The Political Forum

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

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The Shoals of Whitewater

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New York Times columnist Bill Safire, *Chicago Tribune* staff writers William Gaines and Gary Marx, *Wall Street Journal* editor Robert Bartley, and Iowa Congressman Jim Leach (R.) together raised the temperature under the simmering Whitewater pot by a few degrees last week. This media blitz, which raised a host of new charges against the first couple and their close associates, I think virtually guarantees that the recent naming of Robert Fiske as a special counsel to probe Whitewater will not remove the affair from the public eye for an extended length of time, as the White House had fervently hoped.

o For those who missed it, Safire unequivocally stated that Assistant Attorney General Web Hubbell, with the help of White House Special Counsel Bernard Nussbaum, "forced" Janet Reno to choose Robert Fiske as the "special counsel" to investigate Whitewater. This is tantamount to publicly accusing Hubbell of breaking the law, since he has formally recused himself from any involvement in Whitewater because of his close association with many aspects of the matter.

According to Safire, Deputy Attorney General Philip Heymann, who recently quit his job because of a lack of "chemistry" with Reno, wanted to name Donald Ayre as special counsel. Safire says this was rejected by Hubbell and Nussbaum because Ayre "insisted that no lawyer-client privilege be taken by Counsel Nussbaum and the Clintons." Safire added that "the malleable Mr. Fiske made no such demands, which is why the GSA has just signed a three-year lease for Fisk's headquarters in Little Rock."

The tone of the Safire piece would indicate that he has taken the gloves off. And when Safire does this, the results can be pretty awesome. Besides raising the question of Hubbell's involvement in the appointment of Fiske, Safire threw another potential time bomb out on the table by suggesting that Ms. Jamie Gorelick, Heymann's replacement at Justice, "should be asked about her representation of Clark Clifford and Robert Altman in their effort to get First American Bank to pay their legal fees owed to Robert Fisk's law firm." In an ominous portend of things to come, Safire signed off with the following: "Call this savage abuse? Ideological zealotry? Spare us the hair shirts; we're doing our job."

o For its part, the *Chicago Tribune* broke bad against Hillary, directly accusing her of having a "glaring conflict of interest" when in the mid-1980s she "as an attorney for the Federal Deposit Insurance Corp. . . helped negotiate a secret, out-of-court settlement that ended the government's suit against a family friend and an influential benefactor of her husband."

The story is complicated, but basically the "friend" was Dan Lasater, who the *Tribune* described as "an unsavory wheeler-dealer who had strong personal ties to the Clintons and even stronger financial ties to the Clinton administration in Little Rock." According to the *Tribune*, the Clintons "benefitted from the relationship" with Lasater because he "contributed money to the governor's campaign, lent Roger Clinton $8,000 to pay off a drug debt, sponsored fundraising parties at his offices, made his private plane available to the ambitious young governor for campaign jaunts and encouraged his staff to donate to the governor's campaign, promising higher commissions to compensate for the donations."

The *Tribune* states that "by early 1983, Laster had given Roger Clinton a job at his Florida horse farm; Clinton had reclaimed the governor's mansion; and Lasater's bond firm had been added to a list of brokerage firms eligible to underwrite state bond issues, a classification that generated millions of dollars in business for his firm."

Hillary's "conflict" occurred, according to the *Tribune*, when the Rose law firm was hired by the FDIC to sue Lasater, and Hillary and the late Vincent Foster were assigned to the case. "There's no evidence in the court case," the paper stated, "that the Rose Law Firm or Hillary Clinton ever disclosed to their client, the FDIC, the ties between the Clinton's and Lasater or [Patsy] Thomasson, who was representing Lasater's interests at the time of the settlement." Thomasson, according to the *Tribune*, was a "key Clinton supporter and Democratic Party activist," who later became executive secretary to the Arkansas Democratic Party and is now director of the White House Office of administration.

The *Tribune* states that "in late 1987, court records show, Hillary Clinton and Foster negotiated a confidential settlement. Lasater paid the government $200,000 in return for the dismissal of its $3.3 million suit against him."

o Bartley and his employer Dow Jones & Co. stepped up the pressure on the White House by filing a suit in federal court to force the release of official crime reports on Foster's death. This virtually assured that questions about whether the death was indeed a suicide, raised in a previous *New York Post* article, would gain coverage in the more "prestigious" media outlets.

Sure enough, *The New York Times* last Friday ran a front page story quoting "law-enforcement officials" who have seen the still secret Park Police report on its inquiry into Fosters death as suggesting "that Bernard W. Nussbaum, counsel to the President, impeded its investigators and offered a dubious account of the discovery of the victim's brooding note."

This note, the *Times* said, was found in a briefcase "that had already been searched." It was not turned over to investigators until 30 hours after it was found. And the *Times* noted, it had no fingerprints on it, "a circumstance that is not dealt with conclusively in the report but that some investigators have found hard to believe." Among those who searched Foster's office prior to the police, the Times noted, was Ms. Patsy Thomasson.

o Finally, Jim Leach, ranking Republican on the House Banking Committee, released a document which, he says "underscores that then-Gov. Clinton had personal liabilities reduced by a payment" from the now defunct Madison Guarantee S&L, which was owned by Clinton's Whitewater partner, James McDougal.

The Leach documents show, according to a *Washington Times* story, that "on October 31, 1985, Whitewater had a bank balance of $12.49 and yet a check signed by Mr. McDougal for $7,322.42 was written on November 7, 1985, on the Whitewater account to Security Bank of Paragould, Ark. as a payment on Mr. Clinton's loan. "That Clinton loan, made in 1983 in the amount of $20,800, was used to pay off the remaining balance of a $30,000 loan to Mrs. Clinton from Madison Bank and Trust in 1980 to build a modular home at Whitewater.

"On November 8, the day after the McDougal-Whitewater check for $7,322.42 was written, a $7,500 deposit in the Whitewater account was made by Madison Marketing to cover the check Mr. McDougal had sent as a loan payment for Mr. Clinton. A Federal Home Loan Bank Board exam said Madison Marketing was largely a sham corporation owned by Mrs. McDougal until 1986."

Leach said the payment "presumably carries ethical as well as tax implications and is part and parcel of the $47 [million] to $60 million estimated taxpayer loss at Madison." A GOP staff memo addressed to Leach notes, "it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefited the governor and his investment in Whitewater, a claim Clinton had denied."

Besides releasing the new Whitewater document last week in an apparent attempt to bring pressure on House Democrats to hold Congressional hearings into the entire affair, Leach released a letter to Roger C. Altman, the interim head of the Resolution Trust Corp. questioning whether it is ethical for him, a political appointee, to be running the RTC while it is investigating the Whitewater-Madison affair.

There are many potential consequences to all this. As Washington health care analyst Barbara Dreyfuss noted in the January 19, *Strategy Weekly*, one very important one, so far as the financial markets are concerned, is that the need to focus on Whitewater damage control "could seriously hamper the White House's ability to run the type of political campaign necessary to pass a broad health care reform plan."

Events last week, I think, demonstrate that this is already occurring. You see, the administration had reportedly planned to spend the entire holiday congressional recess lining up business support for Hillary's plan. If this strategy had been even partially successful, the administration would have been able to go on the offensive immediately after Congress returned.

Instead, for virtually the entire holiday period, the Clintons and top White House staff, including New York lawyer Harold Ikes who was hired specifically to spearhead the health care effort, were involved in a frenetic "war room" effort to respond to a barrage of Whitewater type publicity. So it should have come as little surprise that the Business Roundtable, the Chamber of Commerce, and the National Association of Manufacturers all came out last week against the Hillary proposal, agreeing that it contains too much government, too many benefits and too little reform of malpractice litigation.

Now Congress is back and the White House opens the mother of all political battles playing defense. This is potentially devastating for Hillary's plan. It is probably too early to count her approach out entirely. Indeed, some of the nation's largest corporations still support the plan, many in hopes that the administration, as a quid pro quo for their support, will put strike-breaker legislation on the back burner or help them individually in certain regulatory matters, such as the enforcement of clean air rules.

But the failure of the White House to gain support from any major business groups may well mean that the question is no longer where the compromise will be struck between Hillary's plan and the competing plan of Rep. Jim Cooper, but where the compromise will occur between the Cooper plan and no plan at all. A big unknown in all this is whether continued news on Whitewater and other related matters will affect Bill and Hillary's ability to go directly to the public to lobby for their program. With virtually no business support, direct public appeal will be the centerpiece of the new White House strategy.

Senator Thomas Daschle (D., S. Dak.), a strong supporter of the Clinton plan, put it this way last week after business support fell apart. "The bottom line is that the president is going to have to sell [the plan] week by week. He's going to have to get out in the country because the whole effort will rise or fall on how successfully he is selling the American people on the plan's value." Daschle didn't say it, but while Bill is playing "good cop" and selling the plan's "values" to the public, Hillary is scheduled to play "bad cop," by denouncing insurance and drug companies, and the entire "private sector" health care industry as "rife with fraud, waste and abuse."

The problem is that a strategy of going direct to the public requires a certain amount of moral capital, and the jury is out as to whether either Bill or Hillary have enough left to make a difference. In fact, I think it takes a some moral authority for the President to do almost anything beyond the routine. Franklin Roosevelt said it well: "The presidency is preeminently a place of moral leadership." Of course, FDR and I could both be wrong. I guess we'll see.
