

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

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ONCE UPON A TIME IN A BANANA REPUBLIC

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You know, there's an outside chance that the Senate might throw this guy Bill out of office. A week ago, I would have put the odds of such a thing happening at maybe 20-to-1, or even higher. Today, I think it's closer to 5-to-1.

What prompted me to change my tune is the grave manner with which some Senate Democrats are approaching the issue. House Democrats ridiculed the process from the start. They challenged the seriousness of the charges, the quality of the evidence, the motives of the accusers, the ethics of the prosecutor, and the morals of all who disagreed with them.

This strategy was smart. By changing the subject they provided themselves with all the political cover they needed to vote in favor of a guy remaining President who would have been fired from a county clerk's job for the same actions.

In my opinion, the same approach would have worked just as well in the Senate. Given Bill's popularity, if Senate Democrats had screamed and howled and hollered in unison, from the day the House proceedings began, against the dastardly campaign to smear a popular president "for purely partisan reasons," they could easily have built enough public support for tying the Senate trial up in knots.

But Senators are a pompous lot, who regularly puff up like peacocks over the tritest of issues. In fact, a vast majority of them sport egos that are so large they defy satire and so powerful that they regularly take control of their hosts and march them down some very strange alleyways.

So in retrospect, it was inevitable that the opening of "historic impeachment proceedings" would turn many of Bill's defenders into would-be Daniel Websters, lecturing all who will listen about how seriously they are going to take their "historic rendezvous with truth."

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Well good for them, says I. But if they are not careful this could be the end for their president. The last thing Bill needs, in my opinion, is for his Senate supporters to suddenly morph into “statesmen,” filling the room with fustian bombast about the “importance of their role.”

To put it another way, I think Bill could breath a lot easier if Senate Democrats had, like their House counterparts, answered all charges against him by calling Ken Starr a dirt bag, and then swallowing their tongues and rolling around on the floor till they turned blue.

For if these guys really do take the process seriously, it is likely that the public will do so also, and then anything could happen. When Senator Bob Byrd (W., Va.), strutting around like a rooster in a hen house, gravely intoned that Bill’s post-impeachment party was “an egregious display of shameless arrogance,” he came very close to starting down a road with no turn-around room. Byrd stopped before he had irreversibly committed himself to Bill’s ouster. But not before he displayed how dangerous these guys can be when they see an opening for a Ciceronian moment.

In the end, I still think Senate Democrats will stick by their man. But if that’s their goal, they’re making it awfully hard on themselves by pretending that their votes won’t be driven by partisan politics. After all, if political considerations are set aside, it would seem to me that it would be pretty difficult to justify keeping someone in the White House whose actions have been termed “reprehensible” by some of his strongest supporters.

The ironic thing about this question of Bill’s fate is that if the Senate takes the politically explosive step of booting him, Washington would, almost overnight, become much calmer and more politically stable. Al and Tipper would move into the White House, First Lady Mrs. Hillary Rodham Clinton would move to New York in preparation for a Senate run, Bill would become a “greeter” at a Las Vegas casino, and Al’s “honeymoon” with Congress would begin, marked by a GOP rush to “heal the wounds” by “cooperating with our new leader.”

Conversely, if the Senate acquits, Washington will remain in turmoil. It couldn’t be otherwise, given the myriad of still unresolved legal and ethical troubles that face Bill and his administration. I think this is a very important point, so to illustrate it, Steve and I have prepared the following run-down on outstanding investigations.

The most logical place to start this synopsis is with Ken Starr. Although Democrats are quick to assert that, aside from the Lewinsky matter, Starr found nothing with which to charge Bill, his investigation remains open and, according to numerous sources, new indictments are forthcoming.

A recent *Washington Times* piece noted that Starr’s office “has written at least one draft indictment of Mrs. Clinton,” in the Whitewater matter, and is still investigating her role in the “firing in 1993 of seven White House Travel Office workers who were replaced by Clinton friends.”

In addition, Starr has petitioned the courts to reinstate his recently dismissed indictments of Clinton-crony Webster Hubbell. These indictments were thrown out earlier because the federal court in Little Rock believed Starr had overstepped his mandate. If Starr can reopen this issue,

he may be able to once again lean on Hubbell, who he maintains “may have additional information pertaining to Castle Grande . . . that we have been unable to obtain.”

Similarly, Susan McDougal, who prosecutors believe holds the key to Bill’s involvement in the Whitewater mess, is set to go on trial in Little Rock on March 8 for obstruction of justice and criminal contempt of court. Should she finally bend to prosecutors’ wishes and answer the questions she previously refused, Bill may yet be charged with another count of perjury before a grand jury. (For a brief account of the President’s involvement in this matter, please see “A Few Indiscretions,” August 10, 1997.)

It is worth noting that the Lewinsky report was not the first perjury-based impeachment charge Starr has written against Bill. A full year before the Lewinsky investigation even began, two witnesses in the Whitewater case, James McDougal and David Hale, both convicted felons, said Bill had lied under oath. The problem for Starr was that two other convicted felons, Susan McDougal and Webster Hubbell confirmed Bill’s story.

Starr has admitted that a case of “he said; she said,” in which all witnesses are felons would hardly be compelling, which is why he didn’t submit it to Congress. If, however, McDougal or Hubbell should change their tunes, a second impeachment report could still be filed.

Starr is also still conducting investigations peripherally related to the Lewinsky affair. David Schippers, Majority Counsel to the House Judiciary Committee, referred to these in a statement to the committee as follows.

We uncovered more incidents involving direct and deliberate obstruction of justice, witness tampering, perjury and abuse of power. We were, however, informed both by the Department of Justice and by the office of the independent counsel that to bring forth publicly that evidence at this time would seriously compromise pending criminal investigations. Most of those investigations, I understand, are nearing completion.

Most insiders tend to believe that the cases to which Schippers referred involve Kathleen Willey and one or more still unnamed “Jane Does” from the Paula Jones suit. On January 7, Starr’s grand jury indicted Julie Hiatt Steele, a former friend of Willey’s, who, according to the indictment, perjured herself when she denied that Willey had spoken to her about Bill’s unwanted advances. More indictments from this portion of Starr’s investigation may well be imminent.

It should be noted that Ken Starr is not the only independent counsel investigating this administration. Last March, Carol Elder Bruce was appointed to conduct an investigation of Interior Secretary Bruce Babbitt. The primary focus of this probe is Babbitt’s denial of a casino license to three Chippewa tribes from Wisconsin. It is alleged that the denial was politically motivated and was, in part, the result of a significant contribution made to the Clinton-Gore campaign by “rival” tribes that did not want competition for their own “gaming enterprises.”

Babbitt is not, however, the only target of Mrs. Bruce’s investigation. According to a recent *Washington Times* piece, “lawyers and others close to the probe said . . . Bruce has issued many subpoenas, interviewed several witnesses, examined dozens of documents and moved the inquiry

directly into the White House and the Democratic Party.” Other possible targets named in the piece include former DNC chairman Donald Fowler; DNC fund-raiser and Al Gore pal Terry McAuliffe; and former deputy White House Chief of Staff Harold Ickes.

Speaking of Gore, in its January 3, 1999 issue, *Business Week* reported that Janet Reno may soon open an independent counsel probe of Peter Knight, former chairman of the Clinton-Gore 1996 campaign and close friend of Al’s.

Allegations against Knight, which we detailed in a November 18, 1998 article entitled “Al, Al, He’s Their Man,” center on Washington’s Portals office complex, recently indicted real-estate developer (and Gore buddy) Franklin Haney, and a lucrative influence peddling scam. Given that Knight chaired the Clinton-Gore campaign that (unwittingly?) accepted hundreds of thousands of dollars in illegal campaign contributions, an investigation of his activities may well spill over into the oval office.

Harold Ickes, it is worth noting, is also being investigated by the Justice Department. In fact, Reno must decide soon whether to name another independent counsel in his case, drop it, or hand it over to Mrs. Bruce.

Ickes, a former labor union attorney, is accused of exerting undue administration influence to pressure Diamond Walnut Growers of California to settle their dispute with their striking Teamsters employees. In return, the Teamsters, then under the leadership of now-defrocked president Ron Carey, are alleged to have participated in a money-laundering scam, the proceeds of which were split between the Carey reelection campaign and the Clinton-Gore reelection campaign. (The details of the Teamsters-DNC connection were provided previously on these pages, in an August 20, 1997 piece entitled, “It Invites Anarchy.”) As with any of the fund-raising investigations, an independent counsel probe of Ickes could well spill over into the oval office.

The Justice Department is not the only one interested in the Teamsters and their ties to the White House. Manhattan U.S. Attorney Mary Jo White has been conducting a grand jury investigation into the fraudulent 1996 Teamsters election in which Carey narrowly defeated James P. Hoffa. So far, at least four people have plead guilty to charges brought by White’s office, and a recent *Washington Post* piece reported that investigators “are looking into the possible involvement of officials from the Democratic National Committee, the Clinton-Gore reelection campaign, and the AFL-CIO,” which is headed by Clinton pal John Sweeney.

Insight magazine reported in its October 19, 1998 issue that “sources close to the probe claim prosecutors have written up indictment papers on . . . Harold Ickes, accusing him of ‘conspiracy, embezzlement, and labor bribery.’”

Time reported in its December 21, 1998 issue that things may get even worse for the Clinton administration on the Teamsters front. According to the piece, penned by Ed Barnes, “sources close to [newly-elected Teamsters president James P.] Hoffa say his first act as president-elect was to give the go-ahead for a multi-million dollar civil-racketeering suit against, among others, the DNC.” The focus of the suit will, Barnes said, be Terry McAuliffe, who helped steer Democratic donors to Carey’s campaign after Carey promised \$10 million for Clinton-Gore ‘96.

Another Clinton confidant reported to be named in the suit is chief White House counsel Charles Ruff, who, sadly, has become the voice of moral authority in this administration. This portion of the case appears to center on a \$150,000 payment made by Ruff, then a union lawyer hired by Carey, to private investigator Jack Palladino. Palladino, you may recall, was the detective hired by the 1992 Clinton campaign to keep stories of Bill's sexual adventures from becoming public. Hoffa suspects, according to Barnes, that Ruff used Teamsters money to pay for Palladino's work on the Clinton campaign or "to suppress Teamsters dissidents."

If the *Time* story is accurate, then Hoffa will simply join a long list of private litigants with actions outstanding against the administration. From Bill's perspective, the peskiest of these is undoubtedly Larry Klayman, founder and head of Judicial Watch, a conservative legal watchdog group.

Klayman and Judicial Watch have filed nearly 20 law suits against the administration. Among others, Klayman represents a number of former Reagan and Bush White House employees, whose FBI files turned up at the White House in what has come to be known as "Filegate."

But the most important of Klayman's suits is undoubtedly the one filed four years ago requesting information and documents pertaining to late Commerce Secretary Ron Brown's foreign trade missions. Filed under the Freedom of Information Act, Klayman's suit sought to explore the possibility that seats on Brown's missions were awarded in exchange for big contributions to the Democratic party.

It was Klayman's suit that first focused attention on the "work" that fund-raiser extraordinaire John Huang performed at Commerce (DOC) and the DNC. In fact, two years after the Justice Department's investigation into the 1996 election commenced, only Klayman has deposed Huang under oath, and he appears to be the only who continues to ask questions.

So far, the DOC seems to have few answers. According to a recent *Wall Street Journal* editorial, District Court Judge Royce Lamberth likened officials there to "hooligans" and "scofflaws." The *Journal* reported that Lamberth found that the facts of the case "strongly substantiate the claim that the agency was deliberately destroying and jettisoning documents," culminating in a "flurry of document shredding" in Brown's office following his death in April 1996."

In August 1997, the administration seemed to admit to this deceit, and asked Lamberth for a judgment against itself. According to the *Journal*, Commerce offered "to pay \$2 million in legal fees to Judicial Watch and to initiate a new document search." Lamberth however rejected the offer, suggesting that DOC "had proven it couldn't be trusted." Lamberth put it this way.

Almost ironically, the DOC's motion must be denied, not because the evidence fails to establish that the government's conduct was unreasonable, but because the record of misconduct in this case is so egregious and so extensive that merely granting the DOC's motion and ordering a new search would fail to hold the agency fully accountable for the serious violations it appears to have committed.

Lamberth's criticism of the Clinton administration did not stop there. He also lambasted the Justice Department, which is supposedly conducting its own impartial probe into the John Huang/DOC matter, for failing to cooperate in Klayman's suit. Among other things, Lamberth noted that Reno has "repeatedly denied" requests for a legible copy of the desk diary Mr. Huang kept at Commerce. Whether Klayman will land a major blow is anyone's guess. But it bodes poorly for Bill that he seems to have found an ally in the federal judge responsible for adjudicating these matters.

In the end, the big enchilada among the many on-going investigations of the Clinton administration is, without question, the one that has come to be known as "Chinagate."

The heart of this scandal involves the transfer of sensitive technology, much with military application, to a potentially hostile government, possibly in exchange for illegal campaign contributions.

The money is said to have come from the mysterious Colonel Liu, a Chinese military officer and aerospace executive who, according to *New York Times* scandal-beat ace Jeff Gerth, funneled money from the Chinese military through Johnny Chung and Charlie Trie to the DNC and the Clinton-Gore campaign. In return, the Chinese were allegedly given access to sensitive American technology, much of which was transferred "legally," after the Clinton administration shifted responsibility for oversight of the transfers from the State Department to the DOC of Ron Brown and John Huang.

This is, I know, a pretty depressing list. But to close on a positive note, I would just point out that financial markets are much more fun and exciting in banana republics, where politics and "business" meld into a heady brew of high level corruption; where paid goon squads investigate and intimidate administration critics; where legislatures are packed with gelded strutters who worry more about their dignity and "stature" than their honor; where the *descamisados* cheer when the boss and his wife appear on the balcony; and where fortunes can be made by those with "connections."

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