast. This time, that was doubly true: the office helped draft Mr. Clinton's plans to win over ethnic groups in his 1996 campaign. Ms. Herman's deputy ran a group that targeted Asian-Americans. Another aide worked on wooing the Jewish vote.

Among other campaign duties, Ms. Herman supervised the strategy to win black voters. Her second in command was an old friend, Mr. Green, who by then was a friend of the President's, too — and one of the Democratic Party's biggest soft-money fund-raisers. He also promoted business deals, including ventures with another Arkansan and Presidential friend, Yah Ling (Charlie) Trie.

All those roles converged in the 1996 campaign. Mr. Green appeared at some of the now-infamous White House coffees with major party donors. In February 1996, he and Mr. Trie arrange for attendance at one coffee by one of their business prospects, Wan Jung, an executive in an arms-export business identified as a weapons smuggling front for the Chinese military.

Ms. Herman also attended some coffees; her office invited a Federal banking regulator to one such session, attended by big donors from the banking industry.

Ms. Herman has insisted that she played no part in that invitation, and that her work for Mr. Clinton's re-election was properly performed on personal time.

Senate investigators have since scrubbed that and the rest of Ms. Herman's past. After long thought, they seem agreed that nothing there bars her confirmation.

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ALEXIS HERMAN: THE TRAIL OF QUESTIONS GETS LONGER

When President Clinton nominated Alexis M. Herman as his new Labor Secretary, little did he realize that her impressive political connections would become a liability. The 49-year-old Alabama native has emerged as a central figure in the latest flap over Clinton's questionable fusion of governing and fund-raising. The White House is accused of becoming a neighborhood Starbucks where donors sipped coffee and discussed issues with the President. Now the Senate is investigating whether Herman, who as head of the Office of Public Liaison helped arrange a controversial meeting of bankers, violated federal rules barring campaign activities in the White House. If Herman is rejected, Republicans could be emboldened to try to inflict further damage over Democratic fund-raising.

The tempest isn't the first in Herman's 20-year Washington career. Hill Republicans are finding she has long been a strong civil-rights advocate and innovative bureaucrat—but no saint. Senators are looking into her tenure at the Labor Dept. in the 1970s and what BUSINESS WEEK has learned are possible conflicts of interest involving a company she formed after leaving government. Former Democratic National Committee staffers claim that her liberal use of DNC expense accounts from 1988-92 make her unfit to lead an agency with 16,000 employees and a $35 billion budget. While no one is accusing her of illegality, her conduct over the years is raising questions about her judgment.

HASTY APPROVALS. Herman built a reputation in her 20s as a minority-rights pioneer. She ran local, federally funded programs that helped integrate Mississippi's shipyards. She also helped persuade such large corporations as Delta Air Lines Inc. and Coca-Cola Co. to hire their first black women professionals. In 1977, the 29-year-old Herman became the youngest person ever to head the Labor Dept.'s Women's Bureau, a unit that aided disadvantaged women.

But at the end of her tenure there, controversy erupted when Labor officials hastily O. K.'d millions in job-training grants to keep the incoming Reagan Administration from axing them. Some went to groups under Herman's aegis, but most went to programs overseen by Ernest G. Green, head of Labor's Employment & Training Administration. Green, one of nine black students who desegregated Little Rock High School in 1957, was later cleared of wrongdoing in the so-called "midnight" contracts scandal.

The largest of these last-minute awards went to New York-based Recruitment & Training Program Inc., where both Green and Herman had worked, and to a youth training program run by civil-rights leader Jesse Jackson. When negotiating remedies with businesses he had criticized for failing to hire minorities, Jackson often recommended a consulting firm Herman and Green formed after they left Labor. Green, now a managing director of the Washington office of Lehman Brothers Inc., says he did nothing improper. Herman says through a White House spokesman that she played no role in the controversy.

Critics also charge that she benefited from rules, which she helped to write as a Labor official, requiring federal contractors to comply with goals and timetables for hiring minorities. One such contract, for example, paid her $500,000 over four years—all of it from taxpayer dollars—to monitor minority hiring by contractors erecting the soon-to-open Ronald Reagan Building. Herman says she did nothing improper.

HERMAN: *Labor Secretary nominee*

SOUR GRAPES? In the mid-1980s, Herman bought out Green's share of their partnership and continued to run the firm even after taking on a full-time job as chief of staff to DNC Chairman Ronald H. Brown. Although Brown relied on her organizational skills, ex-DNC staffers say her brusque manner offended many colleagues. Her spending habits especially irked DNC aides, one of whom recalls that Herman often rode in chauffeured cars and flew first-class at a time when the party was in a cash crunch. "Blue-haired ladies donated funds to elect Democrats, but Alexis used that money to live like the queen of Egypt," says an ex-DNCer. Through a spokesman Herman says the complaints are sour grapes and that her expenses were appropriate.

But it's Herman's White House tenure that is now her biggest problem. At issue: A May, 1996, DNC kaffeeklatsch she helped organize at which 17 top U.S. bankers met with the President, Treasury Secretary Robert E. Rubin, and Eugene A. Ludwig, Comptroller of the Currency. Ludwig was considering regulatory issues important to the bankers at the time. Clinton and Ludwig now say the meeting was inappropriate, and Herman says she was unaware that it was a DNC event. On Feb. 4, the White House gave the Senate documents it contends support Herman's version.

Nonetheless, the bankers and their political action committees collectively gave Democratic candidates $558,000 toward their 1996 elections, with 80% of that coming in after the coffee. "You bet she had a conflict of interest," says Ellen Miller of Public Campaign, which promotes campaign-finance reform.

No stranger to overcoming tough hurdles, Herman is in the fight of her career to prove the claims wrong—and convince the Senate she didn't bend any rules on her way to the top.

By Paula Dwyer

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HEADLINE: Living well is the best revenge

BYLINE: By Edward T. Pound; Gary Cohen

HIGHLIGHT:
Two top Clinton aides went strictly first-class -- at the Democratic Party's expense

BODY:
For President Bill Clinton, one headache seems to follow another. First there was Hair Force One. Then, Travelgate. Now comes the tale of extravagant spending by two top aides -- Ronald Brown, a former lawyer-lobbyist who is now secretary of commerce, and Alexis Herman, a senior presidential adviser -- while they ran the Democratic National Committee (DNC).

Federal Election Commission records and confidential DNC documents reveal a fairly grand lifestyle. Brown had a penchant for first-class air travel, posh hotels and curb-to-curb limousine service. Herman, too, used limos liberally, received paychecks totaling $ 120,000 from both the DNC and the Democratic National Convention and was reimbursed by the party for "honey-baked hams" and "home decorating." The party paid charges on her personal American Express platinum card, sometimes in amounts of several thousand dollars.

But Herman says those were strictly political expenses. She says she never charged "personal stuff" to the party and did not abuse anything. Brown declined to be interviewed, but aides say his conduct always was above board. "The word limo is misleading," complains a former aide. "Brown never used a limo. It was always a Lincoln Town Car."

Brown, 51, is no stranger to controversy, having been batted around in the press for his private business dealings. When he took over the DNC in early 1989, he installed Herman, 45, a business consultant and close friend of the Rev. Jesse Jackson, as his chief of staff. On her say-so, Brown placed DNC funds in a bank whose directors included Herman. The chairman traveled to all 50 states raising money for the party; Herman ran the day-to-day operation. She later became chief executive of the New York Democratic convention -- financed, in part, by $ 11 million in taxpayers' funds. A review of Brown's and Herman's operations turned up these findings:

Riding in style. In 1991 and 1992 alone, the DNC spent $ 250,000 on limousine services. Brown and Herman weren't the only limo users; big contributors, for example, were chauffeured to various events. But DNC records are telling: Over the last Christmas-New Year's holiday, while serving as President-elect Clinton's deputy transition director, Herman charged the DNC $ 6,015 for limos -- including $ 754.50 in tips for her driver and $ 570 in mobile-phone charges. Herman seems puzzled that someone would question her apparent extravagance. "Fifteen percent is the standard tip that is given when you use a car service," she explains. Current DNC Chairman David Wilhelm says he is tightening up on expenses, although not in response to any purported excesses.

Flying in style. Aides say Brown often wanted to fly coach but was upgraded to first class under frequent-flier programs. He also chartered aircraft from companies and unions for domestic travel, and regularly used gratis a six-passenger jet provided by the Sheet Metal Workers International. But in 1991, union lawyers, concerned about campaign-law compliance, demanded payment. The DNC paid $ 70,000 for Brown's and others' use of the plane. Aides say his actions were consistent with those of prior chairmen.

Park vu. Herman's former deputy, Mario Cooper, says she tired of the Waldorf-Astoria while planning the Democratic convention: "We wanted to get her ... something a little more tolerable than a hotel." So Herman moved to a $ 4,000-a-month apartment on Central Park South. She contributed $ 500 monthly to the rent, the White House says.

Over there. Brown ran up some fancy numbers on trips overseas. A 17-day trip to promote democracy in sub-Sahara Africa in July 1991 cost the DNC at least $ 36,000. A Brown aide says he thinks $ 25,000 was raised by the DNC to help defray those costs. Expenses for Brown's entourage included advances of $ 10,000 to Brown and the aide. On a later trip to Taiwan and Hong Kong as a guest of their governments, Brown charged to the DNC phone calls he made to his law firm and $ 292 in gifts he bought while there. The DNC says the gifts were for officials in the countries he visited.

Brown's press office says he won't be flying first-class while in government. "He will comply with the president's executive order which prohibits first-class travel on government trips," a spokesman says.

GRAPHIC: Picture, Power pair. Brown and Herman at the '92 Democratic convention in New York (Ron Edmonds -- AP)

LANGUAGE: ENGLISH