

Clinton's B



BILL CLINTON: Looking to combat his Whitewater blues, the president made a flurry of spirited public appearances last week.



ANGRY AND DRAINED BY Whitewater, Bill Clinton looked hard last week for an emotional elixir. He found it in the Hogs. By making the NCAA basketball tournament, the University of Arkansas Razorbacks enabled Clinton to fulfill every American boy's fantasy: not winning the presidency, but appearing on the cover of Sports Illustrated. He carried the magazine around like a trophy, proud of the picture that shows him gripping a basketball in one hand. "Can you believe I made the cover?" he said to a friend staying in the White House. "I palmed the ball myself—that's not a trick photo!"

Clinton was grateful for diversion wherever he could find it. The bad news continued last week. Senior aide George Stephanopoulos became the 11th top official to be subpoenaed to answer questions related to Whitewater. Congressional Republicans, energized by Whitewater, made progress in

their campaign to force hearings on the Democratic majority. Associate Attorney General Webster Hubbell, Clinton's best friend in Washington, resigned in a trail of ethics questions. Although Hubbell's problems are largely unconnected to Whitewater, his loss only added to the general sense of anguish and disarray. White House aides, yearning for some relief, actually cheered Tonya Harding's plea bargain. "Anything that knocks Whitewater off the front pages is considered good news around here," one aide said.

Just as frustrating was the conspicuous silence from most congressional Democrats. The president's most vocal supporter was Rep. Dan Rostenkowski—embodiment of the clubby, old-style politics Clinton came to Washington vowing to reform. The gruff Chicagoan, himself under federal investi-

gation for misuse of House funds, won a hard-fought primary last Tuesday with Clinton's help and tried to return the favor by rallying support on Capitol Hill. "This president is popular," he told a meeting of Democratic leaders, repeatedly punching the air for emphasis. "He will stand by you if you stand by him." But earlier

in the week he acknowledged that congressional hearings on Whitewater were "inevitable."

Although Rostenkowski backtracked later, he was only acknowledging political reality. The Senate voted to begin the groundwork, with dates left uncertain. Rep. Jim Leach, ranking minority member of the House Banking Committee, will try to use Thursday's session on the S&L bailout as a Whitewater forum. He wants to discuss charges of political interference in a federal probe of Madison

Stunned by more bad news, the president tries to change the subject

Bleak House



HILLARY CLINTON: The First Lady found her own medicine in a trip to Denver to sell the White House health-care plan.

Guaranty (page 20), the thrift once owned by James McDougal, the Clintons' partner in the Whitewater home development.

The New York Times opened another front last week by reporting that Mrs. Clinton made \$100,000 in cattle futures in the late 1970s, based on advice from a top attorney for Tyson Foods. The report implied that Tyson, the largest employer in Arkansas, got state loans as a result. But the White House brushed off the story.

On a purely personal level, Hubbell's departure was Clinton's worst news. Organizational charts listed him as number three at the Department of Justice, but he was also Bill Clinton's closest friend. It was Hubbell to whom the president turned for a round of golf, a college football game on TV or, in the old days, a quick drive from Little Rock to Memphis for a slab of ribs. "It absolutely ripped his gut out for Webb to leave," says an adviser. Hubbell's abrupt departure leaves the Justice Department in disarray and Attorney General Janet Reno

without a bridge to the Oval Office. The resignation was handled through intermediaries, and the Clintons made no effort to talk Hubbell out of quitting, an indication of how serious his problems appear to be. Former partners at the Rose Law Firm in Little Rock accuse him of overcharging the firm for personal expenses and setting up a cozy billing arrangement for his father-in-law's parking-meter company. Hubbell has denied any wrongdoing.

'Utterly surreal': The latest events only deepened the Clintons' resentment of their treatment at the hands of political enemies and the press. "Totally demoralized" is how one Arkansas friend described the couple. The president erupted in an interview with Knight-Ridder newspaper reporters last week, delivering an eye-bulging, finger-wagging tirade on the news media's "frenzy." When not enraged, he's stunned by how "utterly surreal" his life has become, as one aide put it. "These people say, 'What did you know and when

did you know it?'" Clinton recently told aides. "I say, 'Who are these people and what planet am I on?'"

Aides caucused for hours to debate precisely how Clinton should respond publicly. Vice President Al Gore advised administration surrogates to project calm reassurance. Clinton's political advisers urged combativeness. The consensus strategy could be called Operation Change the Subject: move the Clintons out of their White House bunker and demonstrate that they continue to care about "real" issues. Hillary went to Denver, to kick off a series of health-care forums. GIVE 'EM HEALTH. HILLARY banners began showing up to drive the point. Bill did a town meeting in New Hampshire, the site of his political resurrection during the 1992 primary season. "Bless you," he said to a woman who declared that Whitewater was for canoeing. At a Boston fund-raiser he pounded the lectern and shouted "no" nine times to punctuate his charge that Whitewater is

just another Republican obstruction to the domestic agenda. Asked the next day about his outburst, Clinton replied with bizarre disingenuousness. "I was not angry. I was happy."

Over the weekend, the Clintons planned to try some humor at the annual Gridiron show, a dinner sponsored by Washington reporters. In a video produced with the help of a "Saturday Night Live" writer, the First Couple will appear as "Harry and Louise," stars of the commercials financed by insurance interests opposed to the Clinton health plan.

Clintonites say Rostenkowski's victory showed that when Clinton focuses on issues like health care and jobs, he is still an asset to Democrats. "It tells members that [Whitewater] is not a political albatross," says Clinton adviser Paul Begala. Ironically, one key GOP strategist argues that it is the Republicans who have become distracted by Whitewater. William Kristol of the Project for the Republican Future warned in a memo this week that Clinton's health-care bill could slip through while the

WHITEWATER METER



BACK TAXES: There's nothing trivial about the First Family owing back taxes. In 1992, the Clintons paid back \$4,000 for deductions improperly written off their personal taxes that should have been written off the taxes of the Whitewater Corp. But it's still unclear how much more the Clintons owe, and no evidence has surfaced yet of any intent to underpay. To prove tax evasion, the government requires clear evidence of intent.



HILLARY'S BANK WORK: She shouldn't have represented Madison before a state regulator appointed by her husband. Still, it's not that simple. A junior Rose lawyer's brief asserting Madison's right to issue preferred stock was copied to Hillary as supervising attorney. The regulator sent back a "Dear Hillary" advisory, but the plan was never formally sought. Although she did nothing illegal, she should have kept more distance.

GOP debates Whitewater. "An ominous atmosphere of health-care conciliation has descended on the Capitol," Kristol wrote.

Still, the administration's efforts to get past the story inevitably end up creating more muddle. In a series of selective leaks, the White House had been preparing the press and the public for the idea that the Clintons may have inadvertently under-

paid their taxes over the years, and that it does not reflect wrongdoing. Aides passed word that the Clintons' personal legal team, headed by lawyer David Kendall, will show the Clintons lost significantly less on Whitewater than the \$69,000 they had claimed and that they owe back taxes and penalties. But the White House subsequently issued a statement that seemed to back away from the possibility of underpayment.

The Clintons have clearly extended the life of the Whitewater scandal through excessive secrecy and political misjudgment. One mistake may have been underestimating residual public doubts about the president's "character"—a

product of campaign episodes like Gennifer Flowers and revelations about his draft history. The longer Whitewater lingers, the more voters will be reminded that this is not the first time the Clintons tried to evade the truth. And the longer it will be before they can get back to governing.

ELEANOR CLIFT and BOB COHN
in Washington

New Questions About Political Tampering

IN THE FIRST YEAR OF THE Clinton administration, two federal agencies looked into the Whitewater affair. Both investigations got nowhere. Last week new information surfaced suggesting that some of the obstacles investigators encountered were political.

In late 1992, the Resolution Trust Corporation (RTC) sent the Justice Department a 21-page "criminal referral" on the collapse of Madison Guaranty Savings and Loan, the Arkansas thrift run by James McDougal, the Clintons' partner in Whitewater. The document recommended an investigation by Justice. It named Bill and Hillary Clinton as possible beneficiaries of alleged financial misdeeds by McDougal, but not as targets of the criminal investigation.

After Clinton took office, career officials at the Justice Department decided not to act on the referral. The RTC had a

reputation for bureaucratic fumbling and badly drafted referrals; that may explain the decision not to follow up. But last September, RTC investigators drafted another, broader referral, again naming the Clintons. By then, political appointees at the Treasury Department tightly controlled the leaderless RTC. According to agency sources, Roger Altman, the second in command at Treasury, sent word that he wanted to be informed about politically sensitive cases. Altman denied that last week. But Treasury sources conceded that at least five other top departmental officials rode herd on the RTC. Another, general counsel Jean Hanson, briefed the White House on the second criminal referral. A few weeks later, the chief RTC investigator, Jean Lewis, was abruptly taken off the case.

Another veteran investigator, Brian McCormally of the

Office of Thrift Supervision (OTS), also pushed unsuccessfully last year for an investigation of Madison. McCormally "was told an investigation of Madison was just politically too hot to handle, and was told not to press for one," a knowledgeable source close to the OTS told NEWSWEEK. Now special counsel Robert Fiske

is investigating, and some Clinton supporters have a vague sense of dread. "Bill and Hillary Clinton are hiding something," says an administration official who has been subpoenaed by Justice. "I don't know what it is, but how bad it is." All that seems clear now is that the initial investigations were either botched—or squelched.

MARK HOSENBALL
RICH THOMAS in Washington



Treasury rode herd on the RTC: Deputy Secretary Altman

(Continued from page 34)

owned by the McDougals and the Clintons—may have contributed to Madison's eventual failure. Congressional sources say Lewis encountered resistance from the RTC attorney reviewing the referral and that she believes it may have been the result of outside pressure. Sources say the new referral, passed to the Justice Department in September 1993, again mentions the Clintons as potential beneficiaries of McDougal's activities.

But sources say that the debate within the RTC became so heated that both Lewis and the agency attorney involved were removed from the case. Sources familiar with the RTC's Kansas City office say her reassignment came in November 1993. That would put it shortly after a series of White House contacts with Treasury Department officials regarding the Madison probe now under investigation by Fiske.

Right now, evidence of political interference is strictly circumstantial. The RTC turmoil may be attributable to honest disagreements among bureaucrats. If Leach doesn't deliver credible witness, it will only deepen voter suspicions that the whole affair is primarily partisan blood sport. The NEWSWEEK Poll shows that 64 percent of Americans believe that politics are driving Whitewater. Nearly three quarters think the White House's preoccupation with the case is diverting attention from important issues like health-care and welfare reform. "What scares me is that we're going to put all our hopes into destroying the president," says GOP polltaker Frank Luntz. "Republicans won't benefit unless they're seen as offering something better."

But the White House has a long way to go before it can get itself heard again. For the short term, the administration faces a seriously diminished capacity to pursue its agenda. Subpoenas, nightly news footage of senior officials marching to the grand jury room and the probability of congressional hearings all stand in the way. For too long, it regarded Whitewater as a minor irritant. Now it will pay the price for that shortsightedness.

BILL TURQUE with ELEANOR CLIFT, MARK HOSENBALL, BOB COHN and HOWARD FINEMAN in Washington and GINNY CARROLL in Little Rock



DAVID GERGEN: A disappointed quest for a policy role

RICK BLOOM—SABA

Where Did David Gergen Go Wrong?

Spin: A disappearing act on Whitewater

DAVID GERGEN WAS HIRED LAST SPRING to help Bill Clinton overcome the growing public impression that he was a bumbler. There was the controversy over gays in the military, the failed appointments and the infamous runway haircut. Gergen, a veteran of three GOP administrations and the architect of Ronald Reagan's media image, promised to improve relations with the press and to add luster to the public view of the president. But as the Clintons became mired in Whitewater and vulnerable to attacks on health-care reform, Gergen mysteriously disappeared from view. Regarded with suspicion by Clinton loyalists, he was squeezed out of the high command on both issues. He became such a marginal figure that one White House aide suggested stashing the garbage bags of subpoenaed Whitewater material in his office. He finally re-emerged last week to defend the Clintons on "Nightline." His performance won him a hug from Hillary and a standing ovation at a staff meeting.

he hoped to change that in the Clinton White House. But the author, Michael Kelly, questioned whether Gergen's *mea culpa* was just another form of spin. Gergen was devastated by the portrait of himself and he became even more determined to become a substantive player. "He wants to be Jim Baker," says a colleague. Baker, after all, rose from a White House staff position to become secretary of state.

It was impossible. Gergen wasn't taken seriously as a policymaker. Aides snicker over how hard he fought to be listed as a member of the official delegation—not a communications adviser—on the president's recent trip to Europe. After the Somalia debacle, Gergen, at the president's urging, sought a larger role in foreign affairs. National-security adviser Anthony Lake resisted, believing another voice would diminish his own. Gergen backed off. Lake jokingly rubbed his sweater sleeve against Gergen's arm last week and declared, "This is the only friction between us."

There was some tension after the arrival in December of New York lawyer Harold Ickes, a liberal Hillary ally. He and Gergen circled each other warily for weeks before they reached what Gergen calls "a level of understanding and collegiality." But younger White House aides see Gergen's journey of renewal as narcissistic "Davidism" and his West Wing office as a short stop on the way to a big job. Gergen says he'll stay through this year's legislative season and then reassess. He adds, partly in jest, "The best thing for me psychologically and physically would be to find a university with a good gym."

When Whitewater boiled over last week, Gergen volunteered for TV duty. His ability to offer reassurance about the Clintons reminded everyone—including himself—why he was there.

LEOPOLD KATZ

NEWSWEEK POLL

Who is most responsible for the problems the White House has had dealing with the Whitewater case?

- 14% Bill Clinton
- 12% Hillary Clinton
- 11% Administration aides
- 14% Partisan Republicans
- 25% The media

THE NEWSWEEK POLL
MARCH 11, 1994

TRB

FROM WASHINGTON

Altman is innocent

Pardon me for asking, but what exactly was wrong with those three meetings between Treasury and White House officials over Whitewater? President Clinton has conceded that "it would be better if the meetings ... had not occurred," which (God knows) is beyond dispute. The White House also seems to have decided, no doubt wisely, that there is nothing to be gained by even trying to defend the meetings' propriety. But the question remains whether there was anything actually improper about them, and the answer is far from obvious.

To be sure, the Whitewater saga stinks in many ways. The investigation may yet produce evidence of real wrongdoing by the First Lady or even the president himself. It is conceivable that conversations took place in these meetings that were illegal or unethical (Nussbaum to Altman: "Roger, how badly do you want to be treasury secretary...?"), though there is absolutely no evidence that they did. But the mere fact that these meetings occurred is what finally pushed the Whitewater story through some invisible media barrier into Watergate territory. And yet the media have been a bit casual about explaining what, if anything, was illegal or unethical about them.

The *Washington Post* editorialized that the meetings were "conduct most first-year law students would immediately recognize as improper"—then, a few days later, upped the ante to "improprieties a child of 4 could have figured out." I guess I'm a little slow. I guess I'm also "boneheaded" (*The New York Times*) for failing to see that such a "conclave" is "improper on its face."

It is not good enough to say, as some have, that the meetings were wrong because they created "an appearance of impropriety." That is a familiar cop-out in ethical debates. How such things appear, after all, is largely determined by the press coverage itself. To say that some official action may be portrayed as

ethically wrong because it appears to be wrong is circular reasoning. If the only thing wrong with these meetings is how they appeared, that is an ethical failure of the press, not of the Clinton administration. The job of journalists is to bring appearances in line with reality, not to bring reality in line with appearances.

A small box in the March 6 *New York Times*—the only serious effort I've seen to explain what was actually wrong with the meetings—cites two regulations of the Resolution Trust Corporation (the bank regulatory agency of which Deputy Treasury Secretary Roger Altman was acting head). "One requires that federal employees work on matters in which the government has an official interest." As a general principle, that is unobjectionable. But as a case against these meetings, it's a joke. Even if Whitewater was not a "matter of official interest," which is not at all clear, we surely are not having this enormous fuss over the possibility that Treasury officials were distracted from their official duties for an hour or two.

"The second" apposite regulation, according to the *Times*, "requires that officials act with complete impartiality. If, for instance, it is standard practice for regulators not to inform people when cases are referred for criminal inquiry, then it may have been improper for Treasury officials to have briefed officials representing the Clintons." Here we get to the heart of the matter. Did Clinton, as a result of these meetings, get some kind of unfair special treatment?

All these meetings were between government officials. The Clintonites claim—and there is no evidence to contradict them—that the purpose of these meetings was to help in the performance of official functions: dealing with press inquiries and so on. There are all sorts of perfectly legitimate reasons for why the White House might need to be aware of the status of criminal investigations. Did you know, for example—I didn't, until the other day—that the Justice Department routinely reviews the guest lists for presidential social functions and alerts the White House if one of the guests is about to be indicted? Perhaps that is improper, but it is traditional, and no one has ever raised a fuss about it.

The difference about these Whitewater meetings, of course, is that they involved matters in which Bill and Hillary Clinton, as private individuals, are entangled. Was President Clinton, by dint of his official position, gaining access to information about the status of

an investigation that Private Citizen Clinton would never have been entitled to? What if Bernard Nussbaum had been the Clintons' private defense lawyer and not White House counsel? Would these meetings then have been verboten? In fact, the notion that officials of federal agencies never meet with lawyers for potential subjects of their investigations, or tell them the status of such investigations, is simply mistaken.

I spoke with several lawyers who have worked on both sides of federal criminal investigations in the financial area. I put to them the circumstances of the most controversial Whitewater meeting: the September 28 briefing of Nussbaum by Treasury general counsel Jean Hanson. Would it be unthinkable for a lawyer for a federal agency to meet with the lawyer for a private individual, and to inform the private lawyer that the matter he was concerned about had been referred to the Justice Department for criminal proceedings and that his client was identified as a "potential beneficiary" but not an investigative target?

They all agreed that, far from unthinkable, such situations arise all the time. The document itself, called a "criminal referral,"—officially transferring the case from the agency to the Justice Department—is confidential. But investigators and prosecutors might have any number of reasons to hold a meeting and report the status of the case. It might be to start the process of settlement, or to hear the other side informally, or just to let someone know he's off the hook. Whatever. But there is certainly no hard-and-fast rule against such meetings. And the implication that these particular meetings were part of some cover-up is unsupported by either facts or logic.

Watergate comparisons are everywhere. *The Wall Street Journal* referred the other day—in the news columns, not on the editorial page!—to "a series of meetings that recall President Nixon's widely condemned meddling into the workings of independent agencies." Oh, please. Just one small corner of Watergate involved a direct effort by the president to punish critics in the media by having the Federal Communications Commission take away their licenses. (Watergate tapes, Nixon to John Dean: "The [Washington] Post is going to have damnable, damnable problems out of this one. They have a television station.")

Now that's what I call a cover-up.

MICHAEL KINSLEY



WHITE HOUSE WATCH

DRIPS

By Fred Barnes

For once Mack McLarty, the courtly White House chief of staff, was more impatient than President Clinton. He and Clinton discussed a replacement for Bernie Nussbaum on March 5, the day after Nussbaum was canned as White House counsel. The next morning, a Sunday, they talked again. McLarty wanted action. He called the president that afternoon and urged a decision—now. Twenty minutes later Clinton called back. He'd decided on Lloyd Cutler, the old Washington hand who had become close to White House officials, first as mentor to Zoe Baird, Clinton's failed nominee for attorney general, then as defender of the president on Whitewater. McLarty roused Cutler out of the Kennedy Center matinee of Verdi's *Un Ballo in Maschera*, an opera of political intrigue set in Boston, and arranged to drop by the lawyer's Georgetown home. Cutler was favorably inclined, so they drove to the White House at 7:30 p.m. to meet with Clinton. McLarty couldn't stay. He rushed off to dinner with Larry King of CNN. Cutler stayed behind, agreed to become special counsel and two days later began work.

This is known as the insider ploy. The idea is to quell a crisis by bringing on board a Washington veteran who knows the media and hobnobs with leaders of the opposition. The press will be reassured, the opposition quieted. If the insider brings along some clever plans, all the better. This is Cutler's second stint as White House savior. Jimmy Carter, in political trouble, summoned him in 1979. Ronald Reagan used the insider ploy as Iran-contra raged in 1987, replacing chief of staff Donald Regan with former Senate Majority Leader Howard Baker. Clinton used it last May, hiring David Gergen as counselor. The joke then was that the youthful White House staff needed someone old enough to buy beer.

The ploy usually works for a spell. But it's a bandage, not a cure. Cutler might attract the spotlight for a few days, taking it off Whitewater. He's more politically adroit than his predecessor, Nussbaum. And his presence in the Oval Office will make the president feel better. At the announcement of Cutler's hiring on March 8 (at age 76, he agreed to stay only 130 days), Clinton called him "a firm, uncompromising and steady hand." He made it sound like Cutler was his father, not his lawyer. Clinton already knew Cutler was supportive on Whitewater. After

Cutler had minimized the scandal in a January *Washington Post* op-ed piece, White House aides urged T.V. bookers to pit him against the president's Whitewater critics. Cutler told me at the time he hadn't authorized this.

Clinton's two Whitewater problems remain: the scandal itself and Hillary Rodham Clinton. The president is desperate to show that Whitewater isn't Watergate. "There is a huge difference here," he said on March 7. "No. 1: we're not covering up or anything. ... No. 2: no one has accused me of any abuse of authority in office. ... No. 3: there is no credible evidence and no credible charge that I violated any criminal or civil federal law eight or nine years ago when most of these facts that are being bandied around are discussed." Maybe not, but Whitewater has the trappings of Watergate: special prosecutor, shredding of documents, senior aides thrown overboard, appearance of a cover-up.

To refute the Watergate analogy, the White House mobilized the senior staff. With a negative press and hostile Republicans, a senior official says, "It would have been an enormous mistake for the administration to be left without a spokesman." No chance of that. Clinton aides dominated Sunday talk shows, the Monday morning news programs, even "Nightline" and "Larry King Live." Vice President Al Gore, on "Meet the Press," suggested Clinton is delighted with special prosecutor Robert Fiske, who bombed the White House with subpoenas. "There's a great deal of respect for Mr.

Fiske and a willingness—indeed, an eagerness—on the part of everyone in the White House to comply fully ... and completely."

What Gore implied—Clinton is the opposite of President Nixon, who fought Watergate prosecutors—was made explicit by Gergen, who worked in the Nixon White House. Then, "we also made the terrible, terrible mistake of refusing to comply with various requests from legal authorities," he said. "In this case President Clinton has now launched what I think is a very effective and aggressive effort to comply with the special counsel." Gergen deftly disassociated himself from the true believers. "We had a Whitewater team to deal with this. I was not part of that team." Gore did some distancing, too, saying he hasn't grilled the Clintons on Whitewater. "I will readily acknowledge to you that I have not made it a practice to try to gather all the details about this matter."

Stephanopoulos reduced the scandal from Watergate proportions to a cheap partisan spat. On "Today," he declared Republicans "can't run on the economy. They can't run on health care. ... They can't run on crime. So they're trying to exploit this issue." Political adviser Paul Begala's assignment wasn't clear. "The Clintons didn't have anything to do with the savings and loan that went under," he told Larry King. (In truth, Hillary Rodham Clinton was the lawyer for the failed S&L, Madison Guaranty.) "They were just passive investors." (Rodham Clinton built and sold a Whitewater model home.) On the suicide of deputy White House counsel Vince Foster, Begala noted: "To the extent you can ever know the



heart and soul and mind of a troubled person, you can know that Whitewater was not on his mind at the time." (Foster was working on Whitewater the day of his death.)

The Hillary problem is greater than the White House lets on. Clinton responded with a non-denial denial when asked on March 7 about a *Washington Times* report that Rodham Clinton had ordered the shredding of documents in the Arkansas governor's mansion in 1992. The shredding came after *The New York Times* published the first Whitewater exposé. "Law firms dispose of their documents all the time," the president explained on March 7. That's true, but these weren't documents at the Rose Law Firm. They were documents kept privately at home by Rodham Clinton. The newspaper said its three sources couldn't say if the documents were Whitewater-related. If they were and the shredding tale is true, she's in trouble.

The president gave his wife a stirring defense, but it wasn't enough. She is embattled. The focus on Whitewater, she told *Elle* magazine, "is a well-organized and well-financed attempt to undermine my husband, and by extension, myself." That's paranoid. Reagan once argued his enemies zinged his wife, Nancy, when he was their real target. But Rodham Clinton asserted the opposite: enemies were trying to get at her through him. That's a new one.

It's also poor damage control. The Clintons' own master of damage control, Gergen, plugged Rodham Clinton ("an honest woman") on "Nightline." But he and the president's wife have rocky relations, having disagreed on health care, naming a special prosecutor, etc. "She and I can sometimes go at it," Gergen said. Her allies hint Gergen is reluctant to defend her and the president aggressively on Whitewater. They're right about that. But who can blame him? •

Rick Ames's connections.

ON THE TEAM

By Edward Jay Epstein

In considering Aldrich Ames's arrest as an alleged Soviet mole—and the serious questions it raises about the CIA's past and future as an intelligence service—I thought back to what James Jesus Angleton, the agency's former chief of counterintelligence, once told me: "Think of espionage service as a highly specialized employment service." Recruiters, he said, aim to find foreign government officials with legitimate access to secret documents. Up to a point, like conventional corporate headhunters, they consult biographical files to find a candidate to fill an opening; they then

observe his work (or even interview him) and make him an offer to change his loyalties that he will have difficulty refusing. But unlike their counterparts in the private sector, these recruiters do not ask a candidate to give up his old job. Instead, they insist that he maintain two positions simultaneously: one for his own government, and one for his new, secret employer. If the recruit does not have access to the needed material, his secret employer takes on the task of managing his career, providing him with "successes" in the form of cases and information so that he can rise to a level where he can be useful. As the CIA's Soviet bloc division noted in 1973 about its capabilities at career-managing a potential mole recruited at a foreign embassy: "We are prepared to guide and assist him in his career, running him in place until he develops the access we need."

Yet while CIA officials have the utmost confidence in their ability to successfully mount such grand plots against Russia, many of these same officials have been unable to accept that the KGB has a similar capacity for conspiracy. These officials placed great faith in the CIA's lie-detector tests and other routine security procedures and derided those who were skeptical of these defenses—notably Angleton and his counterintelligence staff—as "paranoid," indulging in "sick-think" or otherwise out of touch with reality. The Ames case demonstrates that such faith was misplaced.

The KGB clearly had the ability to compromise, recruit, career-manage, service and utilize Ames for an extensive period of time. According to FBI affidavits, Ames had been in illicit liaison with the Soviet intelligence service since at least 1984—and, according to a former CIA counterintelligence executive, he may have been recruited much earlier. Moreover, he had been, while a Soviet mole, head of the CIA's Soviet counterintelligence unit. From this vantage point he could vet the secret information coming into the CIA from its own spies in Russia and tell the KGB what the CIA was learning.

The implications of this case are far-reaching. To begin with, it casts new light on the intellectual provenance of the information supplied to the media by retired KGB officers. For example, Oleg Kalugin, who served as a major-general in the KGB until 1987, was certainly in a position to know the KGB's success in penetrating the CIA. Yet he stated categorically in 1992 that "no responsible politician or government employee was ever recruited by the Soviets in Europe or America in the last twenty years." Kalugin added that the KGB had so little hard currency at its disposal that it had to open up its archives to the foreign media and sell documents to pay its operating expenses abroad. While this picture of KGB ineptitude and poverty has been welcome news inside the CIA, it hardly squared with the millions the KGB was paying to Ames to get leverage over CIA counterintelligence.

More important, Ames's work for the KGB calls into serious question the validity of the secret intelligence derived from Russia in the mid and late 1980s. Ames is

NOTEBOOK

WISE MEN CAN JUMP: "If only Lloyd Cutler were alive. Wait a minute, he is alive. Get him on the phone." It's easy to fantasize about the internal White House discussions that led to the hiring of Cutler to replace White House counsel Bernard Nussbaum. But one also wonders about the historical memory of the aides who recommended him. As Washington's premier "liberal" lawyer, Cutler's specialty has been to get large corporations out from under the burden of regulations proposed by other liberal lawyers. (For starters, he helped American car manufacturers dilute auto safety rules.) Cutler is not a crude influence-peddler along the lines of, say, Tommy Boggs; he prefers to snow opponents with fancy legal arguments. But as a hired gun who has made a fortune off the liberal administrative state, he is hardly a moral beacon in the Whitewater fog. Perhaps more important, from Clinton's point of view, Cutler (like Nussbaum) is a man with a political tin ear. In 1980, during his last stint as White House counselor, he urged Jimmy Carter (then facing Edward Kennedy's primary challenge) to use the dedication of the JFK presidential library as the occasion for a lawyerly, point-by-point critique of Kennedy's arms control record. (Carter ignored him and delivered an encomium to JFK, which was a huge success.) In 1987 Cutler advised Robert Bork to abandon his long-held conservative convictions in order to save his Supreme Court nomination, an implausible move that backfired. Cutler also plotted and defended the wildly unpopular congressional pay raise of 1989 (insisting that members of Congress would still be underpaid compared with major league baseball players—an argument only a \$500,000-per-year lawyer could love). We could go on and on. Cutler is a very smart man, and a very good lawyer. But if Clinton thinks he has acquired a political miracle-worker, he should think again.



MR. STAPLES'S PLANET: "I don't think Bellow's work is sufficiently tainted with anti-black attitudes that it poisons his whole work." Tainted, we are to infer, but not sufficiently tainted. This, according to *The Boston Globe* a few weeks ago, was how Cambridge novelist Paul Buittenweiser explained his decision not to withdraw an invitation to Saul Bellow to appear as a guest at a Boston Library dinner. In his own eyes, no doubt, Buittenweiser is a hero of political incorrectness; but with friends like this, a writer needs no enemies. The political corrector, in this case, was Brent Staples, whose recent memoir, *Parallel Time*,

recounts his years as a graduate student at the University of Chicago, where, among other distinctions, he stalked Saul Bellow. This from a writer who resents the suspicion of other people on the street that he is stalking them. "What would I do when I caught him?" writes Staples, with not quite enough irony. "Perhaps I'd lift him bodily and pin him against a wall. Perhaps I'd corner him on the stairs and

take up questions about 'pork chops' and 'crazy buffaloes' and barbarous black pickpockets. I wanted to trophy his fear. I stalked Dorchester Avenue for months before I caught him out..." Those "pork chops" and "crazy buffaloes" come from *Humboldt's Gift*, where they are the awful appellations for black people uttered by a tawdry little hood named Rinaldo. Not Bellow; Rinaldo. No, Staples doesn't come right out and call Bellow a racist, but when *The New York Times Magazine* excerpted his book the damage was done. Staples objects that Bellow's novels include depictions of black male sexuality and violence; and he expresses this objection in a chapter that is itself riddled with black pimps and black prostitutes, compared to whom Bellow's little menaces are quaint. "You had to protect yourself in Bellow's presence," writes Staples. In a city like Chicago it is grotesque to put a member of the Committee on Social Thought high on the list of local dangers. Knowledge is supposed to be pursued. It is not supposed to be stalked. •

MARCH 28, 1994

SPEAK, HILLARY

Among the president's high command, the realization has slowly set in: they have taken what was a minor irritant and turned it into their own national nightmare.

—The Washington Post

Just when a Democrat seems on the verge of a successful, productive presidency, the Whitewater affair blossoms. Can this really be a coincidence? The answer is yes, it can. Whitewater is not simply what Hillary Rodham Clinton recently told *Elle* magazine she thinks it is, namely, a "well-financed attempt to undermine my husband ... by people who have a different political agenda." Republicans didn't make the Clintons involve themselves with a sleazy S&L operator. They didn't force Rodham Clinton to make money by representing clients before Arkansas state officials who owed their appointments to her husband. (Or was it to Rodham Clinton herself? Who knows?) The idea that this whole business is just partisan politics is one of the comforting defenses Clinton's supporters will have to abandon if they want to cool the capital's feverish anticipation of scandal.

There are other false comforts. The most popular is the notion that "the cover-up is worse than the crime." True, press coverage of Whitewater has been driven by a sort of Tenth Planet theory of investigative journalism. Just as astronomers detect the presence of unknown planets by observing their gravitational effect on surrounding orbs, so reporters have divined a major scandal by observing the surprisingly fierce protective reaction of the Clintons. But this astronomical method has its virtues. The Clintons' behavior *may* simply be the result of an irrational inclination to secrecy, or foolishly zealous lawyering, or staff incompetence. But maybe not. Sometimes guilty behavior is the product of guilt. We won't know until the facts come out.

It's also true, as the Clintons' defenders note, that even at their worst, the Whitewater facts won't amount to anything impeachable, because (unlike Watergate) they mainly concern actions the president took before he became president. But, at their worst, those actions might be pretty sleazy—in effect, the sale of a governor's power and influence for personal and political profit. Sleazy enough to cripple Clinton's presidency? We doubt it. But, again, nobody can know until the facts come out.

So the facts must come out. But the current strategy of slow-motion revelation—"let the special counsel do its job"—hardly serves the interests of the administration. It

is not a formula for "putting Whitewater behind us." It is a formula for years of distraction, with periodic orgies of subpoena-compliance as the press waits eagerly for the results of the investigation by Robert Fiske.

There is a simpler and swifter way to get the facts out. There is no need to wait for Fiske. There is no need for congressional hearings. The Clintons can take a few days to meet with their lawyers and gather what evidence they can. Then they can hold a press conference. Let reporters ask all the questions they want. Answer them. And then move on. Indeed, the press conference solution is so obvious that the Clintons' failure to hold one should itself be factored into the Tenth Planet theory.

A press conference featuring *both* Clintons would also help resolve the troubling ambiguity in the status of the First Lady. Until now she has tried to have it both ways, playing a powerful, official public role but retreating behind a traditional familial veil of privacy whenever the propriety of her actions is challenged. It is not anti-feminist to suggest that if Rodham Clinton wants the power of a full-fledged politician she should behave like a normal politician, which means being accountable in public (not in *Elle*) if your integrity is put in doubt. When vice presidential candidate Geraldine Ferraro's integrity was challenged during the 1984 campaign, she faced the charges in a marathon press conference. Is Rodham Clinton less capable than Ferraro?

Actually, there is a better precedent than the Ferraro press conference. It is the press conference with which President Jimmy Carter dispatched the "Billygate" scandal in 1980. The breathless *Washington Post* quote at the beginning of this editorial was not written about Whitewater. It was written fourteen years ago, about Carter's troubles with his brother. Billygate, too, featured a febrile journalistic atmosphere with a lot of smoke, but not much fire. After a month of piecemeal revelations, Carter finally published a 13,000-word report (carefully labeled as "not definitive"). He answered press questions for almost an hour. And the scandal, as a *Post* editor put it at the time, went "poof."

By laying out the facts themselves, the Clintons may not be able to make Whitewater go "poof." But any embarrassments they would reveal can't be large enough to justify prolonging the administration's agony. Can they? •



TRB

FROM WASHINGTON

Altman is innocent

Pardon me for asking, but what exactly was wrong with those three meetings between Treasury and White House officials over Whitewater? President Clinton has conceded that "it would be better if the meetings ... had not occurred," which (God knows) is beyond dispute. The White House also seems to have decided, no doubt wisely, that there is nothing to be gained by even trying to defend the meetings' propriety. But the question remains whether there was anything actually improper about them, and the answer is far from obvious.

To be sure, the Whitewater saga stinks in many ways. The investigation may yet produce evidence of real wrongdoing by the First Lady or even the president himself. It is conceivable that conversations took place in these meetings that were illegal or unethical (Nussbaum to Altman: "Roger, how badly do you want to be treasury secretary...?"), though there is absolutely no evidence that they did. But the mere fact that these meetings occurred is what finally pushed the Whitewater story through some invisible media barrier into Watergate territory. And yet the media have been a bit casual about explaining what, if anything, was illegal or unethical about them.

The *Washington Post* editorialized that the meetings were "conduct most first-year law students would immediately recognize as improper"—then, a few days later, upped the ante to "improprieties a child of 4 could have figured out." I guess I'm a little slow. I guess I'm also "boneheaded" (*The New York Times*) for failing to see that such a "conclave" is "improper on its face."

It is not good enough to say, as some have, that the meetings were wrong because they created "an appearance of impropriety." That is a familiar cop-out in ethical debates. How such things appear, after all, is largely determined by the press coverage itself. To say that some official action may be portrayed as

ethically wrong because it appears to be wrong is circular reasoning. If the only thing wrong with these meetings is how they appeared, that is an ethical failure of the press, not of the Clinton administration. The job of journalists is to bring appearances in line with reality, not to bring reality in line with appearances.

A small box in the March 6 *New York Times*—the only serious effort I've seen to explain what was actually wrong with the meetings—cites two regulations of the Resolution Trust Corporation (the bank regulatory agency of which Deputy Treasury Secretary Roger Altman was acting head). "One requires that federal employees work on matters in which the government has an official interest." As a general principle, that is unobjectionable. But as a case against these meetings, it's a joke. Even if Whitewater was not a "matter of official interest," which is not at all clear, we surely are not having this enormous fuss over the possibility that Treasury officials were distracted from their official duties for an hour or two.

"The second" apposite regulation, according to the *Times*, "requires that officials act with complete impartiality. If, for instance, it is standard practice for regulators not to inform people when cases are referred for criminal inquiry, then it may have been improper for Treasury officials to have briefed officials representing the Clintons." Here we get to the heart of the matter. Did Clinton, as a result of these meetings, get some kind of unfair special treatment?

All these meetings were between government officials. The Clintonites claim—and there is no evidence to contradict them—that the purpose of these meetings was to help in the performance of official functions: dealing with press inquiries and so on. There are all sorts of perfectly legitimate reasons for why the White House might need to be aware of the status of criminal investigations. Did you know, for example—I didn't, until the other day—that the Justice Department routinely reviews the guest lists for presidential social functions and alerts the White House if one of the guests is about to be indicted? Perhaps that is improper, but it is traditional, and no one has ever raised a fuss about it.

The difference about these Whitewater meetings, of course, is that they involved matters in which Bill and Hillary Clinton, as private individuals, are entangled. Was President Clinton, by dint of his official position, gaining access to information about the status of

an investigation that Private Citizen Clinton would never have been entitled to? What if Bernard Nussbaum had been the Clintons' private defense lawyer and not White House counsel? Would these meetings then have been verboten? In fact, the notion that officials of federal agencies never meet with lawyers for potential subjects of their investigations, or tell them the status of such investigations, is simply mistaken.

I spoke with several lawyers who have worked on both sides of federal criminal investigations in the financial area. I put to them the circumstances of the most controversial Whitewater meeting: the September 28 briefing of Nussbaum by Treasury general counsel Jean Hanson. Would it be unthinkable for a lawyer for a federal agency to meet with the lawyer for a private individual, and to inform the private lawyer that the matter he was concerned about had been referred to the Justice Department for criminal proceedings and that his client was identified as a "potential beneficiary" but not an investigative target?

They all agreed that, far from unthinkable, such situations arise all the time. The document itself, called a "criminal referral,"—officially transferring the case from the agency to the Justice Department—is confidential. But investigators and prosecutors might have any number of reasons to hold a meeting and report the status of the case. It might be to start the process of settlement, or to hear the other side informally, or just to let someone know he's off the hook. Whatever. But there is certainly no hard-and-fast rule against such meetings. And the implication that these particular meetings were part of some cover-up is unsupported by either facts or logic.

Watergate comparisons are everywhere. *The Wall Street Journal* referred the other day—in the news columns, not on the editorial page!—to "a series of meetings that recall President Nixon's widely condemned meddling into the workings of independent agencies." Oh, please. Just one small corner of Watergate involved a direct effort by the president to punish critics in the media by having the Federal Communications Commission take away their licenses. (Watergate tapes, Nixon to John Dean: "The [Washington] Post is going to have damnable, damnable problems out of this one. They have a television station.")

Now that's what I call a cover-up.

MICHAEL KINSLEY



The Unsinkable



HILLARY CLINTON: *The First Lady finally broke her silence*



ROGER ALTMAN: *Treasury deputy sees cabinet hopes slip*



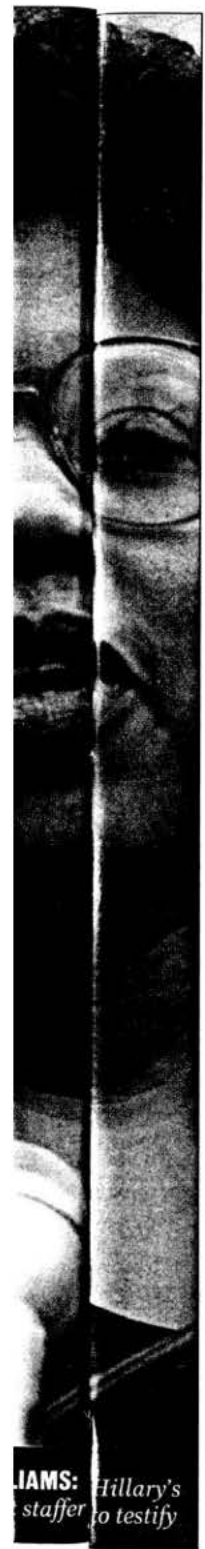
ROBERT FISKE: *His 10 quick subpoenas set a grim tone*



MARGARET WILLIAMS: *aide was the first st*

able Scandal

W H I T E W A T E R W O E S



BILL CLINTON: He rallied the troops with children's verse

EVEN AFTER THE MOST humiliating stretch of days in the Clinton presidency—after the parade of subpoenas, the forced resignation of the White House counsel, the Republican charges of cover-up, the spectacle of aides marching into the federal courthouse to deliver grand jury testimony—the White House still simmered in an angry state of denial for much of last week. The president delivered a podium-thumping defense of his First Lady (“I have never known a person with a stronger sense of right and wrong . . .”) and then tried to soothe an East Room assemblage of aides with an excerpt of children’s poetry from a book he once read to Chelsea.

The administration offered up a series of what it hoped would be agenda-shifting moves. Lloyd Cutler, 76-year-old Washington wise man and former Carter White House counsel, returned to his old post promising cooperation and disclosure on all fronts. Message merchant David Gergen, who had been oddly absent as Whitewater gained momentum (page 36), materialized on television to concede that matters could have been handled more efficiently but that the worst was over. Clinton also tried to turn the page. “Just tell them what happened,” he said, when asked what advice he gave to aides preparing to appear before the grand jury. “Answer the questions and go on. Be very open.”

But the initiatives all seemed to evaporate in a political environment edged with suspicion and paranoia. A rumor about the suicide of deputy White House counsel Vincent Foster, carried in an obscure newsletter, was picked up by Rush Limbaugh and sent the stock market tumbling (page 32). A six-inch, 1,000-page pile of White House documents, delivered to special counsel Robert Fiske under subpoena, only raised the possibility that numerous administration officials may have been inappropriately involved in a federal investigation

of the failed Arkansas S&L. “We have done everything possible,” complained one frustrated aide. “We agreed to a special counsel. We spent two days going through our trash. We submitted our top aides to the grand jury. What is there left for us to do?”

By the weekend, a counteroffensive began to emerge. It was led by the White House’s most tenacious opponent of disclosure on Whitewater, Hillary Rodham Clinton. In an interview with *NEWSWEEK* (page 35), the First Lady offered a disciplined and high-minded reprise of the administration’s line on Whitewater: that it was largely the product of an overcharged press, the culture

of Washington and political enemies bent on distracting the administration from its agenda. But she also admitted that “I made mistakes,” and conceded that her own excessive concern with secrecy ended up fueling speculation about wrongdoing. “I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all,” she said. In the same vein, she acknowledged that the administration had erred in not being more forthcoming after the suicide of Foster, her friend and former law partner. Mrs. Clinton said

that in the end, Foster’s demise will be only the inexplicable tragedy of a man who took his own life. “When all the wild stories and rumors and innuendo are finished, we are going to be left as we were with Edwin Arlington Robinson’s poem ‘Richard Cory,’ with an unanswered, very tragic question,” she said.

On the substance of the Whitewater affair, however, Mrs. Clinton was unyielding in her position that neither she nor her husband is guilty of wrongdoing. Her only real misstep, she said, was a bad business decision made 16 years ago—investing in the ill-fated northern Arkansas vacation-home development. If she had it to do again, she said, “I never would have participated in the investment in the first place.”

The First Lady’s new engagement with the press, which probably will include a

**A besieged
White
House
moves
from
denial to
counter-
offensive**

LIAMS: Hillary's staffer to testify

prime-time television appearance this week, is the White House's most dramatic signal yet that problems spawned by Whitewater have become impossible to ignore. There was mounting evidence last week that the affair is beginning to harm the administration. A NEWSWEEK Poll shows that only four in 10 Americans have a favorable opinion of either Bill or Hillary Clinton. A slim majority (52 percent) believe that the White House is concealing information that could be damaging to the Clintons.

On Capitol Hill, the Republicans labored overtime to deepen voter suspicions about Whitewater. "What did the president know, and when did Hillary tell him?" demanded New York Sen. Al D'Amato, whose own shaky ethical background—he was nearly ruined in the HUD scandals of several years ago—made him a dubious standard-bearer for the party's Whitewater crusade. The Republicans, belatedly realizing their tactical error, changed players. By the end of the week, Senate GOP leader Bob Dole had pushed Sen. William Cohen of Maine, clean-cut and press-friendly, out front.

On the House side, a "theme team" of Republicans, led by red-hot polemicists like Rep. Robert Dornan, is mounting a daily barrage of charges and innuendo amplified by the conservative talk-radio circuit. With the 1994 midterm election cycle underway, the GOP's House and Senate campaign committees are turning Whitewater into a centerpiece of their fund-raising drives. "There's no good news in Whitewater for the Democrats," says political analyst Charles Cook. One GOP gambit last week fell flat. Eighty-one Republican House members charged that Mrs. Clinton attempted to manipulate the value of health-care stocks while she chaired the presidential commission on health-care reform. The members' principal piece of evidence is Mrs. Clinton's holdings in a Little Rock investment partnership. They alleged that James McDougal and the First Lady benefited from sensitive financial information about the portfolio. But William Smith, the president of Smith Capital Management, said that McDougal had no interest in the partnership. "I've had zero contact with the McDougals. I've seen them on

NEWSWEEK POLL

Is the Clinton administration knowingly covering up information about Whitewater that could be damaging to the president or Hillary Clinton?

52% Covering up
29% Not covering up

THE NEWSWEEK POLL,
MARCH 11, 1994

dence is Mrs. Clinton's holdings in a Little Rock investment partnership. They alleged that James McDougal and the First Lady benefited from sensitive financial information about the portfolio. But William Smith, the president of Smith Capital Management, said that McDougal had no interest in the partnership. "I've had zero contact with the McDougals. I've seen them on

Vince Foster The Rumor

Media: From innuendo to partisan gibes to outright fantasy

YOU CAN'T BELIEVE EVERYTHING you read about Vince Foster. In some cases, you can't believe any of it. Last week rumors swirled from Washington to Wall Street and back again about the 1993 suicide of Bill and Hillary Clinton's White House lawyer. The tabloid New York Post claimed that after Foster's death, administration officials "frantically scrambled" to remove from his office safe a previously unreported set of files, some of them related to the Whitewater affair. A financial newsletter published an even more sensational—and equally unsubstantiated—report that Foster's body had been moved from an apartment in Virginia to the suburban park where it was found. On his radio show, conservative blunderbuss Rush Limbaugh embellished that report just a bit; he said the newsletter "claims that Vince Foster was murdered in an apartment owned by Hillary Clinton."

Foster's friends swatted down the rumors as fast as they could. One of his in-laws begged reporters to "back off. Get out of the zoo." But that didn't stop a flow of lip-smacking stories that left the White House on edge, and even unsettled the financial markets. Last Thursday, after Limbaugh's broadcast, stock and bond prices tumbled—the Dow dropped nearly 23 points—largely because of worries about Whitewater. Elaine Garzarelli, the highly regarded Lehman Brothers market analyst who predicted the 1987 crash, said that European traders were particularly spooked by the Foster case. "They were afraid Hillary Clinton was involved in a murder," she said. "They hate that."

No, Hillary Clinton was not involved in a murder. In fact, there's still no credible evidence that Foster's death was anything but the depression-induced suicide that his family believes it to have been. Then why all the garish speculation? Partly because of the clumsy behavior of Foster's boss, former presidential counsel Bernard Nussbaum, and other White House staffers immediately after the suicide: leaving his



LLOYD CUTLER: Seeking a 'Cutler type,' Clinton got the man himself

LARRY DOWNING—NEWSWEEK



ALFONSE D'AMATO: He's seen ethics scandals from both sides now

WALLY McNAMEE FOR NEWSWEEK

Foster's Suicide: The Mill Churns

office unsealed and spirited documents away. Partly because of the enigmatic note that Foster left behind—unsigned, addressed to no one, torn into pieces—lamenting his own “mistakes” and the poisonous atmosphere of Washington, where “ruining people is considered sport.” Partly because the Whitewater affair, one of the items on his desk, has resurged so dramatically. And partly because many people in the news media simply won't let Foster rest.

Some of the stories are nothing more than the cut and thrust of responsible news coverage. But all along, others have seemed determinedly partisan. There is continued grumbling from The Wall Street Journal editorial page, whose stinging criticism apparently contributed to Foster's depression (“WSJ editors lie without consequence,” he complained in his note). There's a steady stream of innuendo from conservative New York Times columnist William Safire, who implied at one point that “intelligence matters” might have had something to do with the suicide. And on another level entirely, there is the florid hype and fantasy of the tabloids, designed more to entertain than inform. Some of the most raucous of those excesses have come from overseas. In Britain, Rupert Murdoch's Sun claimed, three days after the suicide, that Foster had a “deep personal friendship” with Hillary Clinton.

Blood loss: Last week one of the more overwrought American tabloids, the New York Post, charged that investigators “never took a crucial crime-scene photo of Vincent Foster's body before it was moved” out of the park where it had been discovered. The tabloid, which has begun to put quotation marks around the word “suicide” in stories about Foster, also asserted that “little blood loss” was evident at the scene—which could be taken as a sign that the fatal shot was fired into Foster's head somewhere else.

Partisan, if not downright malicious, speculation that the



DOUBTS RAISED OVER FOSTER'S 'SUICIDE'

■ Why was he still holding the gun?
■ Why so little blood?



THE FOSTERS:
Vince and
Lisa before the
election, in
a strident
headline,
holding the
fatal
weapon in a
picture
shown by ABC

death might not have been suicide spread like a bad odor. Roger Ailes, the former Republican campaign consultant who is now president of the CNBC cable TV network, suggested in a radio interview with Don Imus that Foster's death could have been murder. Right-wing televangelist Pat Robertson devoted a segment of his “700 Club” show to the subject. “Suicide or murder? That's the ominous question surfacing in the Whitewater swell of controversy concerning Vincent Foster's mysterious death,” he intoned.

Another major source of the rumors was conservative activist Floyd Brown and his Citizens United group, which feeds information to the news media and some Republicans. Brown employs a full-time investigator named David Bossie to dig up dirt on Clinton. Last week Brown claimed to have “new clues that suggest Foster did not commit suicide.”

But the foul-play stories didn't stand up. Last Friday, ABC News, which apparently had been fed by the administration, said it had inspected a gruesome set of crime-scene

photographs taken by investigators. It said the “grim and graphic” pictures—most of which were not shown on the air—dispelled speculation that there was little blood around the body. A close-up of Foster's hand showed his thumb still resting on the trigger of the revolver that had fired into his mouth, with what ABC said were powder burns visible on the hand. The network said it had seen a medical examiner's report in which “the burns and other gunpowder residue are listed as primary evidence that Foster shot himself.”

A ‘hideaway’? The stories that Foster had a “safe house” in Virginia seemed even thinner. On Wednesday, the Johnson-Smick report, an obscure financial newsletter with ties to the Republican Party, said the office of Sen. Daniel Patrick Moynihan was “putting the word out that Foster in fact committed suicide in a private apartment in Virginia.” Moynihan's office la-

beled the report “breathtakingly untrue.” Then the New York Post claimed that Foster had shared a “secret apartment hideaway” in Virginia with other Clinton insiders. But a rival tabloid, the New York Daily News, which appears to be receiving leaks bearing out the administration's version of events, said Foster only considered renting a Virginia apartment when he first came to Washington; instead, he stayed with relatives until his family arrived.

Still, legitimate questions about Foster's death remain unanswered. Assuming he did kill himself, why did he do it? It wasn't clear that the note he left behind was meant to be an explanation. If his suicide was an act of private despair, why did the White House urgently remove documents from his office—and then accept the scrutiny of an independent counsel, rather than make the papers public? Exactly what personal business was Vince Foster doing for the Clintons at the time of his death? Why weren't police and medical reports on his death made public long ago? The administration isn't answering any of those questions in public. And as long as it hunkers down behind its stone wall, the rumor-mongers are free to exercise and exploit their lurid imaginations.

RUSSELL WATSON with
MARK HOSENBALL in Washington

NEWSWEEK POLL

Regarding the death of White House aide Vincent Foster, do you think:

11% It was a suicide for reasons that have been pretty well explained?

47% It was a suicide for reasons still not fully explained?

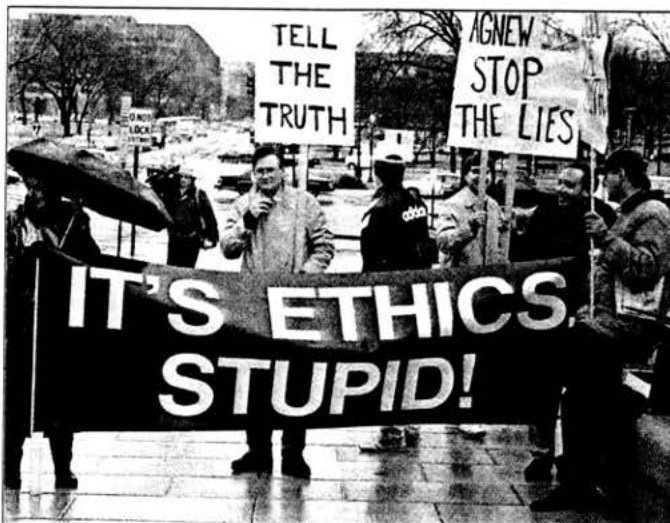
15% It was not a suicide?

FOR THIS NEWSWEEK POLL, PRINCETON SURVEY RESEARCH ASSOCIATES INTERVIEWED 604 ADULTS BY TELEPHONE MARCH 11, 1994. THE MARGIN OF ERROR IS +/- 5 PERCENTAGE POINTS. SOME RESPONSES NOT SHOWN. THE NEWSWEEK POLL. © 1994 BY NEWSWEEK, INC.

TV, but that's it." He added that the Clintons stopped receiving information on the partnership after March 1992. Their assets have since been placed in a blind trust. Smith, a Republican, is angry at what he says is a reckless partisan charge. "Here we have 81 U.S. representatives. They represent us. They're supposed to have some sense of justice," he said. "But they made not one phone call to check and see if their information might not be false."

Meanwhile, the White House still faces the inevitable prospect of congressional hearings on Whitewater. The NEWSWEEK Poll shows that a small majority of the public—52 percent—would like to see them. Fiske secured a partial victory last week, when Senate GOP leaders agreed to hold off until after June 1, giving him time to wrap up at least the White House phase of his investigation. But the administration faces the immediate problem posed by the House Banking Committee, where Republicans want to turn next week's routine hearing on savings and loan regulation into a Whitewater forum. The panel's ranking minority member, Rep. Jim Leach, released a list of 40 potential witnesses that reads like a who's who of Whitewater, from James and Susan McDougal to a Rose Law Firm courier who alleged last week that documents belonging to Vincent Foster were destroyed after Fiske had announced that he would be reviewing Foster's death.

Leach will face a fight from Democratic Banking chairman Henry Gonzalez, who will attempt to bar Whitewater questions. But if the hearing does come off, it could raise new questions about political interference in the federal investigation of Madison Guaranty. Leach charged last week that investigators in the Resolution Trust Corporation (RTC) were "gagged and possibly coerced" by agency lawyers who wanted to delete mention of the Clintons from documents recommending the Madison case to the Justice Department for possible criminal action. Leach refused to elaborate. But NEWSWEEK has learned that Jean Lewis, a criminal investigator in the RTC's Kansas City,



THE POLITICAL TOLL: Partisan critics took on a more strident tone, and some protesters gathered in Washington

CHARLES TASNADI—AP

Mo., field office, is expected to offer detailed testimony about her disputes with agency officials.

Lewis, who would not return phone calls last week, is a key figure in the Madison investigation. The story begins in 1990, when McDougal was acquitted on federal bank-fraud charges that grew out of Madison's 1989 failure. At that point the RTC—created by the Bush administration to re-

cover federally insured deposits lost by insolvent S&Ls—had virtually written off any further criminal investigation of Madison. But in March 1992, The New York Times published its account of McDougal's relationship with the Clintons, which included the ill-fated Whitewater partnership. The story's implication was that McDougal had offered the politically powerful couple a sweetheart land deal in exchange for favorable regulatory treatment for his banking interests. The RTC decided to have another look, and put Lewis in charge of the renewed investigation.

By the summer of 1992, according to sources, the RTC's Kansas City office had compiled a 21-page report targeting McDougal and his wife, Susan, for criminal investigation. Agency sources say that the Clintons were not named as investigative targets, but were nevertheless mentioned as potential beneficiaries of possible illegal acts by the McDougals, including the draining of Madison accounts. A summary of the report reached top officials at the Justice Department in early October 1992, but the Bush administration—already under fire for charges that State Department officials had tampered with Clinton's passport file—elected to ignore a matter bound to cause more trouble on the eve of a presidential election.

The case sat in the Justice Department's criminal division through the transition to the Clinton administration. In March 1993, attorneys concluded that the matter did not warrant investigation, but left the final decision to federal prosecutors in Little Rock, who quickly concurred. But it was several months before the RTC investigators in Kansas City learned of Justice's decision to bounce the referral. In the interim, an RTC source says, Lewis and others continued to gather information for a new, expanded criminal referral.

This time, according to congressional and RTC sources, Lewis had collected information suggesting that the Whitewater land venture—co-

(Continued on page 36)

WHITWATER METER

This week, NEWSWEEK installs a meter to help gauge Whitewater rushing by. What looks trivial now may look criminal later—and vice versa:



SHREDDING: Shredding at law firms is routine. And the Rose Law Firm shredders say they saw nothing about Whitewater in the old documents they say belonged to Vincent Foster. Plus, it seems unlikely that in a genuine cover-up a 20-year-old courier would be enlisted to destroy evidence. But given Foster's suicide, why were any of his files destroyed? Anonymous sources claim that Hillary Clinton herself ordered shredding in 1992. If she did, the meter will move.



RTC BRIEFINGS: Two briefings were merely improper; one looks like something worse. On Sept. 29, 1993, Treasury general counsel Jean Hanson told White House counsel Bernard Nussbaum that the Clintons would be named as beneficiaries of possible illegal activity at Madison Guaranty S&L. Unlike the later meetings, that early heads-up suggests political involvement in a legal proceeding. But there's no evidence right now that the White House tried to block a probe.



HILLARY'S STOCKS: This one looks like pure partisanship. Although the Clintons should have put their holdings into a blind trust earlier, it's hard to imagine that Hillary knew one of her investment funds was selling a few health-care stocks short before her attack on drug companies. Besides, the fund lost more on health stocks it held. Lawmakers making a stink routinely vote on health issues without divesting.

Hillary: 'I Made Mistakes'

Interview: Reflections on some missteps

WITH QUESTIONS ABOUT HER ROLE in Whitewater threatening to derail her husband's agenda, Hillary Rodham Clinton agreed to an interview as long as it did not touch on specific issues before a grand jury. She spoke with NEWSWEEK's Eleanor Clift in the White House last week. Excerpts:

NEWSWEEK: You came to Washington a generation ago as a member of the Watergate committee. Now your counterparts are working for Fiske. Do you see irony in that?

CLINTON: Oh, I don't think there's any comparison. I think that the idea that there is is way overblown and should be debunked easily if anybody looks at history and what was at stake in the whole Watergate investigation.

I guess the only thing I see comparable is that a lot of people want to launch careers based on finding something.

Well, you can't control that. We don't worry about the outcome anyway. We want the special counsel to do his job as soon as possible so that we can get this off the country's radar screen and get on with what my husband is trying to do for the country.

Sometimes those investigations take on a life of their own. Fiske has taken out a lease for three years in Little Rock.

I don't know what he's going to be doing for three years, but obviously we want him to do his work and do it as expeditiously as possible.

You present a rational face to the world. How angry are you, about the way this has mushroomed from a little land scandal... It's not even a scandal—it's not a scandal. A failed land transaction.

... into an allegation that you and your husband are corrupt?

I'm very sad about it. But I also have a full life to live. I'm still my husband's wife, I'm still Chelsea's mother. I'm still involved in a lot of other activities that are important to me and my family. So I don't really get the luxury of expending too much energy being angry with people who are being unfair and untruthful.



FIRST LADY: 'If you... run for public office you give up any zone of privacy'

ROBERT TRIPPETT—SIPA

In trying to look at how this mess reached this level, it seems as though Vince Foster's death has a lot to do with it. Do you see a connection there?

I don't know. I think that mistakes were made along the way in handling this. I have learned a lot about the needs of the media and how they kind of make stories important. I suppose that in today's atmosphere any unanswered questions are going to be grist for the mill.

I've tried to learn a lot about suicide and particularly about depression ever since Vince's death—a lot of us here in the White House have. We've passed around books. We don't have any answers either. But we don't presume to try to make up answers. I just want this to be put to rest for his family's sake and for the sake of all of us who were his friends. It is

extremely painful to have this used as a political football by people. It is really unfair to his family particularly. But I guess I now understand why, in the face of a tragedy, some people will want to make up their own answer because they can't deal with what are often life's unanswerable mysteries.

You uttered the magic phrase "mistakes were made." Do you regard yourself as having been responsible for any of those?

Oh, sure. Hindsight's always 20-20. I never would have participated in the investment in the first place. Of course, I would have tried to get everybody to focus on it sooner and earlier to try to deal with. So I think that of course I made mistakes. That's part of the learning process you go through when you've never been accused of doing anything wrong before.

So, if there was nothing wrong, why were you so resistant to making records public? My theory is that you have a thing about privacy.

I have a big thing about it. I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all. I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life. That's what's going to be concluded about all this—people are going to spend millions and millions of dollars and they're going to conclude we made a bad land investment.

The attacks against you are really about more than Whitewater. They really go to the whole role that you're taking on and whether you can be the spouse of a president and a policymaker.

People have been doing that to women in this position since Martha Washington. I was not the first to testify before a congressional committee, I was not the first to be criticized by the press, I was not the first to have issues that I was involved in questioned or attacked. I look at what was said about Eleanor Roosevelt. There's always the possibility that no matter what you do you're going to be criticized. I do think that the fact that I am involved in an issue [health care] of such magnitude with so many interests at stake has raised the visibility of my role and has caused some to question it for their own purposes.

This White House has a different style than what the city is used to.

I think that we have one of the most collegial, supportive White House environments I have ever read about. Does that mean everybody agrees with everybody else 100 percent of the time? Absolutely not. In fact, the president wouldn't want us around if that were the case.

Edward Bennett Williams used to say that Washington likes to burn a witch every three months.

I think that's right.

NEWSWEEK POLL

What is your opinion of Hillary Clinton?

CURRENT

38% Favorable
42% Unfavorable

2/94

50% Favorable
50% Unfavorable

THE NEWSWEEK POLL
MARCH 11, 1994

(Continued from page 34)

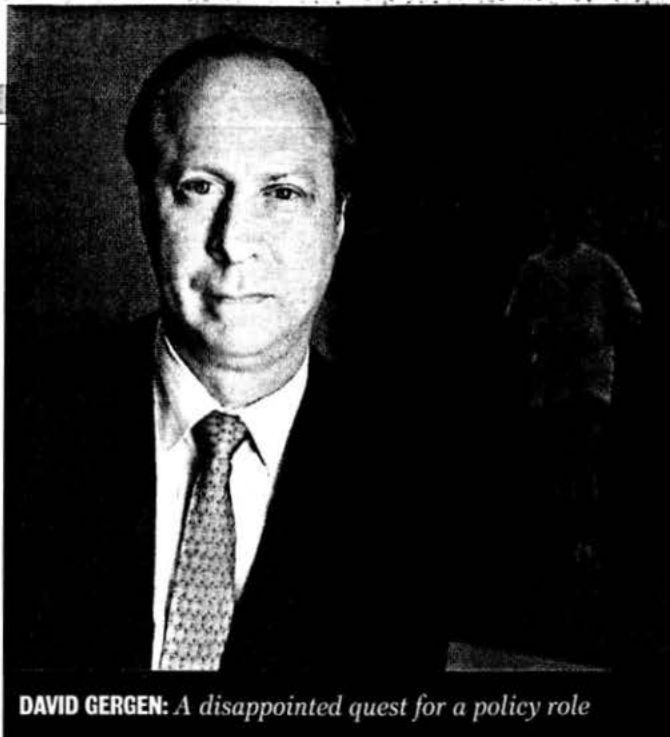
owned by the McDougals and the Clintons—may have contributed to Madison's eventual failure. Congressional sources say Lewis encountered resistance from the RTC attorney reviewing the referral and that she believes it may have been the result of outside pressure. Sources say the new referral, passed to the Justice Department in September 1993, again mentions the Clintons as potential beneficiaries of McDougal's activities.

But sources say that the debate within the RTC became so heated that both Lewis and the agency attorney involved were removed from the case. Sources familiar with the RTC's Kansas City office say her reassignment came in November 1993. That would put it shortly after a series of White House contacts with Treasury Department officials regarding the Madison probe now under investigation by Fiske.

Right now, evidence of political interference is strictly circumstantial. The RTC turmoil may be attributable to honest disagreements among bureaucrats. If Leach doesn't deliver credible witness, it will only deepen voter suspicions that the whole affair is primarily partisan blood sport. The NEWSWEEK Poll shows that 64 percent of Americans believe that politics are driving Whitewater. Nearly three quarters think the White House's preoccupation with the case is diverting attention from important issues like health-care and welfare reform. "What scares me is that we're going to put all our hopes into destroying the president," says GOP polltaker Frank Luntz. "Republicans won't benefit unless they're seen as offering something better."

But the White House has a long way to go before it can get itself heard again. For the short term, the administration faces a seriously diminished capacity to pursue its agenda. Subpoenas, nightly news footage of senior officials marching to the grand jury room and the probability of congressional hearings all stand in the way. Now it will pay the price for that shortsightedness.

BILL TURQUE with ELEANOR CLIFT, MARK HOSENBALL, BOB COHN and HOWARD FINEMAN in Washington and GINNY CARROLL in Little Rock



DAVID GERGEN: A disappointed quest for a policy role

RICK BLOOM—SABA

Where Did David Gergen Go Wrong?

Spin: A disappearing act on Whitewater

DAVID GERGEN WAS HIRED LAST SPRING to help Bill Clinton overcome the growing public impression that he was a bumbler. There was the controversy over gays in the military, the failed appointments and the infamous runway haircut. Gergen, a veteran of three GOP administrations and the architect of Ronald Reagan's media image, promised to improve relations with the press and to add luster to the public view of the president. But as the Clintons became mired in Whitewater and vulnerable to attacks on health-care reform, Gergen mysteriously disappeared from view. Regarded with suspicion by Clinton loyalists, he was squeezed out of the high command on both issues. He became such a marginal figure that one White House aide suggested stashing the garbage bags of subpoenaed Whitewater material in his office. He finally re-emerged last week to defend the Clintons on "Nightline." His performance won him a hug from Hillary and a standing ovation at a staff meeting.

But Hillary is one of the reasons Gergen has failed to thrive. An incrementalist in all things, he counseled compromise on health-care reform to attract GOP support, and stayed close to Rep. Jim Cooper, sponsor of a rival plan. As a Watergate survivor wary of drip-drip disclosure, Gergen urged in January that the Whitewater documents be made public. The president seemed to agree, but Mrs. Clinton objected, and she prevailed.

Gergen's rehabilitation on "Nightline" wasn't exactly a triumph from his perspective. He has come to dislike his image as spin doctor. In an October New York Times Magazine story, he talked about his "guilt" over helping to turn politics into a public-relations game and how

he hoped to change that in the Clinton White House. But the author, Michael Kelly, questioned whether Gergen's *mea culpa* was just another form of spin. Gergen was devastated by the portrait of himself and he became even more determined to become a substantive player. "He wants to be Jim Baker," says a colleague. Baker, after all, rose from a White House staff position to become secretary of state.

It was impossible. Gergen wasn't taken seriously as a policymaker. Aides snicker over how hard he fought to be listed as a member of the official delegation—not a communications adviser—on the president's recent trip to Europe. After the Somalia debacle, Gergen, at the president's urging, sought a larger role in foreign affairs. National-security adviser Anthony Lake resisted, believing another voice would diminish his own; Gergen backed off. Lake jokingly rubbed his sweater sleeve against Gergen's arm last week and declared, "This is the only friction between us."

There was some tension after the arrival in December of New York lawyer Harold Ickes, a liberal Hillary ally. He and Gergen circled each other warily for weeks before they reached what Gergen calls "a level of understanding and collegiality." But younger White House aides see Gergen's journey of renewal as narcissistic "Davidism" and his West Wing office as a short stop on the way to a big job. Gergen says he'll stay through this year's legislative season and then reassess. He adds, partly in jest, "The best thing for me psychologically and physically would be to find a university with a good gym."

When Whitewater boiled over last week, Gergen volunteered for TV duty. His ability to offer reassurance about the Clintons reminded everyone—including himself—why he was there.

ELEANOR CLIFT

NEWSWEEK POLL

Who is most responsible for the problems the White House has had dealing with the Whitewater case?

14% Bill Clinton

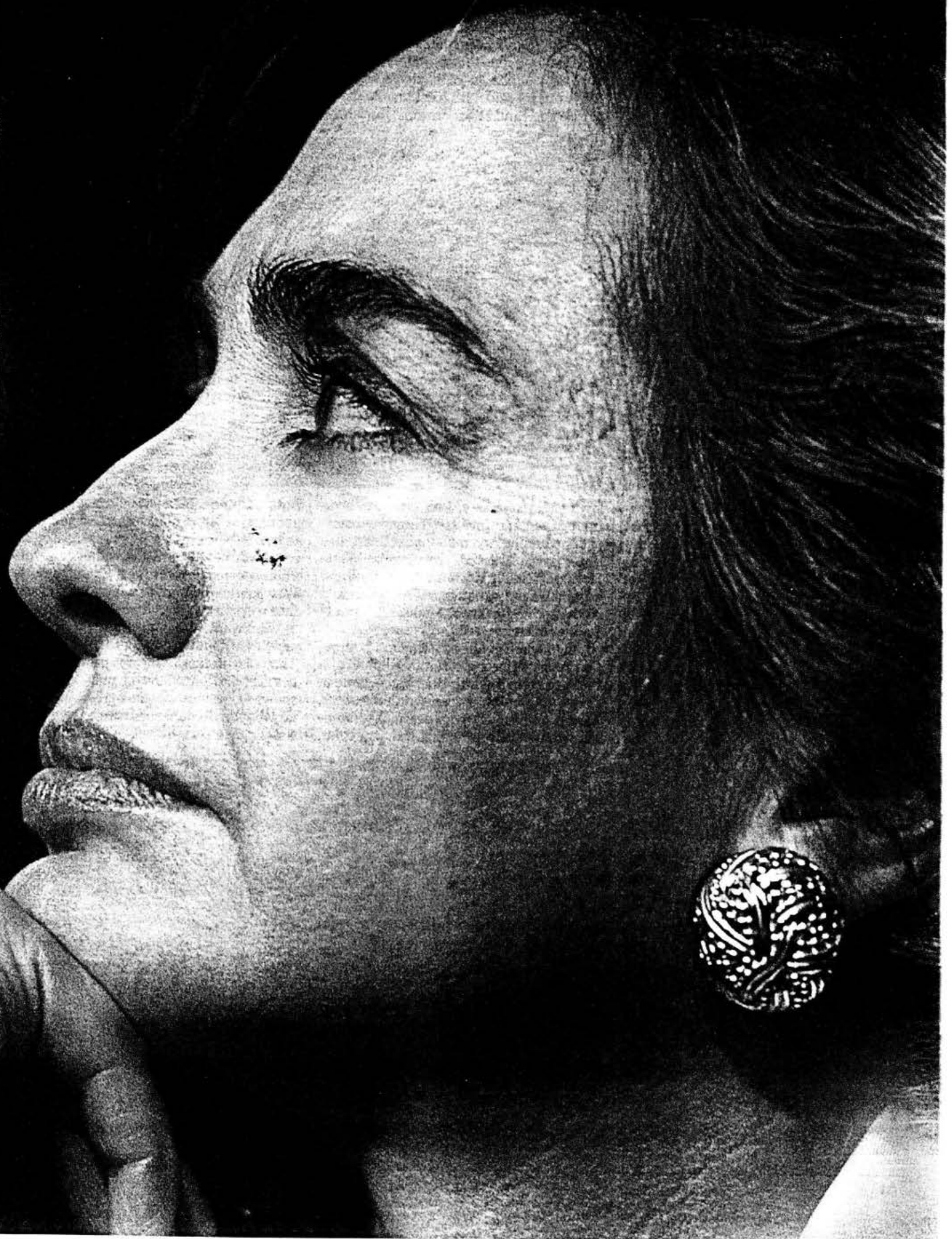
12% Hillary Clinton

11% Administration aides

14% Partisan Republicans

25% The media

THE NEWSWEEK POLL, MARCH 11, 1994



A Whitewater Portrait Gallery

The Whitewater investigation has focused on a circle of Bill and Hillary Clinton's political allies and business associates.



Bill Clinton

A former partner with Hillary and the McDougals in Whitewater Development Corp., an unsuccessful vacation-home development in the Ozarks. The Clintons sold their interest in late 1992.



Hillary Clinton

A former Whitewater and Rose partner, she has been criticized for representing Jim McDougal's Madison Guaranty before a state regulator appointed by her husband. Once also involved in a controversial legal case with Dan Lasater.

THE ADMINISTRATION



Harold Ickes

The deputy chief of staff and Whitewater damage-control strategist was present at a meeting with Treasury officials to discuss Madison.



Bruce Lindsey

Senior adviser learned of Madison criminal referral from Nussbaum; Clinton said he was "probably" told of referral by Lindsey. Attended meeting between White House and Treasury officials.



Vince Foster

A former Rose partner and deputy White House counsel. His suicide in July fueled speculation about the Clintons' finances, including Whitewater, which he had handled.



Bernard Nussbaum

White House counsel resigned under pressure two weeks ago; emptied Foster's office and presided over all three controversial Treasury/White House meetings.



Robert Fiske

A Republican prosecutor with a reputation for toughness, he was chosen by Attorney General Janet Reno to investigate Whitewater.



Roger Altman

The deputy Treasury secretary and acting RTC chairman admits he called a meeting of White House officials to discuss Madison. Has recused himself from further agency deliberations.



Lloyd Cutler

The former White House counsel to Jimmy Carter was appointed last week as Nussbaum's temporary replacement.



Margaret Williams

Hillary's chief of staff attended a meeting of Treasury and White House officials to discuss Madison. She was among the first to go into Foster's office after the suicide.



Patsy Thomasson

Managed Dan Lasater's assets during the FSLIC case while he was in jail on drug charges. Now a White House aide, she was also among those who searched Foster's office.



Webster Hubbell

Bill Clinton's close friend, former Rose partner and now the No. 3 at Justice, he faces questions about whether he charged the Little Rock firm for personal expenses and over-billed clients.



David Kendall

Bill Clinton's personal lawyer received Whitewater documents from Foster's office; later negotiated a broad subpoena that had the effect of sealing more documents from public inspection.



Jean Hanson

In critical meeting, the Treasury and acting RTC counsel told Nussbaum that the Clintons were mentioned in a criminal referral as potential beneficiaries of Madison misconduct.

THE CRITICS



Sen. Al D'Amato

Probed Altman about controversial Whitewater briefing; critics say his own ethics lapses make him poor choice to lead the charge.



Rep. Jim Leach

Widely respected GOP moderate, he led calls for special prosecutor and is pushing for congressional probe into Whitewater affair.



Beverly Bassett Schaffer

Appointed state securities regulator by Governor Clinton, she approved a novel plan proposed by Madison's attorney, Hillary Clinton, to prop up the thrift. Previously, Schaffer worked for a law firm that represented Madison.



James McDougal

Invited the Clintons to invest as equal partners with him and his wife, Susan, in the Whitewater Development Corp. McDougal later owned the Arkansas thrift, Madison Guaranty, which failed in 1989 at a cost of \$60 million to taxpayers.



Susan McDougal

An equal partner in Whitewater, she headed the public-relations firm that took a controversial loan from David Hale's company and used part of it to buy a piece of property, later deeded to Whitewater. The loan was never repaid.



William Roelle

Sources say former RTC senior vice president told Hanson and Altman of RTC's plans to refer Madison to Justice for criminal investigation.



Floyd Brown

Conservative operative and creator of Willie Horton TV ads for George Bush, he's churning out faxes encouraging reporters to be more aggressive in covering Whitewater.



Robert Bartley

The editorial-page editor of The Wall Street Journal pursued Whitewater story before it was hot; in a suicide note, Foster said the WSJ editors "lie without consequence."



Dan Lasater

Bond broker and FOB was sued by a failing Illinois thrift and FSLIC for alleged unauthorized trading. Hillary helped the Feds in the case, which Lasater managed to settle cheaply in 1987. Critics accuse Hillary of conflict of interest.



David Hale

A retired Little Rock judge, he claims Bill Clinton and Jim McDougal pressured him into making a \$300,000 loan to Susan McDougal's company in 1986 to solve Madison's financial problems. Hale faces unrelated loan-fraud charges.



Jeremy Hedges

A Rose Law Firm courier, he told a Little Rock grand jury that he and a colleague used a shredder at the firm to destroy Foster files after Fiske was appointed special counsel.

OVAL PORTRAITS ARE OF CURRENT OR FORMER ARKANSAS RESIDENTS. PHOTOS, LEFT TO RIGHT, TOP TO BOTTOM: DOWNING—NEWSWEEK, COLBURN—PHOTOREPORTERS, CHENET—NEWSWEEK, CHENET—NEWSWEEK, STALEY—SYGMA, MARKOWITZ—SYGMA, McNAMEE FOR NEWSWEEK, TRIPPETT—SIPA, DOWNING—NEWSWEEK, JEFF MITCHELL, SYKES—ARKANSAS DEMOCRAT-GAZETTE, KLEPONS—NEWSWEEK, MEYERS—NEW YORK TIMES, JOHN P. CAVANAUGH, McNAMEE FOR NEWSWEEK, McINTURF—CEDAR RAPIDS GAZETTE, KEESSE—ARKANSAS DEMOCRAT-GAZETTE, TEDFORD—AP, LAPD, TASNADI—AP, BLOOM—SABA, NO CREDIT, THOROUGHGOOD TIMES, ARKANSAS DEMOCRAT-GAZETTE, MITCHELL—SYGMA

Puffing Motes Into Dust Storms

Why no one will give the Clintons the benefit of the doubt

BY JOE KLEIN

ON THE AFTERNOON LLOYD CUTLER WAS NAMED COUNSEL to the president, after Bill Clinton had exhausted every last question from the press about the Whitewater hysteria, the White House staff held a pep rally for the First Family in the East Room. This is becoming something of a ritual. There was a rally to bolster the president's spirits after his mother died. There will, no doubt, be many more such before this strange ride is done. Both the president and Al Gore addressed the troops—but the real passion came from Hillary Rodham Clinton. She spoke about health care. She told the story of a woman in New Orleans who had breast cancer, but no health insurance—the company she worked for didn't offer it—and the doctor told her that all he could do was watch the tumor “and see what happens.” That was why they had come to Washington, she said: to help people like that woman. The crusade was all. The applause was tumultuous.

There was, in the First Lady's remarks—as there often is—an implicit: How *dare* they question our motives? How *dare* they question our rectitude? It's a familiar sound, the mating call of the liberal elite in high dudgeon. It divides the world between us and them, the high-minded and the greedy. The First Lady's indignation seems particularly problematic in the case of Whitewater, which centers on a decision she made in the late 1970s: to make money. Her choices were never quite so simple as the ones she laid out, memorably, during the campaign: to make money or bake cookies. She could have done high-minded, liberal work. She could have defended indigents instead of banks. She chose to make money. Some of her clients were not the sort of people who listen to National Public Radio; many of them were, perhaps, aware that she was married to a high-ranking official in the State of Arkansas. These were not moments she will dwell upon in her inevitable, best-selling autobiography. In fact, she has *never* really discussed her business career. The natural assumption is that she has something to hide, and she might; but she may just be embarrassed by the whiff of venality. And that embarrassment, the involuntary cringe that occurs when names like McDougal or Lasater are recalled, the desire to just forget about the welter of smarmy transactions—to not even *think* about this because there is health care to discuss—may well be the mote of dust at the heart of the White House's incredibly self-destructive reluctance to face this problem squarely.

So far, and despite the efforts of a brigade of intrepid investigative reporters, not much else has turned up. There was a series of contacts between Treasury Department officials and the White House staff. These were stupid, but—on the evidence as it exists—not criminal. Of course, if it turns out that the Clintons

acted in any way to *impede* the investigation, they should be fried. But they have not yet been accused of anything remotely resembling that—or anything that begins to explain the hysteria this case has evoked in the press.

Which raises an interesting question: what does explain the hysteria? What justifies disingenuous banner headlines like The Washington Post's: CLINTON REJECTS LIKENING WHITEWATER TO WATERGATE? That same day R. W. Apple offered a ridiculous hyperinflation of the scandal in The New York Times, an “analysis” that acknowledged Whitewater had produced “nothing approaching” the abuses of power involved in Watergate but

then blithely compared such “similarities” as the reluctance to respond to press inquiries and the president's sounding as “defensive as Mr. Nixon used to in proclaiming the virtues of those who worked alongside him.” (Apple might easily have been comparing Clinton's early performance on NAFTA to Watergate.) And then there were the television networks, giving time to an ethical falling-rock zone like Sen. Alfonse D'Amato, simply because his sound bites (“as great if not greater than Watergate!”) were the most egregious.

Sleazeballs: Hysteria, in this case, has many fathers. One is that a cancer on the presidency is more sexy than health care or welfare reform. Another is the fact that the Clintons did do business with some mortal sleazeballs down in Arkansas and may have brought a few along

with them to Washington. A third, not to be underestimated, is the suicide of Vince Foster, which adds immensely to the “something fishy here” quotient. But the real reason Whitewater has puffed so large is that very few people in Washington are willing to give the Clintons the benefit of the doubt. It's not just the press; I haven't noticed many congressional Democrats rushing to their defense, either.

Why not? In part, because the president's effort to finesse all sides is catching up with him. Nobody quite trusts him—liberals think he's a sellout; moderates think he's a secret liberal. He has made deals but few friends. He has sought shifting alliances and won disposable loyalties. As for the press, the combination of loose morality and high ideals presents a gloriously fat target. Clinton's truth-shaving during the campaign, especially about the draft, is well remembered—and the First Family's (especially Mrs. Clinton's) apparent disdain for the less-than-pure rankles. Their administration is now in peril. The time for Watergate comparisons may yet come, but what if it doesn't? Do we, the righteous guardians of the truth, admit that we blew this all out of proportion—or do we continue to puff motes into dust storms in order to justify our investment? The Clintons have earned their isolation. But they deserve a more sober hearing than this lunatic caldron.



JAMES COLBURN—PHOTOREPORTERS

The crusade is all: First Couple

*A cancer on
the presidency
is sexier than
health care
or welfare
reform*

THE WHITE HOUSE

The Trials Of Hillary

The First Lady's way of doing business and dealing with others helps explain why Whitewater grew so messy

By NANCY GIBBS

HILLARY RODHAM CLINTON HAS NEVER had much use for the national press corps, but by late last week, when the pressure for her to tell what she knew about Whitewater was rattling the very walls of the White House, she finally agreed to let select reporters through the door. It was her first news interview in weeks, and her first ever devoted to

Whitewater, but this was no charm offensive: she met her guests from TIME not in the customary spots—the solarium or the family quarters—but in a combat zone, the Map Room where Franklin Roosevelt plotted troop movements throughout the Second World War.

The First Lawyer came well prepared; to even the softest questions she had a hard-boiled answer. "We made lots of mistakes; I'd be the first to admit that," she said, though just about everyone else in the White House already has. If it turns out that she and her husband underpaid their taxes on Whitewater land deals, she said, they will make up the difference. "We never should have made the investment. But, you know, those are things you look at in retrospect. We didn't do anything wrong. We never intended to do anything wrong."

It was great theater and good politics, but it was also rather late. Even as the Clintons continued to insist that Whitewater wasn't really a story, that they wanted everything out on the table so they could prove their innocence, the White House was grinding to a halt so that aides could go out and find lawyers to help sort through their garbage and assemble all the documents that will float past the grand jury and inevitable congressional committees for months.

White House aides say the crisis has brought the couple closer—more phone calls, more talking, a hug in public



CYNTHIA JOHNSON FOR TIME



to come. A high-ranking Clinton official, distraught at seeing his name smeared, found himself reassuring his children that he is not going to jail. "Don't worry, Daddy," said one child. "We still love you."

The polls, however, were especially unloving last week. Only 35% of Americans surveyed in a TIME/CNN poll think they can trust Bill Clinton, down from 40% in January. More than half of those polled think the Clintons are hiding something about Whitewater, and a third think they broke the law. Even the financial markets decided they didn't like what they saw: on Thursday the bond market shuddered with rumors about new Whitewater bombshells, prompting investors around the world to dump their U.S. Treasury bonds and buy gold.

The sudden inflation of Whitewater from a nuisance into a crisis, Administration officials insisted, was due more to their colleagues' stupidity than to any new evidence of misdeeds. The President said it was all a problem of perception. Desperate to move on, they could even joke about it; adviser Bruce Lindsey cracked that "Whitewater was the site of the future Clinton presidential library. But the greatest perceptual change had implications far beyond Whitewater and its tributaries: the President's wife, the most unaccountable member of any Administration, was being called to account for her actions.

From the start, Whitewater has been more about Hillary than her husband. She was the one who handled the family finances on the botched land deal; who represented clients in front of a regulator her

husband had appointed; for whom White House counsels Vince Foster and later Bernie Nussbaum acted as personal lawyers rather than public officials; whose chief of staff, Maggie Williams, retrieved files from Foster's office after his suicide; who fought to the end the idea of appointing a special prosecutor. Williams (of whom one White House official said: "It's hard to tell where Maggie ends and Hillary begins") and Hil-

As Republicans shouted for congressional hearings, officials from Vice President Al Gore on down fanned out to television shows to express their measured contrition. "Whitewater isn't about cover-ups," said counselor David Gergen on *Nightline*. "It's about screw-ups." Said policy adviser George Stephanopoulos: "Did the damage-control team create a lot more damage than it controlled? I think that's probably right."

As for the First Lady, she struggled gamely through White House dinners and the endless health-care meetings, "but I'm not sure anything is happening," an official admitted. "She's not running them. She's not talking, and she just sort of sits there." Friends privately acknowledged that the attacks were taking a toll. "She is too proud to call for support," said Senator Jay Rockefeller, who has worked at her side on health care for the past year. "And you will not catch a muscle of her jaw moving, but if I were her I would be seething over Whitewater." Hillary is careful to keep her anger private,

but it is impossible to hide. "People can lie about you on a regular basis, and you have to take it," she said. "That's very hurtful. To see the things that are said without any refutation or correction most of the time is very painful to your friends and your family. I worry a lot about them."

The whole thing, the First Lady insisted, was a Republican plot to discredit her. That easy defense will not provide much comfort for long. Several polls last week showed that most people agreed with Hillary that the Republicans were playing partisan games. But the public also didn't like

How much attention are you paying to the Whitewater issue?

	January	March
Great deal/some	48%	
Little/none	51%	

Are the Clintons hiding some things about their role in these matters?

Yes
No

Did Bill or Hillary Clinton do anything illegal in these matters?

	Bill	Hillary
Yes		
No		
Not sure		

Is Hillary Clinton more ethical than most politicians?

Yes
No
The same

From a telephone poll of 800 adult Americans taken for TIME/CNN on March 9-10 by Eastwick Partners Inc. Sampling error is ±3.5%.

lary's press secretary, Lisa Caputo, sat in front of a grand jury last Thursday to explain whether, by meeting at least five times with Treasury regulators, White House officials tried to interfere with the criminal investigation into Whitewater and its ties to the bankrupt Madison Guaranty Savings & Loan.

In the archaeology of scandals, nothing dug up so far has been ruinous, but all of it is corrosive in a White House struggling to shield not one but two embattled leaders. After months of slippery evasions, the Administration abruptly changed strategies.

THE PLOT SO FAR

March, 1992

During the presidential campaign, the press begins asking about the Clintons' investment in the Whitewater real estate venture. Clinton commissions a report that says they made no profit on a \$69,000 investment, but incomplete records prevent a full examination.

Fall

The Bush Administration's Justice Department balks at investigating Whitewater during election time for fear an inquiry will smack of partisanship.

December

The Clintons sell their Whitewater stake for \$1,000 to partner James McDougal, head of the failed Madison Guaranty Savings & Loan. Vincent Foster, the Clintons' lawyer and Hillary's law partner, discovers that Whitewater has not filed tax returns for three years.

July 20, 1993

Foster, now deputy to White House counsel Bernard Nussbaum, is found dead in a Virginia park, an apparent suicide. Nussbaum and Maggie Williams, Hillary Clinton's aide, search Foster's office, and Nussbaum passes documents on to the Clintons' personal attorney.

Sept. 29

Jean Hanson, general counsel at the Treasury Department, informs Nussbaum that the Clintons will be named in an inquiry by the Resolution Trust Corporation, the federal agency cleaning up the S&L mess. Deputy Treasury Secretary Roger Altman, a longtime ally of the Clintons, belongs to the oversight board of the RTC.

October 8

The RTC officially requests a Justice Department criminal investigation of Whitewater and Madison. Six days later, Nussbaum meets with Treasury officials over Whitewater. Meantime, White House adviser Bruce Lindsey informs the President of the investigation. On Oct. 31, reports of the RTC investigation appear in the press.

November 9

Republicans start calling on Attorney General Janet Reno to nominate a special counsel to look into any ties between Madison and Whitewater.



what little it knew about Whitewater, and was not prepared to grant Hillary the automatic benefit of the doubt she seemed to expect. "She's still in the mode of saying, 'I didn't do anything wrong,'" said a White House source. "So why should she do a mea culpa?" Said the First Lady last week: "I have to admit, for the last two years I was bewildered by people's interest in this. It happened many years ago."

For all her disdain for the national press, Hillary Rodham Clinton had a long honeymoon. By and large, reporters have gently chronicled her reinvention of the First Lady's office as she added a major policy role to the traditional portfolio of hostess and cheerleader. The glowing press accounts of her crusade for health-care reform, full of charmed lawnmowers and cheering crowds, helped boost her popularity higher than her husband's at times. Profiles charted the spiritual journey that inspired her social activism, the theologians she read, the ministers she admired. The *New York Times* Magazine dressed her in white silk and pearls and captioned her St. Hillary. Her staff loved the picture.

THIS WAS RISKY TERRITORY FOR A public figure: if pride is bad, then one doesn't dare seem proud of being good. Both Bill and Hillary came to Washington promising an end to politics as usual, a rebirth of responsibility, a Politics of Meaning derived from the Golden Rule. Such a specific claim to moral authority can hardly withstand charges of tax chiseling and corner cutting by Hillary and those closest to her. "Can a President credibly advance an ethic of national service," asked Clinton's nemesis on the Hill, Congressman Jim Leach, "if his own model is one of self-service?"

Even the President's friends came to

realize the dangers of moral hubris, particularly as revealed by a generation of '60s reformers who campaigned against the '80s as the Decade of Greed. "They think of themselves as the most ethical people in the world," says an Administration insider. "They think everything they do or say is aboveboard and for the good of the country. Therefore they can't understand why someone would doubt their integrity. That is a big part of the problem."

It is a problem for the President's bushy-tailed staffers, who last week were being called upon to explain why 15 top officials had been working for more than a year without proper security clearance. White House press secretary Dee Dee Myers admitted that she and others have been working on temporary passes since the Inauguration because, Myers says, she has been too busy to do the paperwork. "There are no excuses," she said. "I should have done it, and I just kept putting it off."

Despite Clinton's evocation during the campaign of a country that "works hard and plays by the rules," the rules don't always apply in the Clinton White House. Critics recall the infamous haircut on the runway, the summary firing of the travel staff, the use of the FBI to investigate the travel operation. "The Clinton message is 'I'm pure,'" said a veteran of the Reagan White House,



If everybody in the country had a character as strong as hers, we wouldn't have half the problems we've got today.

—President Bill Clinton on his wife

"I'm above the law." It's almost Nixonian. And it's a tragic flaw."

Whitewater has introduced all sorts of ironies into the most interesting marriage in America. The official word coming from the White House was that "this has brought them closer together. There is more phone calling during the day, more talking back and forth, a need to reach out to each other more," an official observed. "It is probably a natural reaction to stress and adversity coming from outside." The stress cannot have been helped by the President's having to fire Nussbaum, his wife's early mentor, or invite a special prosecutor to interrogate her closest allies.

The Clintons' partnership has inspired unending speculation ever since

they peeled back the bedclothes a bit on *60 Minutes* to respond to charges of his adultery. Even friends who have known them for many years have trouble explaining the dynamic between them; but Whitewater confirms some eternal verities about why they are so different, and so dependent on each other.

There is an old saying that Methodists are always looking for a mission, while Baptists think they are the mission. Bill the Baptist was single-minded in his pursuit of power; Hillary the Methodist made his success into her preoccupation. Their

December
Shortly before Christmas, the Clintons reluctantly agree to turn over all Whitewater records. The White House admits that documents were taken from Foster's office in July. It takes several weeks before all papers are turned over.

January 20, 1994
After Clinton asks Reno to appoint a special prosecutor, she selects **Robert Fiske**, a Manhattan lawyer, to lead the investigation. Fiske, vowing a "flat-out" examination, anticipated that both Clintons would be deposed under oath. Fiske also says he will look into Foster's death.

Late January
Following Fiske's appointment, an employee of the Rose law firm is allegedly ordered to shred a box of documents from Foster's files.

February 2
Altman briefs senior White House aides on the RTC's procedures. At the meeting are Hanson, Nussbaum, Williams and Deputy chief of staff **Harold Ickes**. Altman would submit to the meeting at a Senate hearing later in the month.

February 25
Under heavy criticism, **Altman** removes himself from all matters pertaining to Madison or Whitewater and resigns as head of RTC, effective March 30.

March 4
The FBI, looking for Whitewater and Madison testimony and documents, serves subpoenas on 10 White House aides, including Nussbaum, Williams, Altman and Ickes. The next day Nussbaum resigns.

March 7-8
Clinton chooses **Lloyd Cutler** as Nussbaum's interim replacement. White House officials acknowledge there had been additional conversations between the White House and Treasury officials regarding the RTC probe.



Photographs: The White House; Lynn S. Johnson; Treasury Department; Terry O'Neil; Dana M. Miller; TIME; Greg Gorman; Dave Meyer

friends observe that he needs her brains, her logic, her focus; she needs his charisma, his humor, his ability to strike the deal that gets things done. "There's a poll saying that 40% of the American people think Hillary's smarter than I am," Bill likes to observe. "What I don't understand," he then deadpans, "is how the other 60% missed it."

But there is the twist: in Whitewater the smart one goofed—or presumably did. The other one didn't. Like something out of Faulkner, the saint may have sinned. Two years ago, Hillary stood steadfastly by her husband through allegations, and considerable evidence, of adultery, draft dodging and drug use. Together they went through the grinder again at Christmas with new charges, by Arkansas state troopers, of philandering. Now, for once, it is he who must stand by his woman if he is to keep his presidency afloat. He is returning her favor, in many ways, though it might be fair to sug-



She's more fragile than she appears. And she's worried—I can see it in her stiffness.

—A top Clinton administration official

gest that he more than owes her.

Maybe it is because he grew up poor and she did not that Hillary came to be worried about their financial security. Bill had already known poverty, so it held no terror for him; he used to say he didn't "care a lick" about money. Hillary did not have that luxury. She had turned her back on the lure of gold-plated Washington law firms in order to follow Bill to Arkansas and help steer him to the Governor's mansion, where he earned \$23,000 a year. It fell to Hillary to make ends meet, which made investments like

Whitewater all the more beguiling. Friends in Little Rock acknowledge that "money was a real issue." In 1983 she and her law partners Vince Foster and Webb Hubbell opened a joint stock-trading company called Midlife Investors. "She would call me all the time to see how her stocks were doing," recalls broker Roy Drew. "Some investors I never hear from."

Some call every day, even when nothing has changed. She was closer to the latter.

The Clintons' Whitewater partner, James McDougal, claims that when Bill Clinton told him they were having money troubles, McDougal decided that his Madison Guaranty Savings & Loan would put Hillary on a \$2,000 monthly retainer. McDougal, who in Arkansas' incestuous politics was also a Clinton fund raiser, got his money's worth in 1985 when Hillary argued before the state on behalf of measures to keep Madison afloat. The thrift finally went under in 1989 at a cost to taxpayers of \$47 million. Whitewater special prosecutor Robert Fiske has also subpoenaed documents of a second failed real estate deal financed by Whitewater, this one the 810-acre Lorraine Heights project outside Little Rock, which ended with lawsuits by angry landowners, foreclosure and a \$510,000 judgment against Whitewater.

IT IS NO SINGLE CHARGE, BUT THE steady accumulation of them, that has the White House reeling. Most damaging of all is the atmosphere of law-erly evasion that suffuses an Administration so plump with law degrees. The Whitewater "screw-ups," for all the efforts to spin them as one-time blunders, arose directly out of a White House power

Does Rose Have Something to Hide?

By RICHARD LACAYO

THE ATTORNEYS AT THE ROSE LAW FIRM OF LITTLE ROCK have always liked to operate near the center of power. Their first woman partner was Hillary Rodham Clinton, who got the title in 1979, the same year her husband became Governor. When she became First Lady, she took three other partners with her to Washington, where Vincent Foster and William Kennedy became White House counsels and Webster Hubbell was named Associate Attorney General. The future looked so promising that Rose opened a one-man Washington operation to explore opportunities for establishing a permanent office.

But sometimes it doesn't pay to get too close to the seat of power. The lawyers at Rose have spent much of the past few weeks trying to contend with the tributaries of Whitewater that run straight through their firm—and the whirring noise of a shredder. Two college students employed as couriers in the Little Rock office say that in late January, after the special counsel began his Whitewater investigation, they shredded materials from the office of Foster, who had handled some of the Clintons' Whitewater dealings, and who committed suicide last July. Senior attorneys are said to be watching miserably as the firm's white shoes are dragged through the mud. "Yeah, it's more tense," says Jeremy Hedges, one of the shredders. "But then, it's always been tense."

With roots going back to 1920, the firm takes its name from



U.M. Rose, a founder of the American Bar Association. By the 1980s, when its growth took off under the direction of C. Joseph Giroir, a securities specialist, it had long been the cream of Arkansas firms. Its list of present and former clients includes some of the state's biggest businesses, including Tyson Foods, Wal-Mart and TCBY, the national yogurt franchiser, as well as Little Rock Airport Commission and the Federal Deposit Insurance Corporation, which oversees banks.

That client roster, mixing businesses with government regulators, sometimes led to conflict-of-interest accusations. In 1988 the firm and its insurer paid \$3 million to settle a conflict charge stemming from the failure of FirstSouth Savings and Loan. At the insistence of Senate Republicans, the FDIC has reopened a conflict-of-interest investigation involving Madison Guaranty.



ANSWERING SUBPOENAS: Chief of staff Maggie Williams, White House communications director Mark Gearan and press secretary Lisa Caputo

structure unlike any in history. Never before has the White House contained two such powerful figures, with rival staffs, interlocking loyalties and a wall of protection surrounding the whole enterprise.

Hillary functions in the White House rather like the queen on a chessboard. Her power comes from her unrestricted movement; but the risk of capture is great, and a player without a queen is at a fatal disadvantage. Clinton's presidency would be severely disabled by a direct hit to his wife. So, as the Whitewater story has wound tighter around her, opponents, supporters and observers of the Clinton Administration alike have been faced with the simulta-

neously giddy and unnerving prospect of seeing the capture of such a powerful figure.

Though her public profile has waxed and waned, Hillary's access within the privacy of the White House is virtually unlimited. Staffers refer to the Clintons with a sort of revolutionary equality as "the principals" and chart her moods and interests with as much care as his. Few were hired without an audience with her; when the President has a question about almost any sensitive issue that arises, the refrain is the same: "Run this past Hillary."

The First Lady and her chief of staff Williams have walk-in rights to most White

House meetings, from the Oval Office on down to the war rooms and tiny impromptu gatherings. Williams' official title is assistant to the President, which means she reports to the President's chief of staff, Mack McLarty. But early on, Williams told friends that she considered herself McLarty's counterpart, and she bristled when she was not included in many of the same meetings he attended. She told people that they had equal rank. "The only person who could have given her that impression was Hillary herself."

Washington conventional wisdom holds that Hillary Clinton, her staff and their



ON A TEAR? Clerks Lindsey and Hedges, right, say they were directed at the Rose Law office, left, to shred Foster's papers

the failed S&L headed by James McDougal, the Clintons' partner in Whitewater. In 1989 the firm represented the FDIC in a suit against Madison's auditors, despite the fact that, four years earlier, Hillary had dealt with state regulators on Madison's behalf.

Spokesmen for the firm say it began shredding to protect confidential client information during the 1992 primary campaigns, when reporters were discovered rummaging through office garbage. In late January, after special counsel Robert Fiske announced the start of his Whitewater investigation, Hedges and another courier, Clayton Lindsey, say they spent an hour shredding documents plainly marked VWF. The only lawyer at the firm with those initials was Vince W. Foster. At a meeting with managing partner Ronald Clark and others a few weeks later, they were informed that they would have to answer FBI questions and testify before the Whitewater grand jury. Hedges says they were told to tell the truth and "not to do anything to protect the firm." But when Hedges informed senior partner Jerry Jones that he would tell the FBI he had shredded Foster documents, Jones replied,

"Don't assume they were his documents." According to Hedges, when he answered in turn that he was certain, Jones told him, "Don't assume that they have anything to do with the investigation."

Rose partners shrug off the story, insisting, plausibly, that if they had anything to hide, they would not have gotten two lower-rung employees to do their dirty work. Hedges says senior partners would be just as unlikely to risk attracting suspicion by doing something out of the ordinary—like their own shredding. "People get suspicious."

Tired of the spotlight—and of being compared to the fishy practitioners in *The Firm*—Rose is showing the strain. Some members of the firm have knives out for the big names whose troubles have come back to haunt the firm. They leaked word that Rose was conducting an internal review of Hubbell to determine whether he had overbilled clients and misused his expense account. And politically conservative partners are also said to be itching to undercut Rose alumni attached to the Democratic White House. The Washington Times reported last week that in connection with the expense-account questions, an unidentified group of partners is thinking of filing an ethics complaint against Hubbell with the Arkansas Supreme Court.

The Whitewater fallout is also being felt by Rose's man in Washington, Allen Bird II. But he predicts Rose will pursue plans to open "a legislative practice" in Washington, a term for lawyer-lobbyists. While he promises they won't be selling access, that won't keep them from picking up the phone: "We decided we would feel free to contact anyone in the Administration anytime we felt it was appropriate, legal and ethical." It's hard to know how much comfort to take from that. —Reported by

Richard Behar/New York and Suneel Ratan/Little Rock

mostly female allies constitute one camp in the White House, while "the white boys" around the President lead another camp. Many blamed the poor handling of Whitewater on a split between the two teams. But the Clinton White House is a far more complicated place than that, a hive of many camps, linked by bridges that make easy divisions not only impossible but misleading. There are age camps, ideological camps, long-standing friendships and clusters around key officials that defy simple categories.

The best breakdown isn't spousal but historical: there is a "campaign camp" and a "governing camp." The first, inhabited by Stephanopoulos, Harold Ickes, Paul Begala, Mandy Grunwald, James Carville and the swarm of communications minions, tend to be fighters, counterpunchers and by habit unconciliatory. The governing camp, by and large, came on board later, and is led by Gore, McLarty, Gergen and others who, to some extent by accident, are more moderate, more Washington, have closer ties to business, and have never associated with insurgent party politics.

A subset of the first group is Hillary's team; many of whom, like Williams, Susan Thomases, Ira Magaziner and until last week, Nussbaum—worked on the campaign. "People love working for her," says Anne Wexler, a senior officer in the Carter White House who keeps in close touch with the Clintons. "Her operation is the most organized, the most focused, the most coordinated and the most disciplined in the White House." And all the focus and discipline is directed toward a single goal: protect Hillary. As a White House veteran put it, "They are a force within a force within a force."

It is Hillary's camp, in alliance with the campaign group, that has buttressed, rather than sought to break down, her instinct to stonewall her way through this mess. Theirs is a lawyerly culture: attorneys by training aren't forthcoming, they tell nothing, give away little and generally plead the alternatives, if just for fun. The First Lady has been surrounded by like-minded legal eagles for most of her adult life, and those who remain believe in denial as a first course of action. It is a legal outlook, not a political one.

Hillary's advisers share with the cam-



She is too proud to call for support. And you will not catch a muscle of her jaw moving, but if I were her I would be seething.

campaign veterans the notion that the best course is usually denial and counterattack—hence the charge that the Republicans are blowing up Whitewater for their own advantage. But the two sects have not always agreed. It was Ickes, a longtime Hillary confidant, who forced the Clintons to accept a special counsel when Nussbaum and Susan Thomases argued vehemently against it.

The hallmark of Hillary's staff seems to be an intense loyalty that borders on paranoia, and a determination to guard her privacy at all costs. The very intensity of loyalty, in fact, may have done her harm. "A lot of people believed last December that they could do Mrs. Clinton a favor by volunteering to go on television and talk to reporters about Whitewater," a White

House veteran observes. "The idea was, do a little dirty work and get a merit badge." But Whitewater turned out to be full of quicksand. "They get on TV and discover it is not that easy. Rather than pleasing Hillary, they are going to piss her off. And so what starts as a big opportunity to score some big brownie points with the boss, or his wife, ends up backfiring."

Top Administration officials are now outspokenly critical of the White House staff for creating a fiasco that threatens to derail the President's legislative agenda. "They have never had a strong staff, either one of them," contends a longtime ally of Hillary's. "They didn't have to have a first-rate staff in Arkansas. They didn't need one there. They just had to be first-rate themselves. When they got to Washington, they didn't go through the process of a nationwide search to hire people for the White House as they did for the Cabinet. They looked only at the campaign."

ALTHOUGH THERE WAS A LONG LIST of experienced Democrats ready to help, the Clintons did not appoint a single old Washington hand to the new staff. "They didn't want any strong wills around them," observed a prominent Democrat who has known both Clintons since college days. "They don't want anyone in the White House who knows where the skeletons are buried." Only when disaster struck did they reach out to the grownups: first David Gergen and last week Lloyd Cutler, a seasoned veteran of Washington's political warfare.

The arm's-length strategy toward the press reflects her staff's careful management of the First Lady's image—or rather, images, as she veers between the high-profile policymaker and the casual sports fan chatting with David Letterman's mom, live from Lillehammer. At times, in fact, her staff seems to be trying to make her appear less influential than she is. A year into the heavy health-care work, her staff still takes conspicuous pains to showcase her tradi-



WHITewater: The Clintons were expected to build a home by the bluff in the foreground

tional First Lady doings, visiting schools and hospitals and entertaining, while keeping the details of her private work schedule from public view.

Such behavior inspires the conservatives' charge that she is trying to have it both ways, hiding her power and her liberal agenda behind a traditional role. In a way, Hillary Clinton, the feminist champion, has had a hard time living out that old feminist slogan "The personal is political." Politics is more personal for her than for any First Lady in modern memory. Some of her defenders attribute the attacks on her as the predictable assault on a strong, outspoken feminist. "It's a small but pathetic gang of right-wingers who hate Hillary not because of what she's done but because their mammas didn't breast-feed them," said adviser Paul Begala last week.

Some of Hillary's aides see her frustration and exhaustion growing, especially as the health-care marathon drags on and on, with ever diminishing chances of Congress's passing a program that even resembles the one she worked so hard to develop. "There have been days when we would tumble onto a plane at the end of a day," a staff member recalls, "and she would say, 'I hurt from the top of my head to the bottom of my feet.'"

Most upsetting is the fact that her husband's agenda, for which she too has fought so hard, is embattled by a mess arising mostly from her own misjudgments. With midterm elections looming, the effect of Whitewater on Congress will be to loosen the President's already fleeting grip on party discipline and make it harder for him to flex his legislative muscles. And it hands the defenseless C.O.P. a badly needed stick. "We don't want to be distracted from the big issues that we're working on," said Stephanopoulos. "That's not going to stop the Republicans from trying. They can't run on the economy. They can't run on health care. They can't run on welfare. They can't run on crime. So they're trying to exploit this issue. We shouldn't make mistakes to allow them to do that."

A politician who brought to the White House a reputation for slickness may have particular trouble getting some moral traction—especially if those around him are afraid to confront his demons. A top Administration source said there is only one group capable of changing Clinton's mind about the way his White House runs: "What it will take is for the Wise Owls—Vernon Jordan, Warren Christopher and Lloyd Cutler—to walk into the Oval Office and say, 'Get the amateurs out, or we're going to lose the presidency.'" The official sighed deeply and continued, "I can't believe we're at this point. It breaks your heart."

—Reported by Ann Blackman,

Nina Burleigh and Michael Duffy/Washington

THE POLITICAL INTEREST

By Michael Kramer

Caught in the Web

THE PRESS ROUTINELY DESCRIBES HIM AS A "CENTRAL FIGURE" IN THE scandal. "He should be fired," says Republican Senator Al D'Amato. Or at least put "out of the picture" on an unpaid leave of absence, said Republican Senate Leader Bob Dole last Friday. The target of these attacks is Deputy Treasury Secretary Roger Altman, the latest Clinton Administration official caught in the Whitewater affair's web of fact and innuendo.

Political trouble threatens all in its path indiscriminately: Public officials served with subpoenas suffer tarnished reputations no matter the ultimate result—which is why distinctions should be drawn. Where does Altman fit?

With impressive government experience already behind him, Altman probably felt confident that he knew the rules of the game when he joined Clinton last year. As Jimmy Carter's Assistant Treasury Secretary, Altman helped engineer the Chrysler bailout. Thanks to his talent and good luck (he and Clinton became friends in college), Altman is now Lloyd Bentsen's understudy. He is also acting head of the Resolution Trust Corporation, an assignment he accepted to fill a temporary vacancy in the RTC's chairmanship. This is the chore that has sullied him.

The job is particularly sensitive because the agency is trying to recapture money lost from failed savings and loans like Madison Guaranty of Little Rock, the institution with ties to the Clintons' hapless Whitewater Development Corp. As a result of Altman's congressional testimony, the public now knows that Treasury officials held three meetings with White House aides to discuss the RTC's Madison investigation. Administration officials confirm that Altman didn't know about the first two. Those became public after Altman acknowledged that he himself called the third for last Feb. 2, a session he describes as a "brief heads-up" designed to tell the White House what procedures the RTC would follow before the statute of limitations on potential lawsuits involving Madison expired at the end of that month. (Congress extended the statute's deadline shortly thereafter.) Altman has sworn that he didn't communicate anything about the substance of the RTC's Madison inquiry. He couldn't have done so, he says, because he has purposely avoided knowledge of the RTC's cases. So far, no evidence disputes his contention.

What's most significant in weighing Altman's culpability is his actions before the White House meeting. Unlike those involved in the other White House sessions, Altman sought to avoid any impropriety, or even its appearance, by clearing his meeting in advance with Treasury's ethics office. The question: Would it be proper to convey the innocuous facts regarding the statute of limitations—facts that had already been provided to inquiring congressional staff members? Assured there was no problem, Altman proceeded.

On Feb. 24, Altman told Congress about his Feb. 2 meeting. Republicans responded predictably, charging improper conduct. On the following day, Altman recused himself from any further RTC decisions involving Madison, even though Treasury and RTC ethics officials say he had no legal obligation to do so. Unsubstantiated reports allege that Altman sought the advice of White House aides before his recusal. He denies that charge, and Administration officials support him.

Where does Altman stand now? Under a cloud. Too few news reports mention that Altman's meeting was cleared by Treasury's ethics office; too many critics ignore his admission that despite such clearance, the meeting should not have occurred. So, fault Altman for political naivete but, unless new information surfaces, not for venality. A lot about Whitewater smells. Altman doesn't.



Altman's suffering unfairly

THE WHITE HOUSE

The Trials Of Hillary

The First Lady's way of doing business and dealing with others helps explain why Whitewater grew so messy

By NANCY GIBBS

HILLARY RODHAM CLINTON HAS NEVER had much use for the national press corps, but by late last week, when the pressure for her to tell what she knew about Whitewater was rattling the very walls of the White House, she finally agreed to let select reporters through the door. It was her first news interview in weeks, and her first ever devoted to

Whitewater, but this was no charm offensive: she met her guests from TIME not in the customary spots—the solarium or the family quarters—but in a combat zone, the Map Room where Franklin Roosevelt plotted troop movements throughout the Second World War.

The First Lawyer came well prepared; to even the softest questions she had a hard-boiled answer. "We made lots of mistakes; I'd be the first to admit that," she said, though just about everyone else in the White House already has. If it turns out that she and her husband underpaid their taxes on Whitewater land deals, she said, they will make up the difference. "We never should have made the investment. But, you know, those are things you look at in retrospect. We didn't do anything wrong. We never intended to do anything wrong."

It was great theater and good politics, but it was also rather late. Even as the Clintons continued to insist that Whitewater wasn't really a story, that they wanted everything out on the table so they could prove their innocence, the White House was grinding to a halt so that aides could go out and find lawyers to help sort through their garbage and assemble all the documents that will float past the grand jury and inevitable congressional committees for months

White House aides say the crisis has brought the couple closer—more phone calls, more talking, a hug in public



CYNTHIA DORR FOR TIME



to come. A high-ranking Clinton official, distraught at seeing his name smeared, found himself reassuring his children that he is not going to jail. "Don't worry, Daddy," said one child. "We still love you."

The polls, however, were especially unloving last week. Only 35% of Americans surveyed in a TIME/CNN poll think they can trust Bill Clinton, down from 40% in January. More than half of those polled think the Clintons are hiding something about Whitewater, and a third think they broke the law. Even the financial markets decided they didn't like what they saw: on Thursday the bond market shuddered with rumors about new Whitewater bombshells, prompting investors around the world to dump their U.S. Treasury bonds and buy gold.

The sudden inflation of Whitewater from a nuisance into a crisis, Administration officials insisted, was due more to their colleagues' stupidity than to any new evidence of misdeeds. The President said it was all a problem of perception. Desperate to move on, they could even joke about it; adviser Bruce Lindsey cracked that Whitewater was the site of the future Clinton presidential library. But the greatest perceptual change had implications far beyond Whitewater and its tributaries: the President's wife, the most unaccountable member of any Administration, was being called to account for her actions.

From the start, Whitewater has been more about Hillary than her husband. She was the one who handled the family finances on the botched land deal; who represented clients in front of a regulator her

husband had appointed; for whom White House counsels Vince Foster and later Bernie Nussbaum acted as personal lawyers rather than public officials; whose chief of staff, Maggie Williams, retrieved files from Foster's office after his suicide; who fought to the end the idea of appointing a special prosecutor. Williams (of whom one White House official said, "It's hard to tell where Maggie ends and Hillary begins") and Hil-

As Republicans shouted for congressional hearings, officials from Vice President Al Gore on down fanned out to television shows to express their measured contrition. "Whitewater isn't about cover-ups," said counselor David Gergen on *Nightline*. "It's about screw-ups." Said policy adviser George Stephanopoulos: "Did the damage-control team create a lot more damage than it controlled? I think that's probably right."

As for the First Lady, she struggled gamely through White House dinners and the endless health-care meetings, "but I'm not sure anything is happening," an official admitted. "She's not running them. She's not talking, and she just sort of sits there." Friends privately acknowledged that the attacks were taking a toll. "She is too proud to call for support," said Senator Jay Rockefeller, who has worked at her side on health care for the past year. "And you will not catch a muscle of her jaw moving, but if I were her I would be seething over Whitewater." Hillary is careful to keep her anger private,

but it is impossible to hide. "People can lie about you on a regular basis, and you have to take it," she said. "That's very hurtful. To see the things that are said without any refutation or correction most of the time is very painful to your friends and your family. I worry a lot about them."

The whole thing, the First Lady insisted, was a Republican plot to discredit her. That easy defense will not provide much comfort for long. Several polls last week showed that most people agreed with Hillary that the Republicans were playing partisan games. But the public also didn't like

How much attention are you paying to the Whitewater issue?

	January	March
Great deal/some	48%	
Little/none	51%	

Are the Clintons hiding some things about their role in these matters?

Yes
No

Did Bill or Hillary Clinton do anything illegal in these matters?

	Bill	Hillary
Yes		
No		
Not sure		

Is Hillary Clinton more ethical than most politicians?

Yes
No
The same

From a telephone poll of 600 adult Americans taken for TIME, CNN on March 9-10 by Yankelovich Partners Inc. Sampling error is $\pm 3.5\%$.

lary's press secretary, Lisa Caputo, sat in front of a grand jury last Thursday to explain whether, by meeting at least five times with Treasury regulators, White House officials tried to interfere with the criminal investigation into Whitewater and its ties to the bankrupt Madison Guaranty Savings & Loan.

In the archaeology of scandals, nothing dug up so far has been ruinous, but all of it is corrosive in a White House struggling to shield not one but two embattled leaders. After months of slippery evasions, the Administration abruptly changed strategies.

THE PLOT SO FAR

March, 1992

During the presidential campaign, the press begins asking about the Clintons' investment in the Whitewater real estate venture. Clinton commissions a report that says they made no profit on a \$69,000 investment, but incomplete records prevent a full examination.

Fall

The Bush Administration's Justice Department balks at investigating Whitewater during election time for fear an inquiry will smack of partisanship.

December

The Clintons sell their Whitewater stake for \$1,000 to partner James McDougal, head of the failed Madison Guaranty Savings & Loan. Vincent Foster, the Clintons' lawyer and Hillary's law partner, discovers that Whitewater has not filed tax returns for three years.

July 20, 1993

Foster, now deputy to White House counsel Bernard Nussbaum, is found dead in a Virginia park, an apparent suicide. Nussbaum and Maggie Williams, Hillary Clinton's aide, search Foster's office, and Nussbaum passes documents on to the Clintons' personal attorney.

Sept. 29

Jean Hanson, general counsel at the Treasury Department, informs Nussbaum that the Clintons will be named in an inquiry by the Resolution Trust Corporation, the federal agency cleaning up the S&L mess. Deputy Treasury Secretary Roger Altman, a longtime ally of the Clintons, belongs to the oversight board of the RTC.

October 8

The RTC officially requests a Justice Department criminal investigation of Whitewater and Madison. Six days later, Nussbaum meets with Treasury officials over Whitewater. Meantime, White House adviser Bruce Lindsey informs the President of the investigation. On Oct. 31, reports of the RTC investigation appear in the press.

November 9

Republicans start calling on Attorney General Janet Reno to nominate a special counsel to look into any ties between Madison and Whitewater.



what little it knew about Whitewater, and was not prepared to grant Hillary the automatic benefit of the doubt she seemed to expect. "She's still in the mode of saying, 'I didn't do anything wrong,'" said a White House source. "So why should she do a mea culpa?" Said the First Lady last week: "I have to admit, for the last two years I was bewildered by people's interest in this. It happened many years ago."

For all her disdain for the national press, Hillary Rodham Clinton had a long honeymoon. By and large, reporters have gently chronicled her reinvention of the First Lady's office as she added a major policy role to the traditional portfolio of hostess and cheerleader. The glowing press accounts of her crusade for health-care reform, full of charmed lawnmowers and cheering crowds, helped boost her popularity higher than her husband's at times. Profiles charted the spiritual journey that inspired her social activism, the theologians she read, the ministers she admired. The New York Times Magazine dressed her in white silk and pearls and captioned her St. Hillary. Her staff loved the picture.

THIS WAS RISKY TERRITORY FOR A public figure: if pride is bad, then one doesn't dare seem proud of being good. Both Bill and Hillary came to Washington promising an end to politics as usual, a rebirth of responsibility, a Politics of Meaning derived from the Golden Rule. Such a specific claim to moral authority can hardly withstand charges of tax chiseling and corner cutting by Hillary and those closest to her. "Can a President credibly advance an ethic of national service," asked Clinton's nemesis on the Hill, Congressman Jim Leach, "if his own model is one of self-service?"

Even the President's friends came to

realize the dangers of moral hubris, particularly as revealed by a generation of '60s reformers who campaigned against the '80s as the Decade of Greed. "They think of themselves as the most ethical people in the world," says an Administration insider. "They think everything they do or say is aboveboard and for the good of the country. Therefore they can't understand why someone would doubt their integrity. That is a big part of the problem."

It is a problem for the President's bushy-tailed staffers, who last week were being called upon to explain why 15 top officials had been working for more than a year without proper security clearance. White House press secretary Dee Dee Myers admitted that she and others have been working on temporary passes since the Inauguration because, Myers says, she has been too busy to do the paperwork. "There are no excuses," she said. "I should have done it, and I just kept putting it off."

Despite Clinton's evocation during the campaign of a country that "works hard and plays by the rules," the rules don't always apply in the Clinton White House. Critics recall the infamous haircut on the runway, the summary firing of the travel staff, the use of the FBI to investigate the travel operation. "The Clinton message is 'I'm pure,'" said a veteran of the Reagan White House,



If everybody in the country had a character as strong as hers, we wouldn't have half the problems we've got today.

—President Bill Clinton on his wife

"'I'm above the law.' It's almost Nixonian. And it's a tragic flaw."

Whitewater has introduced all sorts of ironies into the most interesting marriage in America. The official word coming from the White House was that "this has brought them closer together. There is more phone calling during the day, more talking back and forth, a need to reach out to each other more," an official observed. "It is probably a natural reaction to stress and adversity coming from outside." The stress cannot have been helped by the President's having to fire Nussbaum, his wife's early mentor, or invite a special prosecutor to interrogate her closest allies.

The Clintons' partnership has inspired unending speculation ever since

they peeled back the bedclothes a bit on 60 Minutes to respond to charges of his adultery. Even friends who have known them for many years have trouble explaining the dynamic between them; but Whitewater confirms some eternal verities about why they are so different, and so dependent on each other.

There is an old saying that Methodists are always looking for a mission, while Baptists think they are the mission. Bill the Baptist was single-minded in his pursuit of power; Hillary the Methodist made his success into her preoccupation. Their

December

Shortly before Christmas, the Clintons reluctantly agree to turn over all Whitewater records. The White House admits that documents were taken from Foster's office in July. It takes several weeks before all papers are turned over.

January 20, 1994

After Clinton asks Reno to appoint a special prosecutor, she selects Robert Fiske, a Manhattan lawyer, to lead the investigation. Fiske, vowing a "flat-out" examination, anticipated that both Clintons would be deposed under oath. Fiske also says he will look into Foster's death.

Late January

Following Fiske's appointment, an employee of the Rose law firm is allegedly ordered to shred a box of documents from Foster's files.

February 2

Altman briefs senior White House aides on the RTC's procedures. At the meeting are Hanson, Nussbaum, Williams and deputy chief of staff Harold Ickes. Altman would admit to the meeting at a Senate hearing later in the month.

February 25

Under heavy criticism, Altman removes himself from all matters pertaining to Madison or Whitewater and resigns as head of RTC, effective March 30.

March 4

The FBI, looking for Whitewater and Madison testimony and documents, serves subpoenas on 10 White House aides, including Nussbaum, Williams, Altman and Ickes. The next day Nussbaum resigns.

March 7-8

Clinton chooses Lloyd Cutler as Nussbaum's interim replacement. White House officials acknowledge there had been additional conversations between the White House and Treasury officials regarding the RTC probe.



Photographs: The White House; Clinton & Gore: J. B. Treasury Department; Terry Aiche; Diana Walker; TIME Graphics by Dave Hart

friends observe that he needs her brains, her logic, her focus; she needs his charisma, his humor, his ability to strike the deal that gets things done. "There's a poll saying that 40% of the American people think Hillary's smarter than I am," Bill likes to observe. "What I don't understand," he then deadpans, "is how the other 60% missed it."

But there is the twist: in Whitewater the smart one goofed—or presumably did. The other one didn't. Like something out of Faulkner, the saint may have sinned. Two years ago, Hillary stood steadfastly by her husband through allegations, and considerable evidence, of adultery, draft dodging and drug use. Together they went through the grinder again at Christmas with new charges, by Arkansas state troopers, of philandering. Now, for once, it is he who must stand by his woman if he is to keep his presidency afloat. He is returning her favor, in many ways, though it might be fair to sug-



She's more fragile than she appears. And she's worried—I can see it in her stiffness.

—A top Clinton administration official

gest that he more than owes her.

Maybe it is because he grew up poor and she did not that Hillary came to be worried about their financial security. Bill had already known poverty, so it held no terror for him; he used to say he didn't "care a lick" about money. Hillary did not have that luxury. She had turned her back on the lure of gold-plated Washington law firms in order to follow Bill to Arkansas and help steer him to the Governor's mansion, where he earned \$23,000 a year. It fell to Hillary to make ends meet, which made investments like

Whitewater all the more beguiling. Friends in Little Rock acknowledge that "money was a real issue." In 1983 she and her law partners Vince Foster and Webb Hubbell opened a joint stock-trading company called Midlife Investors. "She would call me all the time to see how her stocks were doing," recalls broker Roy Drew. "Some investors I never hear from."

Some call every day, even when nothing has changed. She was closer to the latter."

The Clintons' Whitewater partner, James McDougal, claims that when Bill Clinton told him they were having money troubles, McDougal decided that his Madison Guaranty Savings & Loan would put Hillary on a \$2,000 monthly retainer. McDougal, who in Arkansas' incestuous politics was also a Clinton fund raiser, got his money's worth in 1985 when Hillary argued before the state on behalf of measures to keep Madison afloat. The thrift finally went under in 1989 at a cost to taxpayers of \$47 million. Whitewater special prosecutor Robert Fiske has also subpoenaed documents of a second failed real estate deal financed by Whitewater, this one the 810-acre Lorraine Heights project outside Little Rock, which ended with lawsuits by angry landowners, foreclosure and a \$510,000 judgment against Whitewater.

IT IS NO SINGLE CHARGE, BUT THE steady accumulation of them, that has the White House reeling. Most damaging of all is the atmosphere of law-erly evasion that suffuses an Administration so plump with law degrees. The Whitewater "screw-ups," for all the efforts to spin them as one-time blunders, arose directly out of a White House power

Does Rose Have Something to Hide?

By RICHARD LACAYO

THE ATTORNEYS AT THE ROSE LAW FIRM OF LITTLE ROCK have always liked to operate near the center of power. Their first woman partner was Hillary Rodham Clinton, who got the title in 1979, the same year her husband became Governor. When she became First Lady, she took three other partners with her to Washington, where Vincent Foster and William Kennedy became White House counsels and Webster Hubbell was named Associate Attorney General. The future looked so promising that Rose opened a one-man Washington operation to explore opportunities for establishing a permanent office.

But sometimes it doesn't pay to get too close to the seat of power. The lawyers at Rose have spent much of the past few weeks trying to contend with the tributaries of Whitewater that run straight through their firm—and the whirring noise of a shredder. Two college students employed as couriers in the Little Rock office say that in late January, after the special counsel began his Whitewater investigation, they shredded materials from the office of Foster, who had handled some of the Clintons' Whitewater dealings, and who committed suicide last July. Senior attorneys are said to be watching miserably as the firm's white shoes are dragged through the mud. "Yeah, it's more tense," says Jeremy Hedges, one of the shredders. "But then, it's always been tense."

With roots going back to 1820, the firm takes its name from



U.M. Rose, a founder of the American Bar Association. By the 1980s, when its growth took off under the direction of C. Joseph Giroir, a securities specialist, it had long been the cream of Arkansas firms. Its list of present and former clients includes some of the state's biggest businesses, including Tyson Foods, Wal-Mart and TCBY, the national yogurt franchiser, as well as Little Rock Airport Commission and the Federal Deposit Insurance Corporation, which oversees banks.

That client roster, mixing businesses with government regulators, sometimes led to conflict-of-interest accusations. In 1988 the firm and its insurer paid \$3 million to settle a conflict charge stemming from the failure of FirstSouth Savings and Loan. At the insistence of Senate Republicans, the FDIC has reopened a conflict-of-interest investigation involving Madison Guaranty,



ANSWERING SUBPOENAS: Chief of staff Maggie Williams, White House communications director Mark Gearan and press secretary Lisa Caputo

structure unlike any in history. Never before has the White House contained two such powerful figures, with rival staffs, interlocking loyalties and a wall of protection surrounding the whole enterprise.

Hillary functions in the White House rather like the queen on a chessboard. Her power comes from her unrestricted movement; but the risk of capture is great, and a player without a queen is at a fatal disadvantage. Clinton's presidency would be severely disabled by a direct hit to his wife. So, as the Whitewater story has wound tighter around her, opponents, supporters and observers of the Clinton Administration alike have been faced with the simulta-

neously giddy and unnerving prospect of seeing the capture of such a powerful figure.

Though her public profile has waxed and waned, Hillary's access within the privacy of the White House is virtually unlimited. Staffers refer to the Clintons with a sort of revolutionary equality as "the principals" and chart her moods and interests with as much care as his. Few were hired without an audience with her; when the President has a question about almost any sensitive issue that arises, the refrain is the same: "Run this past Hillary."

The First Lady and her chief of staff Williams have walk-in rights to most White

House meetings, from the Oval Office on down to the war rooms and tiny impromptu gatherings. Williams' official title is assistant to the President, which means she reports to the President's chief of staff, Mack McLarty. But early on, Williams told friends that she considered herself McLarty's counterpart, and she bristled when she was not included in many of the same meetings he attended. "She told people that they had equal rank," said an Administration insider. "The only person who could have given her that impression was Hillary herself."

Washington conventional wisdom holds that Hillary Clinton, her staff and their



ON A TEAR? Clerks Lindsey and Hedges, right, say they were directed at the Rose Law office, left, to shred Foster's papers

the failed S&L headed by James McDougal, the Clintons' partner in Whitewater. In 1989 the firm represented the FDIC in a suit against Madison's auditors, despite the fact that, four years earlier, Hillary had dealt with state regulators on Madison's behalf.

Spokesmen for the firm say it began shredding to protect confidential client information during the 1992 primary campaigns, when reporters were discovered rummaging through office garbage. In late January, after special counsel Robert Fiske announced the start of his Whitewater investigation, Hedges and another courier, Clayton Lindsey, say they spent an hour shredding documents plainly marked VWF. The only lawyer at the firm with those initials was Vince W. Foster. At a meeting with managing partner Ronald Clark and others a few weeks later, they were informed that they would have to answer FBI questions and testify before the Whitewater grand jury. Hedges says they were told to tell the truth and "not to do anything to protect the firm." But when Hedges informed senior partner Jerry Jones that he would tell the FBI he had shredded Foster documents, Jones replied,

"Don't assume they were his documents." According to Hedges, when he answered in turn that he was certain, Jones told him, "Don't assume that they have anything to do with the investigation."

Rose partners shrug off the story, insisting, plausibly, that if they had anything to hide, they would not have gotten two lower-rung employees to do their dirty work. Hedges says senior partners would be just as unlikely to risk attracting suspicion by doing something out of the ordinary—like their own shredding. "People get suspicious."

Tired of the spotlight—and of being compared to the fishy practitioners in *The Firm*—Rose is showing the strain. Some members of the firm have knives out for the big names whose troubles have come back to haunt the firm. They leaked word that Rose was conducting an internal review of Hubbell to determine whether he had overbilled clients and misused his expense account. And politically conservative partners are also said to be itching to undercut Rose alumni attached to the Democratic White House. The *Washington Times* reported last week that in connection with the expense-account questions, an unidentified group of partners is thinking of filing an ethics complaint against Hubbell with the Arkansas Supreme Court.

The Whitewater fallout is also being felt by Rose's man in Washington, Allen Bird II. But he predicts Rose will pursue plans to open "a legislative practice" in Washington, a term for lawyer-lobbyists. While he promises they won't be selling access, that won't keep them from picking up the phone: "We decided we would feel free to contact anyone in the Administration anytime we felt it was appropriate, legal and ethical." It's hard to know how much comfort to take from that. —Reported by

Richard Behar/*New York* and Suneel Ratan/*Little Rock*

mostly female allies constitute one camp in the White House, while "the white boys" around the President lead another camp. Many blamed the poor handling of Whitewater on a split between the two teams. But the Clinton White House is a far more complicated place than that, a hive of many camps, linked by bridges that make easy divisions not only impossible but misleading. There are age camps, ideological camps, long-standing friendships and clusters around key officials that defy simple categories.

The best breakdown isn't spousal but historical: there is a "campaign camp" and a "governing camp." The first, inhabited by Stephanopoulos, Harold Ickes, Paul Begala, Mandy Grunwald, James Carville and the swarm of communications minions, tend to be fighters, counterpunchers and by habit unconciliatory. The governing camp, by and large, came on board later, and is led by Gore, McLarty, Gergen and others who, to some extent by accident, are more moderate, more Washington, have closer ties to business, and have never associated with insurgent party politics.

A subset of the first group is Hillary's team, many of whom, like Williams, Susan Thomases, Ira Magaziner and, until last week, Nussbaum—worked on the campaign. "People love working for her," says Anne Wexler, a senior officer in the Carter White House who keeps in close touch with the Clintons. "Her operation is the most organized, the most focused, the most coordinated and the most disciplined in the White House." And all the focus and discipline is directed toward a single goal: protect Hillary. As a White House veteran put it, "They are a force within a force within a force."

It is Hillary's camp, in alliance with the campaign group, that has buttressed, rather than sought to break down, her instinct to stonewall her way through this mess. Theirs is a lawyerly culture: attorneys by training aren't forthcoming, they tell nothing, give away little and generally plead the alternatives, if just for fun. The First Lady has been surrounded by like-minded legal eagles for most of her adult life, and those who remain believe in denial as a first course of action. It is a legal outlook, not a political one.

Hillary's advisers share with the cam-



She is too proud to call for support. And you will not catch a muscle of her jaw moving, but if I were her I would be seething.

paign veterans the notion that the best course is usually denial and counterattack—hence the charge that the Republicans are blowing up Whitewater for their own advantage. But the two sects have not always agreed. It was Ickes, a longtime Hillary confidant, who forced the Clintons to accept a special counsel when Nussbaum and Susan Thomases argued vehemently against it.

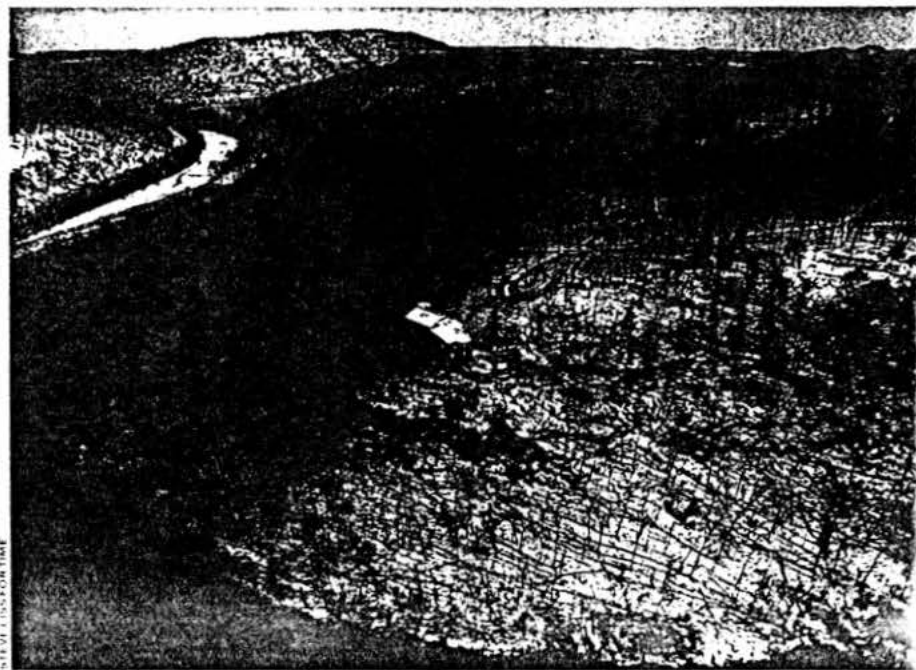
The hallmark of Hillary's staff seems to be an intense loyalty that borders on paranoia, and a determination to guard her privacy at all costs. The very intensity of loyalty, in fact, may have done her harm. "A lot of people believed last December that they could do Mrs. Clinton a favor by volunteering to go on television and talk to reporters about Whitewater," a White

House veteran observes. "The idea was, do a little dirty work and get a merit badge." But Whitewater turned out to be full of quicksand. "They get on TV and discover it is not that easy. Rather than pleasing Hillary, they are going to piss her off. And so what starts as a big opportunity to score some big brownie points with the boss, or his wife, ends up backfiring."

Top Administration officials are now outspokenly critical of the White House staff for creating a fiasco that threatens to derail the President's legislative agenda. "They have never had a strong staff, either one of them," contends a longtime ally of Hillary's. "They didn't have to have a first-rate staff in Arkansas. They didn't need one there. They just had to be first-rate themselves. When they got to Washington, they didn't go through the process of a nationwide search to hire people for the White House as they did for the Cabinet. They looked only at the campaign."

ALTHOUGH THERE WAS A LONG LIST of experienced Democrats ready to help, the Clintons did not appoint a single old Washington hand to the new staff. "They didn't want any strong wills around them," observed a prominent Democrat who has known both Clintons since college days. "They don't want anyone in the White House who knows where the skeletons are buried." Only when disaster struck did they reach out to the grownups: first David Gergen and last week Lloyd Cutler, a seasoned veteran of Washington's political warfare.

The arm's-length strategy toward the press reflects her staff's careful management of the First Lady's image—or rather, images, as she veers between the high-profile policymaker and the casual sports fan chatting with David Letterman's mom, live from Lillehammer. At times, in fact, her staff seems to be trying to make her appear less influential than she is. A year into the heavy health-care work, her staff still takes conspicuous pains to showcase her tradi-



WHITWATER: The Clintons were expected to build a home by the bluff in the foreground

tional First Lady doings, visiting schools and hospitals and entertaining, while keeping the details of her private work schedule from public view.

Such behavior inspires the conservatives' charge that she is trying to have it both ways, hiding her power and her liberal agenda behind a traditional role. In a way, Hillary Clinton, the feminist champion, has had a hard time living out that old feminist slogan "The personal is political." Politics is more personal for her than for any First Lady in modern memory. Some of her defenders attribute the attacks on her as the predictable assault on a strong, outspoken feminist. "It's a small but pathetic gang of right-wingers who hate Hillary not because of what she's done but because their mammas didn't breast-feed them," said adviser Paul Begala last week.

Some of Hillary's aides see her frustration and exhaustion growing, especially as the health-care marathon drags on and on, with ever diminishing chances of Congress's passing a program that even resembles the one she worked so hard to develop. "There have been days when we would tumble onto a plane at the end of a day," a staff member recalls, "and she would say, 'I hurt from the top of my head to the bottom of my feet.'"

Most upsetting is the fact that her husband's agenda, for which she too has fought so hard, is embattled by a mess arising mostly from her own misjudgments. With midterm elections looming, the effect of Whitewater on Congress will be to loosen the President's already fleeting grip on party discipline and make it harder for him to flex his legislative muscles. And it hands the defenseless G.O.P. a badly needed stick. "We don't want to be distracted from the big issues that we're working on," said Stephanopoulos. "That's not going to stop the Republicans from trying. They can't run on the economy. They can't run on health care. They can't run on welfare. They can't run on crime. So they're trying to exploit this issue. We shouldn't make mistakes to allow them to do that."

A politician who brought to the White House a reputation for slickness may have particular trouble getting some moral traction—especially if those around him are afraid to confront his demons. A top Administration source said there is only one group capable of changing Clinton's mind about the way his White House runs: "What it will take is for the Wise Owls—Vernon Jordan, Warren Christopher and Lloyd Cutler—to walk into the Oval Office and say, 'Get the amateurs out, or we're going to lose the presidency.'" The official sighed deeply and continued, "I can't believe we're at this point. It breaks your heart."

—Reported by Ann Blackman,
Nina Burleigh and Michael Duffy/Washington

THE POLITICAL INTEREST

By Michael Kramer

Caught in the Web

THE PRESS ROUTINELY DESCRIBES HIM AS A "CENTRAL FIGURE" IN THE scandal. "He should be fired," says Republican Senator Al D'Amato. Or at least put "out of the picture" on an unpaid leave of absence, said Republican Senate Leader Bob Dole last Friday. The target of these attacks is Deputy Treasury Secretary Roger Altman, the latest Clinton Administration official caught in the Whitewater affair's web of fact and innuendo.

Political trouble threatens all in its path indiscriminately. Public officials served with subpoenas suffer tarnished reputations no matter the ultimate result—which is why distinctions should be drawn. Where does Altman fit?

With impressive government experience already behind him, Altman probably felt confident that he knew the rules of the game when he joined Clinton last year. As Jimmy Carter's Assistant Treasury Secretary, Altman helped engineer the Chrysler bailout. Thanks to his talent and good luck (he and Clinton became friends in college), Altman is now Lloyd Bentsen's understudy. He is also acting head of the Resolution Trust Corporation, an assignment he accepted to fill a temporary vacancy in the RTC's chairmanship. This is the chore that has sullied him.

The job is particularly sensitive because the agency is trying to recapture money lost from failed savings and loans like Madison Guaranty of Little Rock, the institution with ties to the Clintons' hapless Whitewater Development Corp. As a result of Altman's congressional testimony, the public now knows that Treasury officials held three meetings with White House aides to discuss the RTC's Madison investigation. Administration officials confirm that Altman didn't know about the first two. Those became public after Altman acknowledged that he himself called the third for last Feb. 2, a session he describes as a "brief heads-up" designed to tell the White House what procedures the RTC would follow before the statute of limitations on potential lawsuits involving Madison expired at the end of that month. (Congress extended the statute's deadline shortly thereafter.) Altman has sworn that he didn't communicate anything about the substance of the RTC's Madison inquiry. He couldn't have done so, he says, because he has purposely avoided knowledge of the RTC's cases. So far, no evidence disputes his contention.

What's most significant in weighing Altman's culpability is his actions before the White House meeting. Unlike those involved in the other White House sessions, Altman sought to avoid any impropriety, or even its appearance, by clearing his meeting in advance with Treasury's ethics office. The question: Would it be proper to convey the innocuous facts regarding the statute of limitations—facts that had already been provided to inquiring congressional staff members? Assured there was no problem, Altman proceeded.

On Feb. 24, Altman told Congress about his Feb. 2 meeting. Republicans responded predictably, charging improper conduct. On the following day, Altman recused himself from any further RTC decisions involving Madison, even though Treasury and RTC ethics officials say he had no legal obligation to do so. Unsubstantiated reports allege that Altman sought the advice of White House aides before his recusal. He denies that charge, and Administration officials support him.

Where does Altman stand now? Under a cloud. Too few news reports mention that Altman's meeting was cleared by Treasury's ethics office; too many critics ignore his admission that despite such clearance, the meeting should not have occurred. So, fault Altman for political naiveté but, unless new information surfaces, not for venality. A lot about Whitewater smells. Altman doesn't.



Altman's suffering unfairly

NATIONAL AFFAIRS

TV, but that's it." He added that the Clintons stopped receiving information on the partnership after March 1992. Their assets have since been placed in a blind trust. Smith, a Republican, is angry at what he says is a reckless partisan charge. "Here we have 51 U.S. representatives. They represent us. They're supposed to have some sense of justice," he said. "But they made not one phone call to check and see if their information might not be false."

Meanwhile, the White House still faces the inevitable prospect of congressional hearings on Whitewater. The NEWSWEEK Poll shows that a small majority of the public—52 percent—would like to see them. Fiske secured a partial victory last week, when Senate GOP leaders agreed to hold off until after June 1, giving him time to wrap up at least the White House phase of his investigation. But the administration faces the immediate problem posed by the House Banking Committee, where Republicans want to turn next week's routine hearing on savings and loan regulation into a Whitewater forum. The panel's ranking minority member, Rep. Jim Leach, released a list of

40 potential witnesses that reads like a who's who of Whitewater, from James and Susan McDougal to a Rose Law Firm courier who alleged last week that documents belonging to Vincent Foster were destroyed after Fiske had announced that he would be reviewing Foster's death.

Leach will face a fight from Democratic Banking chairman Henry Gonzalez, who will attempt to bar Whitewater questions. But if the hearing does come off, it could raise new questions about political interference in the federal investigation of Madison Guaranty. Leach charged last week that investigators in the Resolution Trust Corporation (RTC) were "gagged and possibly coerced" by agency lawyers who wanted to delete mention of the Clintons from documents recommending the Madison case to the Justice Department for possible criminal action. Leach refused to elaborate. But NEWSWEEK has learned that Jean Lewis, a criminal investigator in the RTC's Kansas City



THE POLITICAL TOLL: Partisan critics took on a more strident tone, and some protesters gathered in Washington

CHARLES E. SASSER

Mo., field office, is expected to offer detailed testimony about her disputes with agency officials.

Lewis, who would not return phone calls last week, is a key figure in the Madison investigation. The story begins in 1990, when McDougal was acquitted on federal bank-fraud charges that grew out of Madison's 1989 failure. At that point the RTC—created by the Bush administration to re-

cover federally insured deposits lost by insolvent S&Ls—had virtually written off any further criminal investigation of Madison. But in March 1992, The New York Times published its account of McDougal's relationship with the Clintons, which included the ill-fated Whitewater partnership. The story's implication was that McDougal had offered the politically powerful couple a sweetheart land deal in exchange for favorable regulatory treatment for his banking interests. The RTC decided to have another look, and put Lewis in charge of the renewed investigation.

By the summer of 1992, according to sources, the RTC's Kansas City office had compiled a 21-page report targeting

McDougal and his wife, Susan, for criminal investigation. Agency sources say that the Clintons were not named as investigative targets, but were nevertheless mentioned as potential beneficiaries of possible illegal acts by the McDougals, including the draining of Madison accounts. A summary of the report reached top officials at the Justice Department in early October 1992, but the Bush administration—already under fire for charges that State Department officials had tampered with Clinton's passport file—elected to ignore a matter bound to cause more trouble on the eve of a presidential election.

The case sat in the Justice Department's criminal division through the transition to the Clinton administration. In March 1993, attorneys concluded that the matter did not warrant investigation, but left the final decision to federal prosecutors in Little Rock, who quickly concurred. But it was several months before the RTC investigators in Kansas City learned of Justice's decision to bounce the referral. In the interim, an RTC source says, Lewis and others continued to gather information for a new, expanded criminal referral.

This time, according to congressional and RTC sources, Lewis had collected information suggesting that the Whitewater land venture—co-

(Continued on page 10)

WITWATER METER

This week, NEWSWEEK installs a meter to help gauge Whitewater rushing by. What looks trivial now may look criminal later—and vice versa:



SHREDDING: Shredding at law firms is routine. And the Rose Law Firm shredders say they saw nothing about Whitewater in the old documents they say belonged to Vincent Foster. Plus, it seems unlikely that in a genuine cover-up a 20-year-old courier would be enlisted to destroy evidence. But given Foster's suicide, why were any of his files destroyed? Anonymous sources claim that Hillary Clinton herself ordered shredding in 1992. If she did, the meter will move.



RTC BRIEFINGS: Two briefings were merely improper; one looks like something worse. On Sept. 29, 1993, Treasury general counsel Jean Hanson told White House counsel Bernard Nussbaum that the Clintons would be named as beneficiaries of possible illegal activity at Madison Guaranty S&L. Unlike the later meetings, that early heads-up suggests political involvement in a legal proceeding. But there's no evidence right now that the White House tried to block a probe.



HILLARY'S STOCKS: This one looks like pure partisanship. Although the Clintons should have put their holdings into a blind trust earlier, it's hard to imagine that Hillary knew one of her investment funds was selling a few health-care stocks short before her attack on drug companies. Besides, the fund lost more on health stocks it held. Lawmakers making a stink routinely vote on health issues without divesting.

The Whitewater Media Arc

Denied many facts, the press rides its own mood swings

BY JONATHAN ALTER

AFTER FOUR MONTHS OF STEADY STORIES, WE STILL have no idea if Whitewater is cancer or hemorrhoids. Either way, the dynamics of the press coverage are perfectly predictable. Regardless of the scale of wrongdoing, the arc of scandal moves from frenzy to boredom and back again. The media child naps, stirs, races around the room, loses attention, rests, then wakes in full cry. You can almost set your watch by it. The pattern goes like this:

First comes the journalistic prophet, in this case Jeff Gerth of The New York Times, who in March 1992 broke the story of the Whitewater investment and the Clintons' connection to the owner of a failed savings and loan. (To this day the Gerth stories comprise about 80 percent of what we know about Whitewater.) But the Clinton campaign skillfully deflected questions, and the story disappeared altogether from the news for more than a year.

The lull sets up the frenzy phase. Though Vincent Foster's suicide note didn't even mention Whitewater, his death lent lurid color to a dry story. The White House bungled the suicide aftermath, raising some real—and imaginary—areas for inquiry. Suddenly journalism could read like mystery fiction—full of preposterous innuendo (that Foster was murdered and his note forged, to name just one). In this phase, good, aggressive stories and ridiculous ones whizz by at a furious pace. Did that come from The Washington Post or Rush Limbaugh? Even news junkies can have trouble remembering.

As 1994 began, two elements ignited the frenzy. The first was the clear arrogance and political stupidity of the Clintons themselves. Because a modified stonewalling strategy had worked so well for the Clintons in the past, they thought they could tough it out. Several aides tried to tell them the obvious—that this time it would just generate a thousand more damaging stories. They refused to listen.

The second rocket booster for the media was a different Arkansas story—the state troopers' allegations of sexual improprieties. The mainstream media disbelieved much of the tale. And ever since Gary Hart was driven from the 1988 campaign, many editors have felt squeamish about sex stories. So—believing that they had given Bill Clinton a bit of a break during the campaign (the Gennifer Flowers charges were never much pursued) and again on the trooper story and Paula Jones sex charges—news organizations felt some need to show they could chase down the president's Arkansas past. Soon, legions of reporters and photographers made the trek to Little Rock. Deep Throat's old Watergate advice—"Follow the money!"—became the war cry.

The frenzy phase may also have been driven by some unconscious guilt over how badly the press blew the huge S&L scandal. Some news organizations have used Whitewater almost as a case study to explain the way cozy connections between real

estate, law firms and state government led to huge losses for taxpayers. Having mostly missed the \$200 billion S&L fiasco in the '80s, editors figured the least they could do was break some stories on the \$60 million in Madison Guaranty losses in the '90s.

After finally agreeing to a special counsel, Clinton aides thought they would enter another lull in the cycle. But they forgot something important. After pumping considerable resources into the story, news organizations were not likely to go away empty-handed. And so the return-on-investment phase began. The first sign was that revelations that might otherwise have been small or medium-size news were played as earthshaking. Take the White House contacts with the Treasury Department. A valid story, but worthy of page one day after day? Former FDIC chairman William Seidman writes in his memoirs that C. Boyden Gray, George Bush's White House counsel, did more

to receive a heads-up on the FDIC's probe of Bush's son Neil. He even tried for a change of venue. The press never got near that story. But this time the communication was treated like Watergate. With the air full of the language of scandal (resignations, subpoenas, shredding, cover-ups, even "water"), the arc of the story all but demanded it.

The return-on-investment phase reached its peak last week in The New York Times. Jeff Gerth and two colleagues spent two months investigating

Hillary Clinton's \$100,000 profits in cattle futures in the late '70s. Hillary made legal and ethical trades in commodities on the advice of a close friend, who is outside counsel to a huge poultry business. Whatever they were looking for, the reporters had to recoup their investment of time with a flimsy angle—that the then Governor Clinton went easy on the poultry industry as a result of his wife's profits. But the economic future of Arkansas was tied to poultry, the state's dominant industry. Most governors would have pur-

sued a similar policy. The story ran on page one and a full page inside, all but shouting "Scandal" to readers. It was fun to learn about Yuppie Hillary, but the story belonged in the business pages, or perhaps the food section, where the Times usually runs its diagrams of cows.

The newest phase of the Whitewater arc is boredom. Little Rock is clearing out. That's not good either. What's needed instead is a hardheaded look at all the sludge that floats by. Reporters and editors should ask themselves whether the latest charge is yet another recycled "question" about Whitewater (as Suzanne Garment writes in her book "Scandal," questions are a common way for the press to keep the story boiling between revelations) or is it, miracle of miracles, an answer, a real fact? There's been plenty of good Whitewater reporting, and the press must stay aggressive. But the arc of coverage, which is almost a cliché now in Washington, should give way to a calmer, more challenging dynamic: context.



WIN McNAMEE—REUTERS

The frenzy phase: Clinton besieged last week

The media child naps, stirs, races around, rests, then wakes in full cry

Whitewater rapids

When will the Clintons stop taking on water from the nonstop scandal?

It was a rare moment at the White House last week when hundreds of aides assembled for a closed-to-the-press meeting in the East Room. Its purpose was to buoy spirits as the Whitewater controversy grew and 10 administration officials were subpoenaed to testify before a criminal grand jury. Chief of Staff Mack McLarty encouraged the crowd to be proud of its accomplishments. Hillary Rodham Clinton reminded the group of its important work by telling the story of an Arkansas woman who had endured a double mastectomy and had no health insurance to pay for it. (Some Clinton aides thought this line, reminiscent of Mrs. Clinton's health reform speeches, was a bit heavy-handed.) The president himself best expressed the dazed and confused mood of his staff. He quoted a bit of children's verse that he read to his daughter, Chelsea, when she was younger:

*I was standing there,
happy as can be.
When along came someone
Who tied a horse to me.*

The Whitewater affair is no horse, but it remains an albatross around the neck of the administration. Clintonites continue to insist there is little to fear. Insiders tell *U.S. News* that the Clintons' private attorney, David Kendall, has assured the

first couple that as far as he can tell they have not seriously violated the law. All the Washington lawyer has found, they say, is tax errors and improper deductions related to their investment in Whitewater Development Corp., the in-

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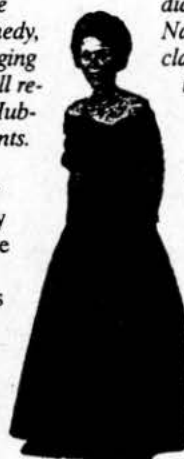
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But if her shortcomings have produced problems on the financial side of the story, the president and his political aides are more to blame for the maladroitness of the scandal has been handled. Their permanent campaign mentality, their propensity to see the world through the lens

of a "war room" and their insistence upon seeing political opponents as enemies led to sloppiness and indiscretion. In all likelihood, White House officials met with Treasury Department officials overseeing the investigation into Madison Guaranty to figure out how to "spin" the story in the news. It didn't help, either, that some participants have too many roles to play. A case in point: Roger Altman, the deputy Treasury secretary and the acting head of the RTC and a frequent political war-room leader in the White House.

So far, the known sins of the Clintonites seem far less serious than those of the Nixon or Reagan eras. No one here planted illegal wiretaps or traded arms to terrorists. But what is clear: Bill Clinton, his wife and his underlings are not simply victims of Washington's cannibalistic culture as they claim. They tied this horse to themselves. No one did it to them.

BY MATTHEW COOPER WITH GLORIA BORGER, DAVID BOWERMASTER AND GREG FERGUSON

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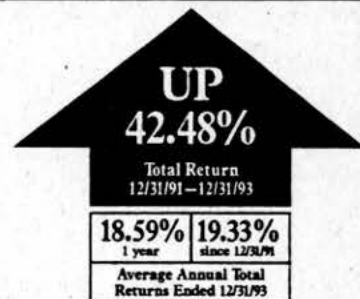
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March 21

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Whitewater rapids

When will the Clintons stop taking on water from the nonstop scandal?

It was a rare moment at the White House last week when hundreds of aides assembled for a closed-to-the-press meeting in the East Room. Its purpose was to buoy spirits as the Whitewater controversy grew and 10 administration officials were subpoenaed to testify before a criminal grand jury. Chief of Staff Mack McLarty encouraged the crowd to be proud of its accomplishments. Hillary Rodham Clinton reminded the group of its important work by telling the story of an Arkansas woman who had endured a double mastectomy and had no health insurance to pay for it. (Some Clinton aides thought this line, reminiscent of Mrs. Clinton's health reform speeches, was a bit heavy-handed.) The president himself best expressed the dazed and confused mood of his staff. He quoted a bit of children's verse that he read to his daughter, Chelsea, when she was younger:

*I was standing there,
happy as can be.
When along came someone
Who tied a horse to me.*

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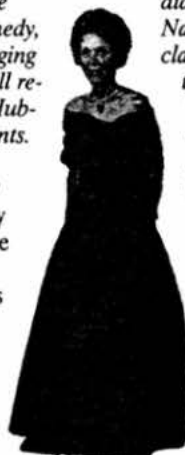
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and in her legal work connected to McDougal's now defunct financial empire. "Hillary has an intense desire to protect her reputation, the idea that she's one of the 100 smartest lawyers in America," says a Clinton friend.

But if her shortcomings have produced problems on the financial side of the story, the president and his political aides are more to blame for the maladroitness of the scandal has been handled. Their permanent campaign mentality, their propensity to see the world through the lens

of a "war room" and their insistence upon seeing political opponents as enemies led to sloppiness and indiscretion. In all likelihood, White House officials met with Treasury Department officials overseeing the investigation into Madison Guaranty to figure out how to "spin" the story in the news. It didn't help, either, that some participants have too many roles to play. A case in point: Roger Altman, the deputy Treasury secretary and the acting head of the RTC and a frequent political war-room leader in the White House.

So far, the known sins of the Clintonites seem far less serious than those of the Nixon or Reagan eras. No one here planted illegal wiretaps or traded arms to terrorists. But what is clear: Bill Clinton, his wife and his underlings are not simply victims of Washington's cannibalistic culture as they claim. They tied this horse to themselves. No one did it to them.

BY MATTHEW COOPER WITH GLORIA BORGER, DAVID BOWERMASTER AND GREG FERGUSON

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"Yes, We Made Lots of Mistakes"

Clearing the air with Hillary Rodham Clinton

The First Lady met for 30 minutes last Saturday with TIME's Ann Blackman and Nina Burleigh to discuss Whitewater and its effect on herself and her family. Excerpts:

TIME: As a private citizen, under a potential legal cloud, you have an interest in not disclosing information. But as the First Lady, you have a responsibility to be candid about Whitewater. Which comes first?

Clinton: We have been candid. We have been candid all the way through this. We made an investment decision that lost money. We did the best we could, always, to be as straightforward on this as we could, based on what we knew. We have fully cooperated with the grand jury, with the special counsel; we have been more than open and candid. We have not denied any documents, we have claimed no privilege. But for years, now, we've been asked questions that we don't know the answers to. We did not run the company, we did not make its decisions, we did not have its documents or its record. So we could not answer many of your questions anyway. We did the very best we could with what we knew.

TIME: Jim McDougal [head of the Madison S&L] claims that your Whitewater contribution was \$13,000, not the \$69,000 cited in the 1992 Lyons report on Whitewater commissioned by your husband.

Clinton: Jim didn't have any documents. He can recall only from his memory.

TIME: Do you think you may have overdeducted on your income tax in those years?

Clinton: Well, we don't know. We don't believe so, but during the Lyons report, they brought to our attention two deductions that were supported in documents which we had but were contradicted in documents we had never seen until they were collected for that report. And once that was brought to our attention, we paid back, because we're not out to take any advantage of anybody. We are only able to act on the knowledge we had at the time. But there were activities that we didn't know any-



thing about that have only recently been brought to our attention. And as we gather more information, we will act appropriately, as we did based on the information we had at a previous time.

TIME: How do you respond to questions of conflicts of interest raised by your representation of Madison?

Clinton: I don't know of any charges other than this incident arising out of a limited representation I had of Madison in which a request for a legal opinion was made to the [Arkansas] securities commissioner. I don't know of any other legitimate claims; now there are lots of illegitimate claims floating around these days, and apparently you can say anything these days and get somebody to prove it. We're trying to break through

all that and get to what the facts are.

TIME: If Congress asks you to testify, will you?

Clinton: We'll have to see if that's what Congress decides to do.

TIME: Did you make any mistakes?

Clinton: My goodness. We made lots of mistakes. We never should have made the investment for one. And I suppose the other big mistake that I made was not appreciating how other people view this when I knew we had done everything we knew to make good on obligations, like paying property taxes and other things, to try to be as careful as possible. So yes, we made lots of mistakes and obviously wish we hadn't. But those are things you look at in retrospect. We didn't do anything wrong. We never intended to do anything wrong.

TIME: Why did you oppose naming a special counsel?

Clinton: Well, there were no allegations of wrongdoing against the President or me. There were lots of wild and unsubstantiated stories that are filled with hurtful claims about people.

TIME: How do you and your husband explain this to each other?

Clinton: I just tell him that I'm very sad that this kind of situation has occurred and that I'm sure we could have handled it differently or better. I know when all is said and done there's nothing in this whole Whitewater situation except a lot of confused documents that ... will be put into some sensible order and presented to the world

when the special counsel gets done. So I don't even worry about that.

TIME: And Chelsea?

Clinton: She doesn't need an explanation. She is fully aware of what happens in politics. With it comes a lot of the worst that human nature has to offer. We've been telling her that since she was six.

TIME: What effect does this have on you?

Clinton: I feel, on most days, good about what I'm doing, but on other days I get down like anybody else. People can lie about you on a regular basis and you have to take it. That's very hurtful. Then when you stop and think that now that we're in public life at the level we are, we have no protection against any of that. ■

Why It Isn't Watergate

There is no evidence of criminality in Whitewater—but that doesn't mean it's trivial

By GEORGE J. CHURCH

WATERGATE. WHITEWATER. BOTH CONTAIN THE letters *w-a-t-e-r*. Adopt the fashion of attaching the suffix *-gate* to any scandal whatsoever (remember Ice Cream-Gate? Doublebillingsgate? never mind, nobody else does either) and the second becomes *Whitewatergate*, identical to the first except for an extraneous syllable. But do the two share any other similarities?

Some, certainly, and not altogether superficial ones. Both concern allegations of impropriety directed at a President of the United States (though only Whitewater also involves the First Lady; one would have to look very long through the mountain of Watergate clippings before coming across even a glancing mention of Pat Nixon). Both triggered probes by a special counsel, and both may yet lead to congressional investigations. Both touched off partisan howling for a President's head, and both featured official defenses of said President by aides who obviously had next to no knowledge of what had happened. George Stephanopoulos and Ron Ziegler might equally resent that comparison, but there it is.

But what, if anything, is *really* similar? Right now, an honest answer would have to be: We don't know. The identity of "Deep Throat" is one of the few Watergate mysteries left.

We know not only the details of the cover-up but what it was that was covered up. In contrast, probes into Whitewater have been sorely puzzled by the disparity between the intensity of White House efforts to obfuscate the matter and what can be discovered so far about what might have been obfuscated. So what if the failed Madison Guaranty Savings & Loan really was being operated as what Republican Congressman Jim Leach calls a "private piggy bank" for Arkansas politicians, including the then Governor? So what if Bill and Hillary Clinton did in fact take income-tax deductions to which they were not entitled, and underpaid their personal taxes? Admitting as much no doubt would be embarrassing. Avoiding that embarrassment, however, is so far from being worth all the trouble that the Clinton White House is in now as to stir suspicion that there *must* be something more waiting to be unearthed.

This much, however, can be said. Whitewater has a very, very long way to go before it can be considered within 16 miles of being equal in gravity to Watergate. Memories are dimming. People voted in 1992 who were not yet born when the Watergate break-in occurred 20 years earlier, or even when President Nixon resigned in 1974. But it is worth re-

calling for one thing that "Watergate" pointed to a whole pattern of activity at the top of the government that former (later jailed) Attorney General John Mitchell referred to as the "White House horror stories." The rifling of the safe in the office of Daniel Ellsberg's psychiatrist, the creation of the plumbers' unit, the "dirty tricks" in the 1972 campaign, the surveillance of anti-Vietnam War protesters, the "enemies list"—these things had only a peripheral relationship, if that, to the burglary of Democratic National Committee headquarters at the Watergate complex, but they were part of a pattern of dictatorial and in some cases criminal behavior that has not found even alleged parallels in the Clinton White House.

As for "Watergate" proper, remember Richard Nixon, 37th President of the United States, musing on tape about how much money would be required to buy the silence of the burglars, and rumbling that he knew where to get it? Remember White House counsel John Dean semi-joking that Nixon's helpers were unschooled in such criminal activity as leaving the money for pay-offs where it could not be traced, and one of his listeners remarking plaintively that Mitchell ought to know how to find somebody skilled in money laundering? The onetime chief law-enforcement officer of the country being mentioned as a conduit to recruit a successful crook! What comparison can be drawn between that and meetings



REMEMBER WHEN? White House counsel John Dean, who became a chief accuser of Nixon, is sworn in by Senate probes

concerning the Madison investigation between Treasury officers and White House aides that some commentators doubt can be considered improper at all?

Yet if Watergate—so far—surpasses Whitewater by light-years in seriousness, there *are* disturbing parallels. Both concern whether what a President (and in the case of Whitewater, a First Lady) says can be believed. Whitewater, as Congressman Leach asserts, may be important "precisely because it is small [and] truth of character is more generally revealed in small acts than large gestures." It mattered that Lyndon Johnson lied about small things because he eventually lied (to the nation and, probably, to himself) about a very big thing, the Vietnam War. It matters if Bill and Hillary Clinton are telling the truth about Whitewater. How much they invested; how much, if anything, they really lost; whether they were actually entitled to all the tax deductions for interest they took. Because these things are very important in themselves? No. Because if their veracity cannot be trusted on those matters, who can believe them when they say their health-care plan will really cut costs, or improve the quality of medical care, or not lead to rationing, or increase rather than narrow our choice of which doctors to consult?

THE LAST WHITE HOUSE COUNSEL?

Lloyd Cutler, by all accounts, is an intelligent and honorable man who, as the new White House counsel, says he will serve the office of the presidency, particularly in matters related to the Whitewater affair. If the interests of the office diverge from the interests of the person occupying it, well, the latter will be sacrificed for the former. Cutler has signed on for 130 days (although it will test his resolve when the president asks him, sometime in early July, to stay on till the end of the year). However long Cutler remains in the White House, he can do a world of good by giving concrete meaning to one of Bill Clinton's favorite words: change. He can begin with a good hard look at the office he now holds and whether its history and contradictions suggest that it might best be eliminated.

Until the 1940s, no American president apparently felt the need for a White House counsel. Neither did Franklin Delano Roosevelt, who created the position in 1943. Publicly, FDR complained that the Department of Justice and its chief lawyer, the attorney general, were so overemployed that they couldn't possibly spare enough time for White House legal matters. This was, to put it charitably, a trifle disingenuous. In fact, Roosevelt wanted a spot to park Samuel Rosenman, a New York judge and longtime *political* confidant who also was one of FDR's principal speechwriters.

Since the beginning, then, presidents have used the White House counsel in a variety of ways—speechwriter, troubleshooter, ethics cop, liaison to the Justice Department. In fact, a written description of the job does not even exist, so it's sophistry to argue that there can be a tidy line between serving the president and serving the presidency. That's precisely why the job ought to be eliminated. If the president has a personal legal problem, he can do what every other American can do: Hire a lawyer. If he seeks a ruling on a question of ethics, he or members of his White House staff can consult the Office of Government Ethics; its brief, according to the U.S. Government Manual, is to provide "overall direction of executive branch policies in preventing conflicts of interest." If the office is "a toothless terrier on Valium," as one congressman described it a few years ago, let's fix it

with new legislation. The current investigations related to Whitewater may yield something beyond boneheadedness, but if they do, the outcome won't reveal a shortage of ethics cops: It will reveal a shortage of ethics.

The White House still requires legal advice on the people's business, but it doesn't need an in-house counsel's office of a dozen or so lawyers to provide it. There is, after all, the U.S. Department of Justice. According to the department's annual report, its 23-lawyer Office of Legal Counsel is supposed to "assist the attorney general in the role of legal adviser to the president and executive branch agencies." If lawyers in the White House counsel's office are doing these duties, what

are these folks at Justice up to?

Cutler should move beyond his proximate mandate—a one-man ethics police force—to offer other guidance to his boss. He can tell Clinton, for example, that the inevitable second round of political appointments should include fewer Friends of Billary. Presidential politics may be democracy's ultimate spoils system, and the victor has every right to reward his pals. But Clinton, who apparently never loses touch, has taken it to extremes and made a mockery of his promise of political diversity. When Warren Christopher vacates the State Department, can you imagine the

president reaching out to name Richard Lugar, a highly regarded Republican on the Senate Foreign Relations Committee, rather than his Oxford roommate Strobe Talbott, now the deputy secretary of state?

Finally, Cutler might use his time in the White House to educate his boss about the use and abuse of the English language. Bill Clinton, so articulate on so many matters, plagues us too often with the "I didn't inhale" syndrome—his maddening propensity for splitting lawyerly hairs when all that the citizens want is straight talk. He also overdoes exaggeration: Hyperbole can be hard currency in politics, but not if the politician constantly debases it. Somalia, Bosnia, gays in the military, health care—this president is always drawing lines in the sand, then immediately blurring them with water.

It would be a wise counselor indeed who can convey these things, then close the door on the White House counsel's office—for good. ■

If the current investigations yield anything, it won't be a shortage of ethics cops; it will be a shortage of ethics.



Puffing Motes Into Dust Storms

Why no one will give the Clintons the benefit of the doubt

BY JOE KLEIN

ON THE AFTERNOON LLOYD CUTLER WAS NAMED COUNSEL to the president, after Bill Clinton had exhausted every last question from the press about the Whitewater hysteria, the White House staff held a pep rally for the First Family in the East Room. This is becoming something of a ritual. There was a rally to bolster the president's spirits after his mother died. There will, no doubt, be many more such before this strange ride is done. Both the president and Al Gore addressed the troops—but the real passion came from Hillary Rodham Clinton. She spoke about health care. She told the story of a woman in New Orleans who had breast cancer, but no health insurance—the company she worked for didn't offer it—and the doctor told her that all he could do was watch the tumor “and see what happens.” That was why they had come to Washington, she said: to help people like that woman. The crusade was all. The applause was tumultuous.

There was, in the First Lady's remarks—as there often is—an implicit: How dare they question our motives? How dare they question our rectitude? It's a familiar sound, the mating call of the liberal elite in high dudgeon. It divides the world between us and them, the high-minded and the greedy. The First Lady's indignation seems particularly problematic in the case of Whitewater, which centers on a decision she made in the late 1970s: to make money. Her choices were never quite so simple as the ones she laid out, memorably, during the campaign: to make money or bake cookies. She could have done high-minded, liberal work. She could have defended indigents instead of banks. She chose to make money. Some of her clients were not the sort of people who listen to National Public Radio: many of them were, perhaps, aware that she was married to a high-ranking official in the State of Arkansas. These were not moments she will dwell upon in her inevitable, best-selling autobiography. In fact, she has never really discussed her business career. The natural assumption is that she has something to hide, and she might; but she may just be embarrassed by the whiff of venality. And that embarrassment, the involuntary cringe that occurs when names like McDougal or Lasater are recalled, the desire to just forget about the welter of smarmy transactions—to not even think about this because there is health care to discuss—may well be the mote of dust at the heart of the White House's incredibly self-destructive reluctance to face this problem squarely.

So far, and despite the efforts of a brigade of intrepid investigative reporters, not much else has turned up. There was a series of contacts between Treasury Department officials and the White House staff. These were stupid, but—on the evidence as it exists—not criminal. Of course, if it turns out that the Clintons

acted in any way to impede the investigation, they should be fried. But they have not yet been accused of anything remotely resembling that—or anything that begins to explain the hysteria this case has evoked in the press.

Which raises an interesting question: what does explain the hysteria? What justifies disingenuous banner headlines like *The Washington Post's* CLINTON REJECTS LIKENING WHITEWATER TO WATERGATE? That same day R. W. Apple offered a ridiculous hyperinflation of the scandal in *The New York Times*, an “analysis” that acknowledged Whitewater had produced “nothing approaching” the abuses of power involved in Watergate but then blithely compared such “similarities” as the reluctance to respond to press inquiries and the president's sounding as “defensive as Mr. Nixon used to in proclaiming the virtues of those who worked alongside him.” (Apple might easily have been comparing Clinton's early performance on NAFTA to Watergate.) And then there were the television networks, giving time to an ethical falling-rock zone like Sen. Alfonse D'Amato, simply because his sound bites (“as great if not greater than Watergate!”) were the most egregious.

Sleazeballs: Hysteria, in this case, has many fathers. One is that a cancer on the presidency is more sexy than health care or welfare reform. Another is the fact that the Clintons did do business with some mortal sleazeballs down in Arkansas and may have brought a few along with them to Washington. A third, not to be underestimated, is the suicide of Vince Foster, which adds immensely to the “something fishy here” quotient. But the real reason Whitewater has puffed so large is that very few people in Washington are willing to give the Clintons the benefit of the doubt. It's not just the press: I haven't noticed many congressional Democrats rushing to their defense, either.

Why not? In part, because the president's effort to finesse all sides is catching up with him. Nobody quite trusts him—liberals think he's a sellout; moderates think he's a secret liberal. He has made deals but few friends. He has sought shifting alliances and won disposable loyalties. As for the press, the combination of loose morality and high ideals presents a gloriously fat target. Clinton's truth-shaving during the campaign, especially about the draft, is well remembered—and the First Family's (especially Mrs. Clinton's) apparent disdain for the less-than-pure rankles. Their administration is now in peril. The time for Watergate comparisons may yet come, but what if it doesn't? Do we, the righteous guardians of the truth, admit that we blew this all out of proportion—or do we continue to puff motes into dust storms in order to justify our investment? The Clintons have earned their isolation. But they deserve a more sober hearing than this lunatic caldron.



JAMES COLBURN—PHOTOREPORTERS

The crusade is all: First Couple

A cancer on the presidency is sexier than health care or welfare reform

A Whitewater Portrait Gallery

The Whitewater investigation has focused on a circle of Bill and Hillary Clinton's political allies and business associates.



Bill Clinton

A former partner with Hillary and the McDougals in Whitewater Development Corp., an unsuccessful vacation-home development in the Ozarks. The Clintons sold their interest in late 1992.



Hillary Clinton

A former Whitewater and Rose partner, she has been criticized for representing Jim McDougal's Madison Guaranty before a state regulator appointed by her husband. Once also involved in a controversial legal case with Dan Lasater.

THE ADMINISTRATION



Harold Ickes

The deputy chief of staff and Whitewater damage-control strategist was present at a meeting with Treasury officials to discuss Madison.



Bruce Lindsey

Senior adviser learned of Madison criminal referral from Nussbaum; Clinton said he was "probably" told of referral by Lindsey. Attended meeting between White House and Treasury officials.



Vince Foster

A former Rose partner and deputy White House counsel. His suicide in July fueled speculation about the Clintons' finances, including Whitewater, which he had handled.



Bernard Nussbaum

White House counsel resigned under pressure two weeks ago; emptied Foster's office and presided over all three controversial Treasury/White House meetings.



Robert Fiske

A Republican prosecutor with a reputation for toughness, he was chosen by Attorney General Janet Reno to investigate Whitewater.



Roger Altman

The deputy Treasury secretary and acting RTC chairman admits he called a meeting of White House officials to discuss Madison. Has recused himself from further agency deliberations.



Lloyd Cutler

The former White House counsel to Jimmy Carter was appointed last week as Nussbaum's temporary replacement.



Margaret Williams

Hillary's chief of staff attended a meeting of Treasury and White House officials to discuss Madison. She was among the first to go into Foster's office after the suicide.



Patsy Thomasson

Managed Dan Lasater's assets during the FSLIC case while he was in jail on drug charges. Now a White House aide, she was also among those who searched Foster's office.



Webster Hubbell

Bill Clinton's close friend, former Rose partner and now the No. 3 at Justice, he faces questions about whether he charged the Little Rock firm for personal expenses and over-billed clients.



David Kendall

Bill Clinton's personal lawyer received Whitewater documents from Foster's office; later negotiated a broad subpoena that had the effect of sealing more documents from public inspection.



Jean Hanson

In critical meeting, the Treasury and acting RTC counsel told Nussbaum that the Clintons were mentioned in a criminal referral as potential beneficiaries of Madison misconduct.

THE CRITICS



Sen. Al D'Amato

Probed Altman about controversial Whitewater briefing; critics say his own ethics lapses make him poor choice to lead the charge.



Rep. Jim Leach

Widely respected GOP moderate, he led calls for special prosecutor and is pushing for congressional probe into Whitewater affair.



Beverly Bassett Schaffer

Appointed state securities regulator by Governor Clinton, she approved a novel plan proposed by Madison's attorney, Hillary Clinton, to prop up the thrift. Previously, Schaffer worked for a law firm that represented Madison.



James McDougal

Invited the Clintons to invest as equal partners with him and his wife, Susan, in the Whitewater Development Corp. McDougal later owned the Arkansas thrift, Madison Guaranty, which failed in 1989 at a cost of \$60 million to taxpayers.



Susan McDougal

An equal partner in Whitewater, she headed the public-relations firm that took a controversial loan from David Hale's company and used part of it to buy a piece of property, later deeded to Whitewater. The loan was never repaid.



William Roelle

Sources say former RTC senior vice president told Hanson and Altman of RTC's plans to refer Madison to Justice for criminal investigation.



Floyd Brown

Conservative operative and creator of Willie Horton TV ads for George Bush, he's churning out faxes encouraging reporters to be more aggressive in covering Whitewater.



Robert Bartley

The editorial-page editor of The Wall Street Journal pursued Whitewater story before it was hot; in a suicide note, Foster said the WSJ editors "lie without consequence."



Dan Lasater

Bond broker and FOB was sued by a failing Illinois thrift and FSLIC for alleged unauthorized trading. Hillary helped the Feds in the case, which Lasater managed to settle cheaply in 1987. Critics accuse Hillary of conflict of interest.



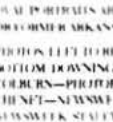
David Hale

A retired Little Rock judge, he claims Bill Clinton and Jim McDougal pressured him into making a \$300,000 loan to Susan McDougal's company in 1986 to solve Madison's financial problems. Hale faces unrelated loan-fraud charges.



Jeremy Hedges

A Rose Law Firm courier, he told a Little Rock grand jury that he and a colleague used a shredder at the firm to destroy Foster files after Fiske was appointed special counsel.



William Roelle

Sources say former RTC senior vice president told Hanson and Altman of RTC's plans to refer Madison to Justice for criminal investigation.

ALL PORTRAITS ARE COURTESY OF THE ARKANSAS REFORMERS. FROM LEFT TO RIGHT: TOP ROW: BILL CLINTON (NEWSWEEK); HILLARY CLINTON (PHOTO PORTERS); VINCE FOSTER (NEWSWEEK); BERNARD NUSSBAUM (NEWSWEEK); ROBERT FISKE (NEWSWEEK); BRUCE LINDSEY (NEWSWEEK); LLOYD CUTLER (NEWSWEEK); MARGARET WILLIAMS (NEWSWEEK); PATSY THOMASSON (NEWSWEEK); WEBSTER HUBBELL (NEWSWEEK); DAVID KENDALL (NEWSWEEK); JEAN HANSON (NEWSWEEK); SEN. AL D'AMATO (NEWSWEEK); REP. JIM LEACH (NEWSWEEK); BEVERLY BASSETT SCHAFFER (NEWSWEEK); JAMES MCDUGAL (NEWSWEEK); SUSAN MCDUGAL (NEWSWEEK); WILLIAM ROELLE (NEWSWEEK); FLOYD BROWN (NEWSWEEK); ROBERT BARTLEY (NEWSWEEK); DAN LASATER (NEWSWEEK); DAVID HALE (NEWSWEEK); JEREMY HEDGES (NEWSWEEK).



'Jessica' being taken from home last year

Baby Anna, Happy at Last?

Last year, "Baby Jessica" was taken from the couple who had raised her to live with natural parents she barely knew. Jessica—now named "Anna"—appears happy in her new home. But the politics of adoption—already caught up in racial and feminist issues—may never be the same. **Lifestyle: Page 60**



'Anna,' now

The Unsinkable Scandal

Whitewater churned last week as every new answer seemed to arouse new suspicion. Bill Clinton unveiled Washington wise man Lloyd Cutler as his new White House counsel and at the weekend a new counteroffensive began to emerge, led by Hillary Clinton. In an interview with **NEWSWEEK**, the First Lady admitted that "I made mistakes," and reflected on missteps in the aftermath of aide Vince Foster's suicide. **National Affairs: Page 30**



Hillary: 'I made mistakes'



PHILLIPS—PHOTO RESEARCHERS
Where are the sperm?

The Estrogen Complex

Since 1938, sperm counts for men in the United States and 20 other nations have declined by half, and rates of female breast cancer are climbing. Is there a connection? Researchers suspect a link to pollutants, found in everything from pesticides to plastic baby bottles, that resemble one of the body's most potent hormones: estrogen. **Society: Page 76**

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Hillary: 'I Made Mistakes'

Interview: Reflections on some missteps

WITH QUESTIONS ABOUT HER ROLE in Whitewater threatening to derail her husband's agenda, Hillary Rodham Clinton agreed to an interview as long as it did not touch on specific issues before a grand jury. She spoke with NEWSWEEK's Eleanor Clift in the White House last week. Excerpts:

NEWSWEEK: You came to Washington a generation ago as a member of the Watergate committee. Now your counterparts are working for Fiske. Do you see irony in that?
CLINTON: Oh, I don't think there's any comparison. I think that the idea that there is a way overblown and should be debunked easily if anybody looks at history and what was at stake in the whole Watergate investigation.

I guess the only thing I see comparable is that a lot of people want to launch careers based on finding something.

Well, you can't control that. We don't worry about the outcome anyway. We want the special counsel to do his job as soon as possible so that we can get this off the country's radar screen and get on with what my husband is trying to do for the country.

Sometimes those investigations take on a life of their own. Fiske has taken out a lease for three years in Little Rock.

I don't know what he's going to be doing for three years, but obviously we want him to do his work and do it as expeditiously as possible.

You present a rational face to the world. How angry are you, about the way this has mushroomed from a little land scandal... It's not even a scandal—it's not a scandal. A failed land transaction.

... into an allegation that you and your husband are corrupt?

I'm very sad about it. But I also have a full life to live. I'm still my husband's wife. I'm still Chelsea's mother. I'm still involved in a lot of other activities that are important to me and my family. So I don't really get the luxury of expending too much energy being angry with people who are being unfair and untruthful.



FIRST LADY: 'If you... run for public office you give up any zone of privacy'

ROBERT TRIPPETT—SIPA

In trying to look at how this mess reached this level, it seems as though Vince Foster's death has a lot to do with it. Do you see a connection there?

I don't know. I think that mistakes were made along the way in handling this. I have learned a lot about the needs of the media and how they kind of make stories important. I suppose that in today's atmosphere any unanswered questions are going to be grist for the mill.

I've tried to learn a lot about suicide and particularly about depression ever since Vince's death—a lot of us here in the White House have. We've passed around books. We don't have any answers either. But we don't presume to try to make up answers. I just want this to be put to rest for his family's sake and for the sake of all of us who were his friends. It is extremely painful to have this used as a political football by people. It is really unfair to his family particularly. But I guess I now understand why, in the face of a tragedy, some people will want to make up their own answer because they can't deal with what are often life's unanswerable mysteries.

NEWSWEEK POLL

What is your opinion of Hillary Clinton?

CURRENT

38% Favorable

42% Unfavorable

2/94

50% Favorable

29% Unfavorable

You uttered the magic phrase "mistakes were made." Do you regard yourself as having been responsible for any of those?

Oh, sure. Hindsight's always 20-20. I never would have participated in the investment in the first place. Of course, I would have tried to get everybody to focus on it sooner and earlier to try to deal with. So I think that of course I made mistakes. That's part of the learning process you go through when you've never been accused of doing anything wrong before.

So, if there was nothing wrong, why were you so resistant to making records public? My theory is that you have a thing about privacy.

I have a big thing about it. I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all. I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life. That's what's going to be concluded about all this—people are going to spend millions and millions of dollars and they're going to conclude we made a bad land investment.

The attacks against you are really about more than Whitewater. They really go to the whole role that you're taking on and whether you can be the spouse of a president and a policymaker.

People have been doing that to women in this position since Martha Washington. I was not the first to testify before a congressional committee. I was not the first to be criticized by the press. I was not the first to have issues that I was involved in questioned or attacked. I look at what was said about Eleanor Roosevelt. There's always the possibility that no matter what you do you're going to be criticized. I do think that the fact that I am involved in an issue [health care] of such magnitude with so many interests at stake has raised the visibility of my role and has caused some to question it for their own purposes.

This White House has a different style than what the city is used to.

I think that we have one of the most collegial, supportive White House environments I have ever read about. Does that mean everybody agrees with everybody else 100 percent of the time? Absolutely not. In fact, the president wouldn't want us around if that were the case.

Edward Bennett Williams used to say that Washington likes to burn a witch every three months.

I think that's right.

Periscope



Reagan in Normandy

THE PRESIDENT

Acting Lesson

BILL CLINTON PERIODICALLY turns to the Reagan handbook for tips on appearing presidential. He waxed Reaganesque from time to time during the 1992 campaign. And he borrowed some Reagan-like rhetoric for the State of the Union address. Now, sources close to the former president say, the White House has requested videotapes from the Ronald Reagan Presidential Library of Reagan's emotional speeches on Normandy beach for the 40th anniversary of D-Day. Clinton, it seems, is studying every aspect of Reagan's trip very closely since he'll be heading there himself in June for the 50th anniversary.

WASHINGTON FALL

Bad Move

Poor Bernie Nussbaum. For months the White House counsel dithered over whether to buy a place in Washington. He knew he'd be returning to New York and his Wall Street law practice after his stint of government service, but he didn't want to stay on in his rented flat. Late last year friends say he finally made up his mind and purchased a condo. Early this month Bill Clinton fired Nussbaum for his bungling of the Whitewater affair. Now Nussbaum will have to sell the apartment—in the Watergate building. Nussbaum



Getting a jump on the '96 presidential campaign: Baker, Cheney

POLITICS

Early Birds Out for Worms

ARE FORMER BUSH CABINET SECRETARIES—AND friendly rivals—James Baker and Dick Cheney positioning themselves for a showdown for the 1996 Republican presidential nomination? Now in private law practice in Washington, Baker is sending out signals that he's considering a White House bid. He's lined up a heavy schedule of political speeches—in California, New Mexico, Texas, Pennsylvania and Montana—which give him a chance to reach out to party leaders. And friends say that his Texas and corporate connections should help him to raise "early money," a key to success in the new, foreshortened primary schedule.

Meanwhile, the Beltway crowd is predicting former defense secretary Cheney, a determined but undeclared candidate, as the likely GOP nominee. In a straw poll at a recent Washington party given by CBS political director Marty Plissner and his wife, PBS producer Susan Morrison, campaign consultants and pundits picked Cheney over (in descending order) former HUD secretary Jack Kemp, South Carolina Gov. Carroll Campbell, former Tennessee governor Lamar Alexander, Sen. Bob Dole—and Baker. Dan Quayle finished last. The partygoers' record isn't too good: they called Hubert Humphrey over Gerald Ford in 1975, Ted Kennedy over Ronald Reagan in '79 and George Bush over Mario Cuomo in '91.

NORTH KOREA

New Missiles?

U.S. OFFICIALS WORRY OVER the fast pace of North Korea's long-range-missile development. Intelligence sources say Pyongyang is working on a two-stage missile called the TD-2 which has a potential range of more than 2,000 miles, making it capable of hitting the U.S. naval base at Guam and countries as far away as Thailand and the Philippines. A second missile, the TD-1, could reach more than 1,000 miles. The TD-2 seems suspiciously similar to the Chinese-made "East Wind" intermediate-range missile, but sources say it's not certain China is helping the North Koreans.



EXCLUSIVE

Drink or Dink?

THE ARREST OF ALLEGED CIA mole Aldrich Ames has some old colleagues thinking. Ron Dwight, an ex-U.S. vice consul who knew Ames in Mexico City, told NEWSWEEK an odd story: in early 1982, Dwight and other U.S. diplomats were off to a monthly interembassy party, this one hosted by the Soviets. Ames approached them, saying he was the CIA officer monitoring the Soviets, and asked to go along. Ames even offered to drive, but—after a few pops at a preparty party—spent more than an hour cruising the town, unable to find the Soviet Embassy. This was the CIA's Soviet expert? "We thought he was a Keystone Cop," says Dwight. The next day, they say, Ames begged them not to mention the incident. Now Dwight wonders if it was all an act.



'Wrong Way' Ames? In cuffs

CONVENTIONAL WISDOM WATCH

More Whitewater Edition

Bill Clinton has been compared to Jimmy Carter, JFK, Lyndon Johnson, Ronald Reagan and, this week—Richard Nixon. The media see Watergate, the public sees March Madness.

Players

Conventional Wisdom

- | | | |
|-------------------|---|--|
| B. Clinton | ↓ | Opens up, resumes N.H. primary mode—but Whitewater has better legs than Gennifer. |
| H. Clinton | ↓ | From Eleanor Roosevelt to Evita Perón. Don't cry for me, Arkansas. |
| L. Cutler | ↑ | CW poster boy is the new Gergen. But look where he got Jimmy Carter. |
| D. Gergen | ↓ | Old CW: Spinmeister General. New: Wrung out in the spin cycle. Paging ABC News. |
| A. D'Amato | ↓ | Ethical spokesman? That's like hiring Chris Farley as your diet doctor. |
| V. Foster | ↔ | He did kill himself. He did have something to hide. He was right about how sick D.C. is. |

HISTORY

Milwaukee Is Talking . . .



With a photo of the lynching

About James Cameron, newly found 80-year-old hero.

The only survivor of a 1930 lynching—when a white mob dragged Cameron and two accomplices in a robbery from the Marion, Ind., jail—he lived quietly in Milwaukee for years, hoping to publish his memoirs. After repeated rejections by publishers, Cameron's book, "A Time of Terror," appeared last month. National media attention followed, and the city plans to name a day in his honor. Cameron's next project: to found a museum on American racial violence, using artifacts he collected—like a piece of the rope that killed his friends. Says Cameron: "Good always comes of evil. I feel God saved me to remind people to treat each other with respect and dignity."

WHITE HOUSE

Out of bounds: Hillary Clinton for firing White House usher Chris Emery because he kept in touch regularly with Barbara Bush. Sharing First Family secrets? No—giving Bush advice about her laptop computer. White House sources say Clinton apparently distrusts long-time residence staff and doesn't care to spend time winning loyalties. The staffers, too, probably miss the Bushes' "members of the family" attitude toward the help.

GREGORY CERIO and
LUCY HOWARD with bureau reports



A switch in time: The new cover, part of the gatefold jeans ads

Sorry, One of You Had to Go

JUST HOW SENSITIVE IS THE NEW YORK TIMES THESE days? Sensitive enough, it seems, to make a costly last-minute cover switch on the Sunday magazine. Last week's planned cover story was a debate between prominent First Amendment lawyer Floyd Abrams and noted feminist Prof. Catharine MacKinnon, an outspoken advocate of legal measures to restrict pornography. Shortly before the press run, editors discovered that the magazine folded out to a four-page gatefold ad for Express Jeans, featuring scantily clad models in provocative poses. The embarrassing juxtaposition "made the magazine appear to be mocking one or the other," said editor Jack Rosenthal. Editors considered three alternatives: doing nothing; changing the ad; or switching covers. When changing the ad proved "impractical," the Times, rather than "send a wrong signal," substituted a cover on Afghan terrorists that had been scheduled to run inside the magazine.

CRIME

Small Favors

LIONEL DAHMER'S BOOK about his son, mass murderer Jeffrey Dahmer, has received respectful reviews in part because Dahmer promises in his preface "to donate a portion of the proceeds from this book to benefit victims' families." But Dahmer's publisher, William Morrow, won't say what portion of royalties will be given away. "He's waiting to see how the book does first," says a Morrow spokesman. "His hope is to break even after his tremendous legal expenses." So, unless "A Father's Story" is a monster best seller, the victims' families won't see much.



Lawyers first: Jeffrey Dahmer

SCORE CARD

Making the Scene on Hollywood's Biggest Night

Swiftly is gone and Spago is closed Oscar night in his memory. But the parties must go on. All over Los Angeles, hosts and hostesses are trying to win the rep as the hottest ticket. No invite? Fire your agent.

HOST	SITE	LOOK FOR	RATING	BUZZ
New Yorker Magazine	Hotel Bel-Air	Michael Keaton, Gene Kelly, Emma Thompson, Gore Vidal, Steven Spielberg		A week before the big night, this elegant Hollywood-meets-the-highbrows sit-down dinner for 250 is a must-do.
Women in Film	Regent Beverly Wilshire	Angela Bassett, Anthony Hopkins, Winona Ryder, Marisa Tomei, Queen Latifah		Promotes, well, women in film. Not the A list, but points for gender sensitivity.
Vanity Fair/Steve Tisch	Mortons Restaurant	Tom Cruise, Clint Eastwood, Liam Neeson, Nancy Kerrigan, Roseanne Arnold		The place to be—and don't forget to bring Oscar! Could you look again? I'm sure I'm on the list. Please?
El Rescate	Mondrian Hotel	Susan Sarandon, Tim Robbins, Spike Lee, Rosie Perez, Cheech Marin		Human-rights org. proves P.C. doesn't have to be a snooze. Hip Hollywood rocks to cool bands. Can get rowdy.
Elton John	Maple Drive Restaurant	Tom Hanks, Dennis Quaid, Meg Ryan, Alec Baldwin, Whoopi Goldberg		AIDS benefit was one of last year's hot tickets. Not to be confused with competing AIDS benefit at Directors Guild.
Governor's Ball	Dorothy Chandler Pavilion	Anyone who has a tux.		Official post-Oscar bash—and naturally the least interesting. Most winners do a dramatic bow.

Perspectives

"I believe I'm a better authority than anybody else in America on my wife. I have never known a person with a stronger sense of right and wrong in my life—ever."

BILL CLINTON

defending Hillary Rodham Clinton against charges of ethical misconduct in the Whitewater affair

"What did the president know, and when did Hillary tell him?"

SEN. ALFONSE

D'AMATO

mimicking the famed Watergate questions to explain his view of the issues in Whitewater

"Whitewater is not about cover-ups, it's about screw-ups."

DAVID GERGEN

White House adviser, on the difference between Watergate and Whitewater

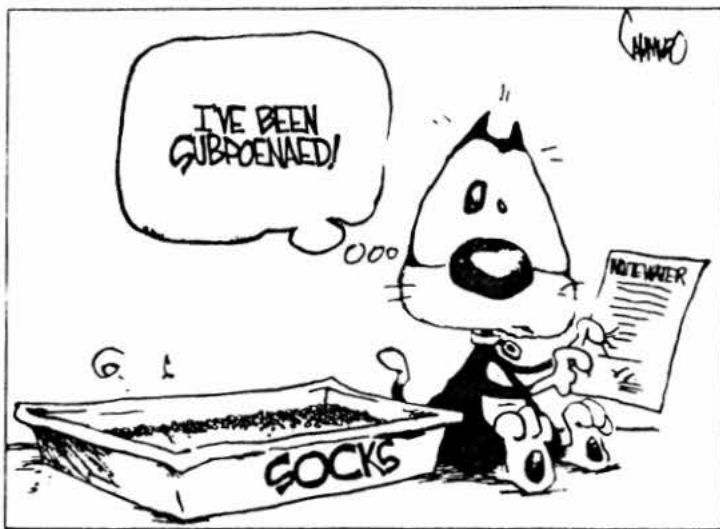
"You have to remember the position that all Republicans have been in for 12 years, where we were investigated, sometimes frivolously. If we get a chance to point a finger, why, it requires a saintlessness that is superhuman, supernatural to act with restraint."

REP. HENRY HYDE

on his party's aggressiveness on Whitewater



BASEMAN - CHARLOTTE OBSERVER



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SUMMERS - URBAN SENTINEL

"I wouldn't stand too close to her."

ROGER AILES

former GOP political consultant, noting that, of the three lawyers brought into the White House on Hillary Clinton's advice, one committed suicide, one has resigned and the other is under investigation

"Washington is Salem. If we're not lynching somebody 24 hours a day in this wretched town, we're not happy."

TOM KOROLOGOS

Washington lobbyist and Nixon White House veteran, on the ethos of the nation's capital

"He is puzzled. He is disappointed. But... he is a big boy and he has had his share of disappointments in life. Some of them more serious than this one."

DIMITRI SIMES

spokesman for Richard Nixon, on Nixon's reaction after Russian President Boris Yeltsin announced he would not meet Nixon because he had first visited Russian opposition leaders

"Who will give something to bring about a situation such as this—that all human beings will live in peace, will not murder and will not covet the land of one's neighbor?"

BARUCH GOLDSTEIN

who massacred dozens of Arabs at prayer in the West Bank city of Hebron last month, in a grade-school essay written in 1970

Is she a liability to feminism?

While Hillary Rodham Clinton was dodging questions about Whitewater last week, two dozen members of the National Organization for Women demonstrated against her critics outside the White House. Well they might, for like the first lady they have a lot at stake in Whitewater and related charges. In our national life, every movement has a stake in the individuals who come to symbolize it, and Mrs. Clinton—"a good wife, a good mother, an effective person in the White House," in the words of Clinton consultant Mandy Grunwald—has become the personification of the ideas and personal choices suggested by the label *feminist*.

To some extent it is healthy for political movements to organize around particular individuals. That is one way a cause's ideas and priorities can be vividly portrayed. But there can be a danger for a movement in identifying too closely with an individual if he or she makes mistakes that can discredit the cause.

That happened in the past when conservative men showed loyalty as blind and steadfast to flawed leaders as that of the liberal women now lashing out at Mrs. Clinton's critics. The cause of anticommunism was under a pall for four decades because of the false and reckless charges of Sen. Joseph McCarthy. Similarly, if conservatives succeed in electing Oliver North to the Senate in Virginia this year, they will have chosen as a national symbol a man proved a liar in court (his Iran-Contra conviction was overturned on other grounds) and in a devastating article in the June 1993 *Reader's Digest*. Richard Nixon made himself a champion of patriotism and traditional American values, promising an administration of law and order. His disgrace in the Watergate scandal helped discredit these ideas and launched the nation on a binge of mocking cynicism in the 1970s, which led us to undervalue critical national strengths until they were reasserted in the 1980s.

A fawning press. Mrs. Clinton has become a hugely important symbol for feminists because many women and men were captivated by her pre-White House life as an attorney and by her White House work making policy on major issues. Many others joined in the cheers raised by the press, one of America's most pro-feminist institutions. In the first year of the Clinton presidency, except in adversarially conservative media, the first lady was the subject of one gushing portrait after another. Some of this was appropriate, typical

of the coverage of other first ladies, stressing noncontroversial good works and admirable personal qualities. But some of it came from reporters eager to persuade the public to share their admiration for a feminist icon. "As much as we try to think otherwise, when you're covering someone like yourself, and your position in life is insecure, she's your mascot," *Time's* Margaret Carlson told the *Washington Post*. "I try to get that bias out, but for many of us it's there."

The recent negative press and public dismay are proof of the adage that nothing is free in politics; the only question is when you pay the price. It is fueled not just by the

growing Whitewater scandal but by agreement with the criticism leveled in this column two weeks ago that Mrs. Clinton has shown poor political judgment—some of the fallout from which has become even more apparent since that column. Her bad judgment on health care is evident daily: Neither of the House health subcommittees writing health bills is using her massively complicated reform scheme as the basis for its efforts. Moreover, her insistence on quotas in appointments, which has left many government posts unfilled or filled by less than optimum appointees, has cast doubt on the earlier raves about her. And her possible involvement in questionable activity in Whitewater could under-

mine the ideas with which she has been identified.

The last refuge of Mrs. Clinton's defenders is the suggestion that critics are motivated by a distaste for powerful women. "I want to know what it is that you have as a party and as an individual against the idea of a woman who is in power," consultant Grunwald said to Republican Sen. Alfonse D'Amato on ABC's "Nightline." Intellectually, this is bankrupt—an admission that one has run out of arguments on the merits.

Perhaps more important, Grunwald has it exactly wrong: The people who had trouble with a powerful woman were the journalists and politicians who gushed uncritically over Mrs. Clinton, not those who have tried to judge her by the same standards we apply to others with similar power and responsibilities. She has shown, at the least, dreadful judgment in what is now clearly a scandal. The question is how much this will damage the Clintons and whether it will discredit the cause of which Mrs. Clinton is inevitably a symbol as much as Watergate discredited the ideas associated with Richard Nixon. ■



Feminists who stake their movement on Hillary Clinton's success are taking a serious risk.

WASHINGTON WHISPERS

SUPPORT staff turmoil adds to Clintons' Whitewater woes

AMES spy fallout further strains FBI-CIA tensions

MOSCOW angers Iran with sale of flawed subs

■ **Upstairs, downstairs.** The Whitewater firestorm (Page 30) is not the only source of turmoil inside the White House these days. Well-placed sources say that as a result of growing tensions between the Clintons and the usher's office—which is responsible for support and housekeeping functions—many of the executive mansion's 130 full-time permanent employees fear for their jobs. The problems began early last year when Mrs. Clinton blamed them for having leaked a story claiming she had thrown a lamp at her husband during a domestic tiff. Although both the Clintons and the staff agree that the tale had no foundation in fact, the incident continued to irk the first lady and exacerbated her relations with chief usher Gary Walters. Determined to assert control over domestic operations in what essentially is her home, Mrs. Clinton earlier this month fired Chris Emery, the popular assistant usher. Staffers contend that the only possible reasons for Emery's ouster were his Republican leanings and an overly loud dispute in February with a member of Mrs. Clinton's personal staff. Relations between upstairs and downstairs were further vexed by the Clintons' recent decision to clean out the kitchen by demanding the resignations of Pierre Chambrin, the executive chef, two assistant chefs and a young pot-scrubber whose still-unexplained dismissal ruffled the entire staff. Such firings are rare among the historically loyal, discreet and nonpolitical staff. Not surprisingly, many of them are afraid of the first lady's wrath. Explains one staffer: "You don't know what mood you'll catch her in. She's quick-tempered and wants things now." A spokesman for Mrs. Clinton says that he is not aware of any rift.

■ **Finger pointing.** In secret congressional testimony last week, Robert "Bear" Bryant, the FBI's counterintelligence chief, alleged that the CIA had failed to cooperate with the bureau in nearly a dozen espionage



CIA Director James Woolsey
Grace under pressure

cases since 1991. Bryant and FBI Director Louis Freeh were asked to explain why CIA officer Aldrich Ames hadn't been unmasked sooner as an alleged Russian mole. One possible reason: the failure of the FBI and CIA to get along. Bryant told the Senate Intelligence Committee that because of the agency's lack of cooperation, the bureau recently pulled its resident agent from the counterintelligence center at CIA headquarters in Langley, Va. Later, in another closed-door hearing, CIA Director James Woolsey fired back, blaming the FBI for the friction and citing, among other incidents, the bureau's decision to remove its agent. The senators demanded that both institutions provide rundowns on investigations that had been hampered by their conflict. Meanwhile, to avoid further damage to CIA morale, Woolsey has decided not to force the resignation of about a dozen senior officials considered responsible for letting the accused spy go undetected for eight years. Instead, Woolsey will

allow them to bow out gracefully by taking early retirement. Not only will this give the officials a face-saving way to leave the agency but they can do so with a comfortable financial settlement. Another advantage of Woolsey's action: It will permit him to answer CIA critics who have demanded that heads must roll at the agency.

■ **Oh, brother!** "Are you for or against Bush?" To Republican pollster Fred Steeper, the answer depends on which Bush—and which state—you mean. Steeper, who worked on George Bush's 1992 re-election campaign, is now the campaign pollster for George W. Bush, the former president's son who last week won the Texas GOP gubernatorial nomination. But in the race for the GOP gubernatorial nod in Florida, Steeper is polling for state Insurance Commissioner Tom Gallagher, a potential primary opponent of Jeb Bush, George W.'s younger brother. Polls show both brothers trailing incumbent Democrats.

■ **Damaged goods?** Moscow is in hot water with Tehran over a \$500 million shipment of two Russian Kilo-class submarines to the Iranian Navy. West European intelligence sources report that the Iranians have discovered serious flaws in the subs' electronic and radar systems that "almost caused a major tragedy" when one of the subs attempted to surface. The Iranians are so angry that they have delayed accepting a third Kilo sub and have turned to India for technical and maintenance help. They are also expected to demand compensation from Moscow. Nevertheless, the Pentagon is still worried because it believes the subs are capable of laying mines in the Persian Gulf.

■ **Renaissance man.** On most campuses, the description "triple threat" applies to football halfbacks, but at Illinois Wesleyan University this September, it could be used to describe the Renaissance man performance of Sir Edward Heath. During a busy two-day stint at the Bloomington campus, the former British prime minister is scheduled to lecture on Japanese art, conduct the university orchestra and give "a master class" on statesmanship. In addition, Heath could offer a master class in seamanship. He once captained a British national sailing team.

EDITED BY CHARLES FENYVESI



Where's the cheering press?

George Bush was recently asked what he missed least about Washington. "Dealing with the press," he snapped. That answer reflects an article of faith among Republicans: that a left-leaning, pro-Democratic press corps cost Bush the 1992 election by leading the cheers for Bill Clinton.

ONE WEEK Those cheers have clearly faded. If there ever was a pro-Clinton cast to press coverage, it has been washed away by Whitewater. Washington journalists have only two enduring biases: against entrenched power and in favor of a good yarn. Both prejudices are now hurting the president.

When Whitewater first surfaced during the 1992 campaign, it was dismissed by the press as too complicated. When the story was revived last fall, Team Clinton thought the same thing would happen. But that assumption misjudged the difference between the way the press covers a campaign and an administration. Events that seem small in a political context take on new size and meaning when viewed through the magnifying lens of the White House. Moreover, a campaign ends in a few months. An administration lasts four years, giving editors more time, and incentive, to invest resources in investigative projects.

Almost 20 years after Richard Nixon's resignation, the



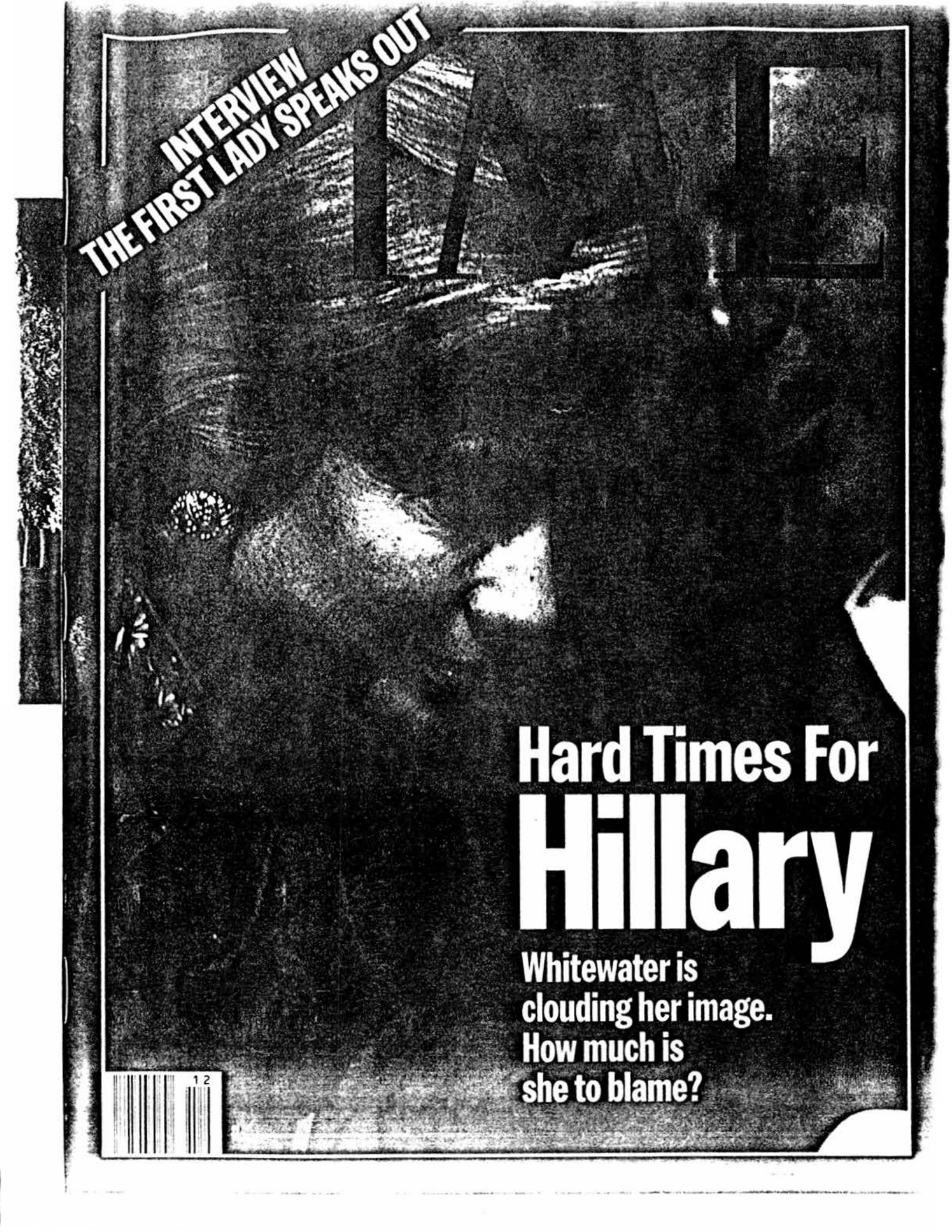
Washington press corps is still inspired by Watergate. It was the "good war" of the journalistic fraternity. A whole generation, now filling the major beats and editing slots at many news organizations, grew up dreaming of being the next Woodward and Bernstein, of the day when Dustin Hoffman and Robert Redford (or Tom Cruise or Denzel Washington or Holly Hunter) would play them in the movies.

One of the biggest mistakes the White House made in handling Whitewater was to set those dreams racing. As Clinton adviser George Stephanopoulos admits, the administration's damage-control operation did more damage than it controlled. Suddenly, the story was no longer about boring bank records and intricate land deals in an obscure rural state. The old words, like the lyrics from a half-forgotten battle anthem, were echoing again through the newsrooms of the capital: *subpoena*, *shredding machine*, *grand jury*, *burn bag*. And the most resonant of all: *cover-up*.

Whitewatered. *The press's two enduring biases — against entrenched power and in favor of a good yarn — are hurting.*

The Republicans are doing their part, playing on the guilt feelings of a press corps that had gotten a bit too cozy with the Clintons, by demanding equal-opportunity cynicism. And many journalists are willing, if unindicted, coconspirators, thrilled to be setting up their satellite trucks outside the federal courthouse where White House aides were summoned to appear. With Nancy Kerrigan at Disney World and Tonya Harding in the background, *something* had to fill the news vacuum.

Last December, Bill Clinton was already starting to sour on the press, complaining to *Rolling Stone* magazine that he had "not gotten one damn bit of credit from the knee-jerk liberal press." George Bush, or any ex-president, would certainly nod in sympathy. □ STEVEN V. ROBERTS



INTERVIEW
THE FIRST LADY SPEAKS OUT

Hard Times For Hillary

Whitewater is
clouding her image.
How much is
she to blame?



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THE WEEK

MARCH 6-12

NATION

Gray Eminence to the Rescue
Lloyd Cutler, venerable pillar of the Washington establishment, was tapped by President Clinton to take control of the increasingly ominous Whitewater affair as interim White House counselor. Cutler, who held the same position for Jimmy Carter, emphasized that he would take the job for no more than 130 days and would serve without pay.

More Whitewater

At a White House press conference the President lashed out at questions about the role of Hillary Rodham Clinton in the affair, saying, "I have never known a person with a stronger sense of right and wrong in my life—ever." As the first three of six subpoenaed White House officials appeared before a grand jury, Republican Senators appeared willing to let the investigation continue for several months before demanding public hearings.

Oh, Pretty Parody

A unanimous Supreme Court opinion has broadened the application of "fair use" in copyright law. Writing for the court in favor of the rap group 2 Live Crew, which had produced a raunchy version of the 1964 classic *Oh, Pretty Woman*, Justice David Souter said parody "can provide social benefit by shedding light on an earlier work and, in the process, creating a new one."

4 Sale, Cheap! Satellite Pix!

After months of debate among intelligence agencies, the Pentagon and the Commerce Department, the Clinton Administration announced that it will permit commercial firms to market advanced spy-satellite technology to customers around the world. Some experts fear



IN THE SPOTLIGHT: Washington lawyer Lloyd Cutler—seasoned, venerable, not a former crony of Hillary's—answers the White House call for help

VOX POP

Did you tell a lie last week?

YES	38%
NO	57%
NOT SURE	5%

From a telephone poll of 800 adult Americans taken for TIME/CNN on Mar. 9-10 by Rasmussen Partners Inc. Sampling error is ± 3.5.

HURTS SO GOOD

“I know something about Hillary and Bill Clinton right now. I know how their stomachs churn ... I know their inability to sleep at night and their reluctance to rise in the morning ... I know all this, and the thought of it makes me happy.”

—RACHEL ABRAMS, WIFE OF FORMER ASSISTANT SECRETARY OF STATE ELLIOT ABRAMS (CONVICTED OF IRAN-CONTRA-RELATED PERJURY); FROM A WASHINGTON TIMES OP-ED PIECE ON WHITWATER

WINNERS & LOSERS



DAVID SOUTER

He pleases media elite by supporting parody in copyright case

RICHARD FISHER

Perot-aligned Texan spends big \$ to gain Senate primary runoff

CHRISTIAN FUNDAMENTALISTS

Takeover of Baptists continues as moderate seminary prez is fired

LESLIE ABRAMSON

Menendez attorney won't collect any taxpayer-funded fees

JAMES BROOKS

Missing from his critically lauded *Critic* TV show: an audience

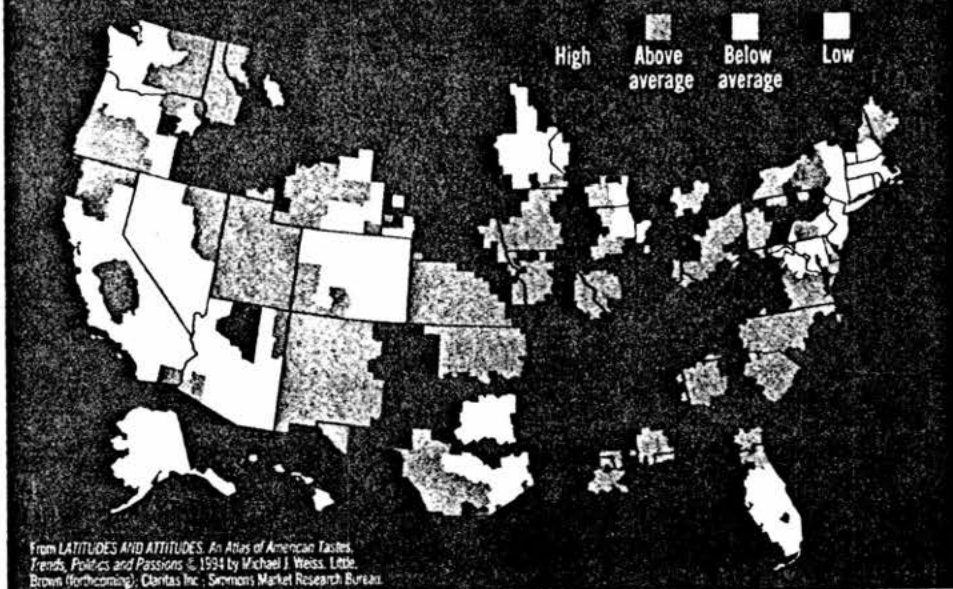
FRANCES LEAR

Her eponymous mag for over-40 women folds with April issue



MAP People Who Eat Hostess Twinkies

Nationwide, an average 13.5% of Americans say they eat Twinkies, the renowned snack cakes. Twinkie eaters tend to live in rural areas and are more likely than other Americans to enjoy bacon, aerosol-can cheese, Kool-Aid and malt liquor. Ironically, the San Francisco Bay Area, home of the famed "Twinkie defense," ranks low on Twinkie consumption.



Senator Pothole Calls the Kettle Black

U.S. Senator Alfonse D'Amato of New York is leading the C.O.P. charge on Whitewater. As a stiff-backed ethicist, he is something of a rookie:

1975 D'Amato denies under oath knowing about the "1% rule," by which government workers in Nassau County, New York, were coerced into kicking back 1% of their salaries as contributions to the Republican Party.

1981 Accepts campaign contributions from John Shad, who was seeking the chairmanship of the Securities and Exchange Commission. D'Amato was chairman of the Senate subcommittee that oversees the SEC. Shad won the chairmanship.

1985 Is forced to admit he was aware of the Nassau County kickbacks, with the emergence of a 1971 letter he wrote on his personal stationery in which he referred to the practice.

1992 Senate ethics committee criticizes D'Amato for letting his brother (later convicted of fraud) use his office and his official stationery to lobby for a defense contractor.



the move could compromise national security.

The High Cost of Writing

The U.S. Postal Board of Governors approved a 10.3% increase in rates, a move that would boost the price of mailing a letter to 32¢.

Butting Out

In a decree that will affect 2.6 million uniformed and civilian personnel, the Defense Department banned smoking from the military workplace. And Maryland became the first state to stub out smoking in all workplaces—including bars, restaurants and convention facilities as well as offices. In Washington, 20,000 angry smokers and tobacco-industry workers demonstrated against an Administration proposal to raise the federal excise tax from 24¢ a pack to 99¢.

Throwing Away the Key

The controversial sentencing bill known as "three strikes, you're out" was signed into law by California Governor Pete Wilson. Enacted in the wake of a national furor over the kidnapping and murder of 12-year-old Polly Klaas, allegedly by a parolee, the measure would lock up third-time violent felons for life without parole.

Parade Rest

The veterans group that sponsors Boston's St. Patrick's Day parade said it is canceling this year's march, rather than accede to a ruling by the Massachusetts Supreme Judicial Court that a gay group be allowed to join the parade.

Tonya Again

Tonya Harding is free to compete in the world championships in Chiba, Japan, next week. A hearing before a panel of the U.S. Figure Skating Association that might have ended her skating career was postponed by a federal judge, who said Harding's lawyers had not had enough time to prepare her case.

The Charlotte Observer

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ED WILLIAMS, Editor of the Editorial Pages FRANK BARROWS, Managing Editor

TOM BRADBURY, JACK BETTS, Associate Editors

Editorials

Whitewater witch hunt unfair to Clintons

The recent spate of activity involving the investigation of the Clintons' roles in the Whitewater development represents a gross

injustice to the man as well as the office. I am saddened to see the degradation in our society that would allow a partisan group to cause our government to spend thousands of man-



Erwin

hours and millions of taxpayer dollars when, to my knowledge, no charges have been brought forward to link the Clintons to any wrongdoing.

I have known the Clintons for many years to be people of the highest integrity. They are intelligent, sensitive, caring people who are trying to make improvements to our society for the benefit of future generations. We need to confine the debate to the legitimate issues of society, rather than allowing this witch hunt at the expense of the American public.

MARK W. ERWIN
Charlotte

Chicago Undecided on Eve Of Rostenkowski's Primary

By ISABEL WILKERSON
Special to The New York Times

CHICAGO, March 14 — The North Side commuters talking blankly for the el train this morning in their trench coats and earmuffs did not look as though the country's future was resting on their shoulders, even though some Democrats say it is.

There were few campaign buttons and little spontaneous talk of politics. There was a lot of indecision just 24 hours before perhaps the most important primary of the year, the one that will determine whether Daniel Rostenkowski, the larger-than-life chairman of the House Ways and Means Committee, will be renominated and whether, some say, the President's health care plan can be passed or welfare reform can take shape.

If these things are true, then the country's fate lies in the hands of people like Josephine Barzowski, a hairdresser, and Jennie Podbielski, a secretary, and Fred Gibson, a refrigeration plant worker, along with the thousands of other mostly working-class people who live in Rostenkowski country. While they might give him a grade of "D" in ethics but an "A" in pork. "He's not the only crook," said Jane Karsakow, a billing clerk chafing from the cold on the platform this morning. "He just got his hand caught in the kitty. They're all doing something."

Fight for Political Life

Ms. Barzowski was less forgiving. "I think that he's been in office too long and that we need someone fresh and new in there," she said as she gave Mrs. Podbielski a permanent. "I think that all these allegations about him are true and that it's about time he got caught and that he's going to have to face the music, basically."

After 35 years in Congress, this has become the toughest fight in the chairman's political life. Not only was a tonier lakefront section added to his district, giving him a whole new set of less sympathetic yuppies to win over, but he is fighting a Federal investigation into possible embezzlement and payroll padding as well as apathy and a general anti-incumbent orneriness among voters.

A Chicago Tribune poll published last week had Mr. Rostenkowski leading his main challenger, State Senator John Cullerton, by a narrow margin. The third main candidate, Dick Simpson, a political science professor and former alderman who mounted a strong primary challenge against the chairman in 1992, was far behind in the poll.

According to the poll, as many as one in three voters is undecided. "My husband says Rostenkowski brings a lot of money to the city and he's learned his lesson now," Mrs. Karsakow said. "I don't know what to think. I'll have to listen to what my husband says tonight to convince me. I probably won't know till I get in the booth."

Few Signs of Campaign

The chairman's home base is a district shaped like a caterpillar that extends from the sliver of high-rise condominiums and espresso bars on the lakefront to the bungalows that constitute most of the district further west and in the bordering suburbs.

Along the main thoroughfares, past the beauty schools and bike shops on Irving Park Avenue, the lofts and taverns on Clvrbourn, the warehouses on Elston and the galleries and tortilla shops on Milwaukee Avenue, there are few blue Rostenkowski campaign posters taped to lampposts or peeking from picture windows.

But then people know him already, and some Democratic regulars feared that too nign a profile could actually turn off voters.

"It's a race that's so touchy, it cuts to the bone," said Patricia Jo Cullerton, the 38th Ward committeewoman, who is a second cousin, once removed, of

Mr. Cullerton but is supporting Mr. Rostenkowski for what she said he brings to Chicago. "He's only done good by us. We have to stand by him," she said.

The campaign season got off to a distracted start as events like the California earthquake, the record snow and cold here, and the Olympic saga of Tonya Harding and Nancy Kerrigan claimed the voters' attention. This year, the number of people registered to vote in Chicago has dropped to the second lowest level in 70 years.

Even the gubernatorial campaign with a woman, state comptroller Dawn Clark Netsch, and a black, State Attorney General Roland Burris, as the top contenders for the Democratic nomination received sparse attention until the last month. Mrs. Netsch leads going into Tuesday's primary and could become the first woman to be governor if she can win an uphill battle in November against the incumbent, Jim Edgar, a Republican.

Mr. Rostenkowski has spent much of his campaign time appearing with visiting Democrats and announcing Federal financing for local projects, like a helicopter for the Chicago Fire Department, which was delivered today at Meigs Field downtown.

About 600 campaign workers will be out on Tuesday, knocking on doors to get out the vote for Mr. Rostenkowski.

To compete, Mr. Cullerton sent out 50,000 mailings, each with a spent bullet casing to make a point about the need for gun control. But the tactic seems to have backfired: Some voters thought it was invasive; some mistook it for a death threat. An all-star cast of Democrats, including House Majority Leader Richard A. Gephardt, Secretary of Labor Robert B. Reich, former vice presidential candidate Geraldine M. Ferraro and President Clinton himself, have come to Chicago in the last two weeks to impress upon voters how important Mr. Rostenkowski is to Washington and why maybe they should overlook for now the cloud of Federal investigations for the good of the country.

But it has made little impression on Nancy Zornes, a secretary in running shoes, carrying a tote bag onto the el, who said she had not made up her mind yet.

"I was going to do some thinking about it today," she said. "I saved up that thing in the paper, the ballot thing they print. I know everybody's hot and heavy for Rostenkowski, but I just don't know."

'He's Just One Man'

All the talk about power and the collapse of Government if the chairman loses worries Mary Gremmler, an office manager. "He's just one man," Ms. Gremmler said. "God forbid that one country depends on one man and a corrupt one at that. That's one of the problems — that one man could wield that much power."

Others said they would "hold their nose and vote for Rosty." Pamela Hewett, a florist in the trendy Bucktown section, is one of them. "I want this health thing passed," Ms. Hewett said. "He's an old boy, and he does things the old way. You can't expect a politician to be a role model."

That is in keeping with Chicago-style politics, some would say. "Chicago has always had a high tolerance for ethical deviance," said Don Rose, a political consultant who is a Cullerton ally. Chicago voters, he added, are like long-time owners of a cat. "It's like I have a cat, and I don't smell anything," he said. "Someone comes in from the outside, and says, 'My God, your litter box needs changing.' It's like I'm used to a certain level of stench from my litter box, and so I don't notice it."

Ex-Partner of Clintons Seeks Money for Fees

Special to The New York Times

LITTLE ROCK, Ark., March 14 — A former partner of the Clintons in the Whitewater real estate venture appeared here today to solicit donations to cover her legal expenses in the investigation of the venture.

The partner, Susan McDougal, said during a news conference that neither she nor her former husband, James B. McDougal, violated any laws when they invested in Whitewater Development Corporation with President Clinton and his wife, Hillary, or managed a failed savings and loan, Madison Guaranty.

Ms. McDougal refused to comment on the Clintons' involvement in the 1978 Arkansas resort development except to say that recent Federal investigations into Whitewater and Madison were undertaken simply because Mr. Clinton was elected President.

Her lawyer, Bobby McDaniel, said Ms. McDougal had no knowledge of any inappropriate investments or illegal transfer of money from Madison to Whitewater. Federal investigators are also examining whether money from Madison was illegally diverted to Mr. Clinton's 1984 campaign for governor.

Mr. McDaniel said Ms. McDougal had no financial documents relating to Whitewater or Madison. He said Ms. McDougal, at Mr. Clinton's request, delivered one box of Whitewater records to the Governor's Mansion sometime in 1991. Ms. McDougal also gave all five boxes of Madison records to Federal regulators and investigators in the late 1980's, Mr. McDaniel said.

Ms. McDougal has pleaded not guilty to separate unrelated charges of forgery and grand theft in California.

SD

Observer

RUSSELL BAKER

Mired in Stardom ✓

A writer named Neil Postman published a book a few years ago arguing that America was entertaining itself to death. It was an entertaining book, which undercut the force of its argument. If Postman was really afraid we were being entertained to death, what was the idea of writing an entertaining book about it? Was he trying to speed us into the hearse?

Still, he had a point. Cassandras howl about drugs, tobacco and high-fat diet, but it's entertainment that has us all hooked. Drug-free, tobacco-cleaned, dietetically approved by the American Dreary Dining Association millions of us may be, but cut off our daily entertainment fix and you will see an entire nation writhing in Promethean agonies.

No, I am not about to beat up on poor old television one more time. Television has our minds by the throat, and we all know it, and it's useless sermonizing about it because we are as powerless to stop gaping at it five, seven, thirty-two hours a day as the pathetic nicotine fiend is powerless to stop himself from lighting just one more.

It's the so-called Whitewater business that brings Postman's thesis to mind. The likelihood that Whitewater amounts to more than a hill of beans — or at the most, two or three hills of beans — seems very slight to me.

Whatever was done seems to have been done on the small-bore Arkansas scale, involving a small-bore savings and loan and some two-bit money transactions with Bill Clinton back when he was Governor of Arkansas, a small-bore statesman in the kind of environment where the Establishment usually consists of the local real-estate speculator, two lawyers, a feed-grain capitalist and the town's white undertaker.

If there was dirty pool, obviously it should not be excused. With a high-powered counsel on the job, it obviously won't be. Obviously, the Clintons will pay dearly for it.

Still, Washington reporters, who are in a lather about it — "in Watergate mode," George Bush might have said — must have enough experience of their own state legislatures to know that state capitols are natural breeding cultures for cheesy little back-scratcher deals.

Not that there is any evidence yet that Whitewater involved the Clintons in such stuff. So far there is no evidence of anything except White House bumbling. There is only "Maybe" followed by, "If so, then maybe."

The reason this rickety construction of innuendo and circumstance occupies the media so intensely is that Presidents are central to the American need to be entertained.

Government is too complicated to be entertaining: those 535 characters in Congress, all those mysterious regulatory agencies, lobbies, Pentagon, State Department. It is a pandemonium of incomprehensible realities.

Worse than that, it is dull. Dull, dull, dull! A country dying for and of entertainment can't stand for dullness, doesn't want incomprehensible reali-

The President as entertainment.

ties, doesn't want hundreds of Congresspeople, thousands of lawyers, hundreds of thousands of mind-glazing complications.

It wants entertainment. This is why almost all media coverage of government centers on the President, his wife, his family and his entourage. They provide a manageably small cast for a national sitcom, or soap opera, or docudrama, making it easy for media people to persuade themselves they are covering the news while mostly just entertaining us.

The Whitewater business is a natural for a press that needs to be entertaining. The realities of Clinton governance — health care and welfare reforms, declining standards of living, alarming trade imbalances — are hard to cover in the press and impossible to cover on television in ways that entertain.

Whitewater, on the other hand, is a script writer's delight. We have fearless reporters going jaw-to-jaw with the star of the show. We have bush-league Richelieus like Dole and D'Aмато playing the Suave Forces of Righteousness on camera. We have justification for endless pondering about the First Lady. Love her or hate her, she's everybody's favorite female character in this show.

No, Watergate it's not, nor even Iran-contra, both of which were about criminal abuses of Presidential power. Big stuff, really great shows, those. Still, Whitewater is the best news in Washington now that Barbra Streisand no longer guests at the White House. □

THE NEW YORK TIMES, TUESDAY, MARCH 15, 1994

AI What's News—

Business and Finance

GE CAPITAL launched a \$2.2 billion takeover bid for Kemper, but the money management, brokerage and insurance company rejected the offer. GE's financial services unit appears to be moving toward what could become an outright hostile bid, saying it could sweeten its \$55-a-share bid if it obtained additional information about Kemper's finances. Kemper shares soared \$16.125, or 39%, to \$57.

(Article on Page A3)

Disney agreed to spend about \$750 million to bail out its 49%-owned Euro Disney affiliate, apparently ending a threat to close the theme park.

(Article on Page A3)

Breast-implant makers and plaintiffs reached an accord on all major remaining issues in the \$4 billion silicone-implant settlement, the largest product-liability pact in U.S. courts.

(Article on Page A2)

Eight former Honda sales and advertising executives pleaded guilty to bribery-related charges. They admitted they took bribes from dealers in exchange for generous supplies of hot-selling cars and coveted dealerships.

(Article on Page A4)

Deloitte & Touche agreed to pay \$312 million to settle government claims linking the accounting firm to a number of costly thrift failures.

(Article on Page A6)

A top strategist in IBM's multimedia effort quit to join Blockbuster Entertainment, the corporate partner he had recruited to work with IBM.

(Article on Page B10)

Grumman agreed to deliver this week to unwanted suitor Northrop, which is offering \$2.04 billion for the company, the same detailed financial information that it has given to its preferred partner, Martin Marietta, which made an earlier \$1.93 billion bid, according to Northrop officials.

(Article on Page A4)

Apple expects to unveil a deal this year licensing its Macintosh operating system to another computer maker.

(Article on Page B6)

Merrill Lynch's run of bullish earnings buoyed the 1993 pay packages of its top four executives to more than \$6 million apiece, signaling another record year for Wall Street pay.

(Article on Page C1)

U.S. Shoe should be broken up into three separate companies, said Alfred Kingsley, an investor who is drumming up support for the proposal.

(Article on Page A5)

Convex Computer plans to unveil today a long-awaited supercomputer based on massively parallel processing, in a bid to revive its growth prospects and return to profitability.

(Article on Page B6)

J.P. Morgan will back a restructuring plan by the new management of Banesto, the Spanish bank that was seized and in which Morgan has a big stake, people close to the plan said.

(Article on Page A12)

Two large pension funds joined a nonprofit builder and three big California financial institutions to launch an affordable-housing initiative.

(Article on Page A8)

Markets—

Stocks: Volume 260,138,940 shares. Dow Jones industrials 3862.98, up 0.28; transportation 1726.12, up 5.08; utilities 208.61, off 1.18.

Bonds: Lehman Brothers Treasury index 5270.39, down 22.23.

Commodities: Oil \$14.49 a barrel, up five cents. Dow Jones futures index 145.28, up 0.41; spot index 132.09, up 0.51.

Dollar: 106.10 yen, up 1.1; 1.6900 marks, up 0.0075.

World-Wide

HUBBELL RESIGNED abruptly from his senior Justice Department post.

Associate Attorney General Hubbell, locked in a billing feud with his former law firm, resigned. His departure leaves the leadership of the Justice Department reeling from its second top-level resignation in recent weeks. While Hubbell's decision to leave stemmed from the billing dispute with the Rose Law Firm, his announcement drew attention to the Whitewater controversy. (Article on Page A22)

Hubbell has come under fire for his representation of the RTC after it took over Madison Guaranty. Hubbell and the Rose Law Firm represented the RTC in a suit against Madison's auditor.

China has transferred advanced missile technology to North Korea, according to U.S. intelligence reports, posing another stumbling block for renewal of China's trade status. The reports contend that the diameter of a new long-range missile being developed by the North Koreans is evidence of China's assistance. (Article on Page A3)

Israel pressed its crackdown against Jewish extremists by focusing on Hebron, site of last month's mosque massacre. Police confiscated automatic weapons from Jews and briefly detained a leading rabbi. Separately, a U.S. envoy met with Arafat in Tunisia but failed to win the PLO leader's consent for resuming talks with Israel.

Prime Minister Rabin signed an agreement to add the religious Shas party to his coalition, giving him a majority in Israel's parliament. The accord will go into effect after approval by Rabin's Labor party.

Sen. Packwood conceded defeat in a legal fight over his diaries, agreeing to turn them over to the Senate Ethics Committee for its investigation into allegations of sexual and official misconduct. The Oregon Republican said he was ending a challenge to a district court order that directed him to give the panel the diaries it subpoenaed last year.

Officials from G-7 nations discussed global unemployment during a conference in Detroit. President Clinton urged the Group of Seven officials to focus on ways to create jobs. (Article on Page A2)

A U.S. Air Force plane crashed off Kenya's coast en route to Somalia, killing at least one crew member and leaving 10 others unaccounted for, the Pentagon said. At three crew members survived.

Adm. Jeremy Boorda was nominated by Clinton to succeed Adm. Frank Kelso as the Navy's top officer. Boorda, commander of NATO forces in southern Europe, would become the first chief of naval operations to rise from the enlisted ranks if he is confirmed. Kelso announced his retirement month, citing the Tailhook controversy.

Thousands of small communities lack the funds necessary to meet federal drinking water requirements and need help finding cheaper ways to make their water safe, a congressional report said. Separately, an environmental group, the National Resources Defense Council, said the last cities use outdated filtration technology.

Georgia's Senate gave final legislative approval to Gov. Miller's proposal to criminals to prison for life without parole for a second violent-crime conviction. For the measure to take effect, voters must approve a constitutional amendment in a November referendum. Georgia would then become the first state with a "two-strikes" policy.

Secretary of State Christopher urged Russia's Foreign Minister Koryev to his influence to bring Bosnia's Serbs into a peace accord reached by Croats and Muslims. Separately, France chastised U.N. civilian officials for failing to order air attacks on Serb gunners who fired at French peacekeepers over the weekend.

The Inkatha Freedom Party said it still take part in South Africa's elections the balloting would have to be postponed to give the party time to campaign. Inkatha leader Buthelezi urged "flexibility" the resolution of the date problem. The rival African National Congress has ruled out delay in the April 26-28 vote.

Tuberculosis was found in the body of a 1,000-year-old woman in Peru, giving strong evidence that a disease lethal to the is of American Indians was in the New World before Columbus and not a plague brought by Europeans. A report on the study is to be published in today's issue of Proceedings of the National Academy of Sciences.

Inner Circle Is Shrinking

Clintons See Another Little Rock Friend Go

By MAUREEN DOWD
Special to The New York Times

WASHINGTON, March 14 — It was a small, golden group, the Friends of Bill and the Friends of Hillary, and for a time it ruled supreme, operating almost as a White House within the White House. But now, as the Administration reels from departure to sudden departure, there is an eerie sense of subtraction that recalls the Agatha Christie mystery "And Then There Were None."

This was the first Administration built on baby-boomer networking, with the primary example being Hillary Rodham Clinton's fief in legal affairs where top jobs were given to her friends and former law partners.

The essential quality of those in the Clintons' inner circle was the shared intimacy of past times together. But now, that very intimacy is claiming them, one by one, creating a chain of casualties that has left the survivors in the White House feeling shaken and besieged.

A Dwindling Band

In May, Harry Thomason, the Hollywood producer who served as the Clintons' theatrical and image adviser, gave up his White House pass when accusations of cronyism surfaced after the First Lady involved herself in the dismissal of White House travel office employees. In July, Vincent W. Foster Jr., the deputy White House counsel who had been Mrs. Clinton's law partner in Little Rock, Ark., committed suicide. Ten days ago, Bernard W. Nussbaum, the White House counsel and a close friend of Mrs. Clinton, resigned amid criticism that he may have bent ethical standards to protect the Clintons on Whitewater.

And finally today, Webster L. Hubbell, another of Mrs. Clinton's partners in the Rose Law Firm who was being investigated by the firm for his billing

Continued From Page A1

and expense practices, resigned as Associate Attorney General.

"This is a blow to the Clintons, particularly to Hillary," said a top Administration official who is close to the couple. "Once again, it casts a bad light on their private lives in Little Rock. The seaminess of that place attaches itself to the Clintons through Hubbell, somebody they brought with them, who acted as their eyes and ears at the Justice Department."

The departure of the burly down-home Arkansan, combined with the arrival of the eminence grise of the Washington establishment, Lloyd N. Cutler, has meaning far beyond most Administration staff shake-ups.

Mr. Hubbell, like Mr. Foster and Mr. Thomason, represented the Arkansas past and the political culture that the Clintons took with them to Washington. Mr. Nussbaum, too, had a link with the past: He was Mrs. Clinton's mentor when she was a young lawyer on the Watergate impeachment committee and he was the New York lawyer who threw business her way when she was trying to be a rainmaker for the Rose Law Firm.

Minding the Institution

This week, the First Lady, already feeling angry and defensive about questions about her role in the Whitewater matter, saw the legal pyramid she had put in place largely dismantled and her lieutenants disappearing. Instead of being surrounded by old mentors and law partners, Mrs. Clinton now has the new White House counsel, Mr. Cutler, whose very presence is an implicit rebuke to the Clintons that they had neither the experience nor wisdom to operate in Washington with their own set of old friends.

When the Senate Finance Committee chairman, Daniel Patrick Moynihan of New York, said on "Face the Nation" a week ago, before Mr. Cutler's appointment, that Mr. Nussbaum's successor should be "someone who is not a friend of anybody working there now, but is a friend of the institution of the Presidency," his remark was taken as a caution to the First Couple that they should stop running the White House with a small group of friends who were seen as being overprotective of the Clintons and their past, sometimes at the expense of the institution.

Mr. Hubbell's departure emotionally painful, their aides said. Yet, their relationship with their friends is now so convoluted that White House officials put out word today that Mr. Hubbell did not even consult the Clintons as he agonized over whether to go or stay, only sending messages through Mickey Kantor, an establishment lawyer who is now the United States Trade Representative.

Increasingly, there is a sense in Washington that the Arkansas political culture does not work in the White House, especially when it is combined with the combative campaign culture

are Webb Hubbell and Mack McLarty. Then, there's a big gap before you get to Gergen and Stephanopoulos. And then a very large gap before you get to anybody else."

Clinton advisers acknowledge their problems in fitting into the capital culture, but they blame it partly on what they see as prejudice against outsiders. "Any institution, and you can call political Washington an institution, is always going to act in its own interests and be suspicious of outsiders," said Paul Begala, a Clinton political adviser. "I think there is a great deal of prejudice showing here from, let us say, the sort of people who refer to Washington as 'this town.'"

"Here's my prediction at this point," Mr. Begala added. "If the Arkansas Razorbacks lose in the N.C.A.A., people here are going to find a way to blame it on the First Lady."

At the Danger Point

The danger that the Clintons face right now, say many inside and outside the Administration, is that they are at a tipping point, on the sort that damaged the Carter Administration.

What once seemed fresh now seems simply unsophisticated; where the Clintons and their young team used to seem brainy, now they just seem inexperienced and stumbling. Where the Arkansans once won praise for their outside-the-beltway populism, they now are censured for very sort of cronyism and elitism that they criticized in the Bush Administration.

Republicans are happy to capitalize on the new conventional wisdom.

"Their White House screams lack of experience, lack of capacity and lack of understanding," said Eddie Mahe, a Republican consultant. "The only way they can solve their problems is to try to get people in there for whom the learning curve is a lot shorter."

Mr. Mahe is partisan, but he has a point.

Mr. Stephanopoulos, the campaign-strategist-turned-White-House-adviser, said, "One of the lessons we all learned is that coming to Washington, coming to the White House, as in no other place, the personal is the political. We've come to deeply understand that over the last year, and that has been one of the toughest realities for us to deal with."

That was in January, before the Treasury Department's meetings with the White House about Whitewater were disclosed and Mr. Nussbaum was forced out, and before Mr. Hubbell's personal legal problems became such a political liability that he had to resign.

Another subtraction from a circle of Arkansans.

that produced many of the younger breed of Clinton aides.

The Little Rock culture was rooted in an informal way of doing business, in which behind-the-scenes relationships played at least as large a role as the evident formal structure of power. The 1992 Presidential campaign taught the Clintons that a combative, tightly compartmentalized operation could triumph over a messy past and an inquisitive press.

Circles of Influence

In Washington, the Clintons drew on the lessons of both Arkansas politics and their campaign successes to build a government based, as one former aide put it, on "concentric circles of knowledge and influence." "Think of a circle in the middle with just the two of them, Bill and Hillary," the ex-official said recently.

"Bruce Lindsey is in the next closest ring," he said, referring to the President's longtime friend and counselor from Arkansas. "Then in the next ring

A SENIOR OFFICIAL QUITS JUSTICE POST AS PRESSURE RISES

ETHICS ARE QUESTIONED

Webster Hubbell, an Old Friend,
Leaves to Spare the Clintons
Further Embarrassment

By DAVID JOHNSTON
Special to The New York Times

WASHINGTON, March 14 — Webster L. Hubbell, one of the inner circle that the Clintons brought from Arkansas, abruptly resigned today from a top Justice Department job in the latest of a string of Administration efforts to quell controversies over ethics.

Mr. Hubbell said he was leaving his job as associate attorney general to spare the President and Hillary Rodham Clinton further embarrassment over charges that he overbilled the law firm where he and Mrs. Clinton were once partners.

Administration officials said today that Mr. Hubbell had taken the initiative to step down. But senior officials at the White House did nothing to dissuade him from resigning, and one White House adviser said that it had been made clear to Mr. Hubbell that his departure would be helpful.

Setback for Clintons

Whatever the White House role, Mr. Hubbell's exit was a setback to Mr. Clinton and especially Mrs. Clinton. Mr. Hubbell was a regular golf partner of Mr. Clinton's, and he and Mrs. Clinton worked closely at the Rose Law Firm, which has been near the center of an independent prosecutor's inquiry into the Clinton's real estate investment in Arkansas. Mrs. Clinton, a dominant behind-the-scenes force in shaping the Administration's approach to legal matters, played a major role in selecting Mr. Hubbell — a former mayor of Little Rock and State Supreme Court Justice — for his Justice Department post.

Mr. Hubbell's departure, coming as the White House is struggling to cope with a widening inquiry into the Clintons' investment in the Whitewater Development Company, a real estate venture that went bad, was another example of old problems reaching from the past in Little Rock to trip up a high-ranking Administration official.

Mr. Hubbell's problems have little to do with the Whitewater deal, although some of the disputed bills could involve work on the Madison Guaranty Savings and Loan Association owned by James B. McDougal, who was the Clintons' partner in Whitewater.

'The Right Decision'

In comments this afternoon, Mr. Clinton said Mr. Hubbell had performed a valuable service at the Justice Department, but "made the right decision" to resign to deal with an investigation into his billings while in private law practice.

At the Justice Department, Mr. Hubbell's resignation leaves another gap in the senior ranks after the forced resignation of Philip B. Heymann, the sec-

Continued From Page A1

ond-in-command, who left in late January citing differences in managerial approach with Attorney General Janet Reno.

Today, some of his associates traced his conflict with Rose to a bitter feud that developed when a group led by him and Mrs. Clinton pushed other partners aside when Mr. Clinton became Governor in 1978. The immediate factor that pushed him to resign, they said, was a meeting the Rose partners held tonight to decide whether to refer a dispute over Mr. Hubbell's billing and expenses to the state bar association after negotiations to settle it broke down.

Turbulence of Departures

His resignation comes little more than a week after the exit of Bernard W. Nussbaum, the White House counsel, who announced that he was stepping down a little more than a week ago. Mr. Nussbaum, a New York lawyer who first worked with Mrs. Clinton 20 years ago, was forced out after it was disclosed that he met with Treasury Department officials preparing a complaint involving Madison Guaranty.

In recent days the Administration has sought to regain its balance amid the turbulence that surrounded Mr. Nussbaum's departure. A newly named White House counsel, Lloyd N. Cutler, said that the White House would take a newly open approach to Con-

Another old friend of the Clintons leaves their side.

gressional inquiries, and Mrs. Clinton said over the weekend and again today that she had made "mistakes" in her handling of the Whitewater controversy.

The Clintons never spoke to Mr. Hubbell on the matter, an Administration official said. Mickey Kantor the United States Trade Representative, emerged as a broker in Mr. Hubbell's weekend discussions with his family, friends and associates. On Sunday, Mr. Kantor telephoned Thomas F. McClarty 3d, the White House chief of staff, to inform him that Mr. Hubbell was on the verge of a decision to quit.

Wistful and Bitter

Early today, Mr. Kantor, who worked with Mr. Hubbell in Little Rock when Mr. Kantor was Mr. Clinton's campaign chairman, again telephoned Mr. McClarty to advise him that Mr. Hubbell had made his decision. Mr. Clinton phoned Mr. Hubbell this afternoon while the President was aboard a ferryboat in Boston harbor.

Another former Rose partner, Vincent W. Foster Jr., who was the deputy White House counsel, died of a single gunshot wound to the head in July 1993. Mr. Nussbaum found himself in the middle of a furor when it was disclosed that he turned over some Whitewater files Mr. Foster had kept in his office to the Clinton's personal lawyer.

With the suicide of Mr. Foster and the subsequent departures of Mr. Hubbell and Mr. Nussbaum, Mrs. Clinton has lost three principal allies with whom she had hoped to shape the justice system.

In a written statement that Mr. Hubbell and the Justice Department revised throughout the day, he sounded alternatively wistful and bitter as he confirmed that he was engaged in discussions with his former law firm over "compensation and reimbursement matters."

He expressed regret that he had seen "private issues between me and my

family and my former law firm elevated to public speculation," but he expressed confidence that his dispute with the law firm would be "resolved satisfactorily."

A Rose partner, Herbert Rule, declined to comment tonight after a meeting at the firm's downtown Little Rock headquarters.

In his statement, Mr. Hubbell said, "After a thoughtful weekend, I believe that my continued service will not be as effective as it has been; that the distractions on me at this time will interfere with my service to the country and the president's agenda; and that my family, although totally supportive, is being harmed."

Mr. Hubbell's departure has left Ms. Reno without the person who she turned to after Mr. Heymann's departure to run the agency day to day and who was deeply involved in supervising civil rights, antitrust and immigration matters. Mr. Hubbell's resignation also severs the agency's direct link to the White House.

No Departure Date Set

Mr. Hubbell did not set a precise date for his departure, but he will be hard for Ms. Reno to replace. She had relied on him for his judgment and his ability to smooth her sometimes frayed relationship with Clinton aides who have at times regarded Ms. Reno as a grand-standing loner.

He leaves Ms. Reno still trying to organize her agenda and manage the 80,000-person criminal justice agency without the two top aides on whom Attorneys General have historically depended to supervise criminal and civil law issues on a daily basis.

The firm first raised questions about Mr. Hubbell's billings in mid-1993, asking him to provide further documentation of expenses related to a lawsuit filed by P.O.M. Inc., a parking meter company, headed by Mr. Ward, who was later succeeded at the company by Mr. Ward's son, also named Seth Ward. The unsuccessful suit charged another parking meter manufacturer with patent infringement and antitrust violations.

Mr. Hubbell was slow to provide the supporting documents and his former partners grew increasingly impatient, especially as the firm became embroiled in Whitewater as prosecutors subpoenaed documents and ordered the firm not to destroy any papers related to the issue.

In February the partners insisted on a fuller accounting of his billings and expenses. But by then, said one official, Mr. Hubbell and his old associates were barely on speaking terms and Mr. Hubbell was reluctant to provide any information to former associates he no longer trusted.

Some appeared to be upset because Mr. Hubbell had entered into an unusual arrangement for a large firm, agreeing to represent P.O.M. on a contingency fee basis, meaning that the company would pay the firm only if P.O.M. prevailed in the case. Because P.O.M. lost, the law firm had to absorb what some lawyers following the case estimated were up to \$1 million in time charges and other litigation expenses, like the cost of expert witnesses.

Some of Mr. Hubbell's friends have said that he has told them the dispute over his billings center on small misunderstandings, over amounts of no more than a few hundred dollars. In one instance they said he mistakenly charged the firm for first class airfare rather than paying the difference between coach and first class according to what they said was his customary practice.

But others suggest the dispute is potentially far more serious. These people, who have closely followed the issue, said that Mr. Hubbell has been unable to account for \$50,000 to \$100,000 in expenses and has failed to provide backup receipts or documentation for his expenditures. Much of the money was withdrawn from a Rose law firm account and much of it was spent for travel.

THE NEW YORK TIMES, TUESDAY, MARCH 15, 1994

Hubbell Resigns Key Justice Post In Surprise Move

'Public Speculation' Is Cited;
A Planned Vote at Rose
Also Believed Influential

By JOE DAVIDSON
And ELLEN JOAN POLLOCK

Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — Associate Attorney General Webster Hubbell, locked in a feud with his former law firm, abruptly resigned, adding to the chaos in a Clinton administration beset with Whitewater troubles.

The resignation, which surprised even senior Justice Department officials, leaves the leadership of the department reeling from the second top-level resignation in recent weeks. In January, Philip Heymann quit as deputy attorney general, citing bad "chemistry" with Attorney General Janet Reno.

An administration official said Mr. Hubbell's decision was influenced by the knowledge that his former partners at the Rose Law Firm, Little Rock, Ark., would meet last night to vote on whether to refer the dispute to the Arkansas Bar Association. The escalating feud involves Mr. Hubbell's expenses and billing practices at the firm and his representation of a company owned by his brother-in-law.

In his resignation letter to President Clinton, Mr. Hubbell said, "Unfortunately, because of public speculation about me and my former law firm, I will have to spend a significant amount of my personal time on an internal matter with my former partners." The publicity diminishes his effectiveness, he said, and "distracts from your agenda."

'Did the Right Thing'

In a letter to Mr. Hubbell, Mr. Clinton said: "I know your accomplishments in office will outlast any interest in the private matters that have arisen from your prior law practice." The president later told reporters in Boston that Mr. Hubbell "did the right thing" in resigning, but added that he found it "hard to believe" that his longtime friend had done anything wrong.

While Mr. Hubbell's resignation stemmed from the dispute with his law firm, his announcement drew attention yesterday to Whitewater. Mr. Hubbell's name has been linked to the Whitewater controversy, which has engulfed the administration and led to the recent resignation of White House Counsel Bernard Nussbaum.

White House aides said U.S. Trade Representative Mickey Kantor, a friend of Mr. Hubbell, talked with Chief of Staff Thomas McLarty on Sunday to alert him that Mr. Hubbell was seriously considering resigning. Mr. Hubbell felt that he needed time to deal with the Rose conflict. Mr. McLarty informed the president, but Mr. Clinton didn't talk with Mr. Hubbell. Yesterday morning, Mr. Kantor called Mr. McLarty to tell him that Mr. Hubbell would indeed resign.

Rose has asked Mr. Hubbell to turn over backup documentation for his expense reports, in an effort to discover if he billed personal charges to the firm or its clients. Mr. Hubbell wrote himself checks on a firm bank account without sufficient documentation, a person at Rose has said.

Rose partners are also unhappy about Mr. Hubbell's unsuccessful representation of P.O.M. Inc., owned by his brother-in-law, Seth "Skeeter" Ward. The firm has had to absorb about \$500,000 in litigation costs that P.O.M. said it couldn't pay, according to a person at the firm. And because Mr. Hubbell agreed to take the case on a contingency-fee basis, the firm was forced to swallow roughly another \$500,000 in unbilled time.

Rose's managing partner, Ronald Clark, didn't return phone calls yesterday, but previously said the firm hadn't concluded anything as a result of its review. A person at the firm yesterday said, "We do not contemplate [Mr. Hubbell's] return to the firm."

Mr. Hubbell has also come under fire for his representation of the Resolution Trust Corp. after it took over Madison Guaranty Savings & Loan, which was owned by James McDougal. Bill and Hillary Rodham Clinton were partners with Mr. McDougal and his ex-wife Susan in Whitewater Development Co. Mr. Hubbell and the Rose Law Firm represented the RTC in a suit against Madison's auditor.

There have been allegations that Mr. Hubbell and the firm failed to reveal to the RTC that the firm had previously represented Madison, and that Mr. Hubbell's father-in-law had been involved in tangled litigation with the thrift. In addition, RTC auditors are in Little Rock reviewing the firm's bills to make sure that all charges have been documented.

Praise From Attorney General

A subdued Ms. Reno highly praised Mr. Hubbell at a news conference called to announce his resignation, which he didn't attend. "There are no words capable of fully conveying to you my deep respect and admiration for Webb Hubbell or how sad this event makes me," she said. "He has been a tireless crusader for doing justice, for doing the right thing." She added, "I don't believe he did a thing wrong."

She credited him with opening up the department's information policy, increasing the staffs of the civil rights and anti-trust divisions, and pushing "major issues in immigration and environmental enforcement and equality for the disabled."

Mr. Hubbell's role has long been the target of speculation. A close friend of Mr. Clinton and former law partner of Mrs. Clinton, Mr. Hubbell was assigned to the department from the first days of the administration, well before Ms. Reno took office in March last year. Several critics speculated that he ran the department before Ms. Reno took office and has since been the real power, because of his ties to the White House. But Mr. Hubbell, Mr. Heymann and other department officials have insisted Ms. Reno is the real boss.

Separately, a lawyer for Susan McDougal said she no longer had any Whitewater or Madison records in her possession. Bobby McDaniel, the lawyer, said at a news conference in Little Rock yesterday that Ms. McDougal had one of her brothers deliver a box of Whitewater documents to the guard house at the Arkansas governor's mansion in 1991 at the request of then-Gov. Clinton. She also turned over five full boxes of documents to the Federal Home Loan Bank Board in the late 1980s, Mr. McDaniel said. He said the Clintons had never returned her documents and that she had no copies.

A Rose Law Firm Deal, Revisited

The following is reprinted with permission from the Des Moines Register of June 13, 1993. A related editorial appears nearby.

By JONATHAN ROOS

When Hillary Rodham Clinton complained in a recent speech about profiteering in the health care industry, she could have found a ready example in the role one of her former Arkansas law partners played in an Iowa nursing-homes deal that made millions for the deal-makers.

William H. Kennedy III, a partner in the Rose Law Firm of Little Rock and now associate counsel to President Clinton, shepherded the deal for Beverly Enterprises, a giant nursing-home company that paired up with a Texas banker to sell its Iowa and Arkansas nursing homes.

Forty-one Iowa homes were acquired four years ago by a nonprofit corporation, now known as Care Initiatives, that was effectively controlled by the banker, Bruce Whitehead. The deal was financed by \$86 million in tax-exempt revenue bonds.

Whitehead and the bond underwriters took up-front profits exceeding \$15 million.

Beverly, which needed cash to reduce its crippling debt, made about \$10 million.

"Kennedy was involved in the whole thing, period. He was the point man for Beverly," says Frank Pechacek, a Council Bluffs lawyer who investigated the deal for county assessors. The assessors were contesting Care Initiatives' claim to property-tax exemptions for its nursing homes in about 30 counties.

Kennedy could not be reached for comment.

Other Rose Law Firm partners who now work in the Clinton administration may have been involved, too. Webster Hubbell, who holds the No. 3 slot in the Justice Department (Mr. Hubbell resigned yesterday), listed Beverly Enterprises among his 26 Rose Law Firm clients.

Vincent Foster Jr., deputy counsel to the president, represented Stephens Inc., a Little Rock investment-banking firm that owns 10% of Beverly's stock. Beverly hired Stephens to find a buyer for many of its nursing homes. The search led Beverly to Whitehead.

"There was absolutely no way that these people didn't know what was going on," said Roy Drew, a former Stephens broker and an independent investment adviser whose criticism of a similar nursing-home transaction in Arkansas involving Beverly, Whitehead and a nonprofit corporation helped touch off a political furor that scuttled the deal.

No one is saying that nursing-home company executives, lawyers, bankers or others involved in the Iowa homes' sale acted illegally. In fact, great care was taken to dot the i's and cross the t's on the contracts.

But critics of the transaction have complained of profiteering.

Said Drew: "Rose Law Firm made it legal, but it didn't have anything to do with what was right or fair to taxpayers or people in nursing homes. It had only to do with getting Beverly and Stephens Inc. off the hook."

Last month, the Iowa Supreme Court upheld District Judge Gene Needles's denial of Care Initiatives' request for an exemption from paying property taxes on its nursing homes. Total taxes on the homes exceed \$800,000 a year.

Needles and the Supreme Court sided with county assessors in concluding that Care Initiatives did not meet the tests of a charitable institution.

Said Needles, "Care Initiatives is a 'shell' nonprofit corporation used by Bruce H. Whitehead and the bond underwriters to obtain the financing necessary to enable them to make millions of dollars of excessive profits."

Whitehead and lawyers for Care Initiatives contended that the profits were reasonable, given the size of the deal and the financial risk involved.

Court records and transcripts of testimony by Whitehead and his lawyer show that Kennedy looked after the interests of

Other Rose Law Firm partners who now work in the Clinton administration may have been involved, too. Webster Hubbell... listed Beverly Enterprises among his 26 Rose Law Firm clients.

Beverly Enterprises. He prepared the financial documents and negotiated with Whitehead and other parties to the Iowa and Arkansas nursing-home deals.

Whitehead testified that the nation's largest operator of nursing homes "was having severe financial difficulty. They needed to raise cash desperately because of the financial problems they were having."

In 1988, Beverly sought to sell off its nursing homes in Iowa, South Dakota, Nebraska and Arkansas. But finding a buyer and conventional financing for the sale would be difficult.

Whitehead, the Texas banker, was interested in only the Iowa and Arkansas homes. A proposed sale agreement prepared by Kennedy called for a company controlled by Whitehead to buy Beverly's Iowa and Arkansas homes for about \$115 million.

The Iowa portion of the deal was sealed in the summer of 1989. Whitehead's Ventana Investments bought the Iowa nursing homes for \$57 million as part of a two-step transaction that left Whitehead a hefty profit. The homes were then sold to nonprofit Care Initiatives (known then as Mercy Health Initiatives) for \$63.5 million.

The money was borrowed through the sale of \$86 million in tax-exempt revenue bonds that the Iowa Finance Authority, a public agency, agreed to issue.

The Iowa Finance Authority served as a conduit; no state money was loaned. Nursing-home revenue is used to repay investors who purchased the bonds.

The Iowa transaction caused no ripples. At a public hearing, Whitehead assured the Iowa Finance Authority board that the Beverly employees in Iowa would keep their jobs. At a follow-up meeting conducted over the telephone, the board voted unanimously to authorize the bond sale.

"There was the belief that there was a danger that some of those [nursing homes] could have closed," said Ted Chapler, executive director of the Iowa Finance Authority.

The lost jobs would have dealt an economic blow to the rural communities where the nursing homes are located, said

Chapler, who was the finance authority's general counsel when the bond sale was approved by the group's board and Gov. Terry Branstad.

Care Initiatives employs 2,800 workers in Iowa. Its nursing homes have 3,200 residents.

The sale of 36 nursing homes in Arkansas was to be financed in the same way, using \$81 million in revenue bonds and another nonprofit corporation that had been set up for Whitehead. He stood to gain \$4 million from the transaction. But during the fall of 1989 the deal unraveled.

The Arkansas Development Finance Authority, which had become an important economic tool for then-Gov. Bill Clinton, initially supported the proposed bond sale but backed away as criticism of the deal mounted. When Bob Nash, president of the Arkansas agency, recommended rejecting the deal, Whitehead challenged him to a fist fight, according to Little Rock news accounts. Whitehead later testified in the Iowa property-tax case that he lost over \$2 million in Arkansas.

Clinton, who had the last word in killing the deal, was brushed by the controversy but suffered no lasting political damage. He was re-elected governor in 1990.

There have been changes in Iowa since the deal. Last year, Care Initiatives severed its ties with Whitehead and his nursing-home management company. Duncan Graham, the firm's president, says Care Initiatives now is managing the nursing homes itself.

He says the move should strengthen the firm's new bid for property-tax exemptions for its Iowa homes. That's expected to touch off another court battle.

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Clinton Plan's Perverse Incentives ✓

By CRAIG RICHARDSON

The year is 1995. President Clinton's health care plan was recently passed, making it mandatory for all businesses, large and small, to provide health care to their employees.

The owner of Company A is trying to decide whether to hire an additional worker, increasing the total number of employees to 50. Upon examining the matter more closely, she decides against the hire. Because of a quirk in the health plan, annual health care costs will zoom by \$7,545 upon hiring the 50th employee, assuming the employees earn \$15,000 a year on average. Given the true cost of the 50th employee is now \$22,545 rather than \$15,000, the owner buys another computer instead.

Meanwhile, the owner of Company B, employing 76 employees, and paying an average salary of \$17,000, does some investigation of his own into the details of the Clinton health plan. He concludes that he should fire an employee. Upon doing so, he now qualifies as a federally approved "small business" and thus is eligible for an \$11,543 subsidy.

These examples demonstrate some of the bizarre economic incentives hidden in the Clinton administration's health care plan. Ironically, these hiring hazards are a direct result of the administration's benign attempt to make health care premiums more affordable for small businesses.

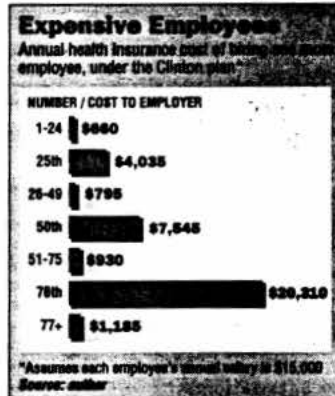
Escape Valves

As most readers know, the keystone of the Clinton plan is the requirement that all businesses pay 80% of their employees' health insurance premiums. This is unpopular with most small business owners, who fear these mandated costs will drive them out of business. To win them over, the Clinton health plan later included a series of escape valves; depending on the average salary and the number of employees, owners are guaranteed never to pay more than a given percentage of their payroll. If the premiums exceed this percentage, the government kicks in the difference.

Most analysts agree that small, low-paying businesses stand to gain the most under this plan, since they receive the largest subsidies. In fact, coverage in the press has focused on comparing the differences in the benefits, rather than a closer examination of the costs. For example, an article in this newspaper analyzed four hy-

pothetical firms and showed that the size of the health care subsidy could vary tremendously, ranging from \$159 to \$1,706 per worker per year.

What has been overlooked, however, is a crucial fact: Businesses are not static entities—rather, they grow and shrink. And as they hire the 25th, 50th or 75th worker, the payroll caps abruptly change. The result: Employee health care costs spike dramatically upward, as seen in the accom-



panying chart. If a company is to the left of a "cost spike," there is a sizable hurdle in hiring the next worker. To the right of a spike, the firm stands to gain a large amount of money in federal subsidies by firing workers.

The reason for these costs spikes is that the payroll percentage caps are constructed differently from, say, income-tax rates. When a person earns more money, and thereby enters a higher income-tax bracket, the increased tax rate falls only on those dollars earned in the higher bracket. If the higher income-tax rate were applied to all earned dollars, the person might actually take home less money after taxes, causing obvious work disincentives.

The same perverse incentives operate here—that is, the percentage payroll caps operate at average, rather than marginal, levels. So when a company crosses into a higher category, it is responsible for paying a higher percentage of its payroll on health costs for all its employees, not just the additional hire. (Pay raises can produce the same result, since the subsidies operate on this dimension as well.)

For example, Company A, used in the introduction, pays a flat health care fee of \$795 for each of its 49 workers,

since the company pays a constant 5.3% of its total payroll during this interval. But hiring the 50th worker causes health care costs to suddenly balloon by \$7,545, since mandated health care costs now climb to 6.2% of total payroll, rather than 6.2% of the additional worker's salary. On the other side of the coin, if Company A employed 50 workers, it would gain \$7,545 in federal subsidies by firing a worker and thus falling into a lower payroll cap category.

It gets worse as the company expands and eventually moves into the next payroll cap category. After paying \$930 for the 51st through the 75th worker (that is, 6.2% of \$15,000), the additional cost of hiring the 76th worker skyrockets by a staggering \$20,310, since health costs suddenly jump to 7.9% of total payroll.

One answer is to model the payroll caps after income-tax brackets. That is, as a company increases the number of employees and enters a higher payroll cap, the higher cap should apply only to additional employees, rather than to all of them. The only problem here is that all companies would then receive some subsidies from the government, just like all workers pay income tax.

You may ask if this issue is really such a big deal. The spikes occur only at certain intervals, and how many companies are even near these intervals?

Wrong Path

The answer is that dangling \$20,000 of subsidies in front of small-business owners will make them stand up and take notice, even if they aren't initially affected. Companies with more than 75 employees may split into two smaller companies, fire employees or explore other creative options. And smaller companies will think twice about taking out loans for business expansion, if they see enormous health cost spikes looming down the road.

Since the beginning of the health care debate, the question has been: Who will pay for the health care plan? Of course, we all will, in one way or another. But instituting a complicated set of regulations that create perverse incentives for small businesses is not the path we should take. In doing so, we make an expensive proposition even costlier, in terms of lost jobs, lower output and wages, and more time spent by business owners on outmaneuvering the government's illogical regulations.

Mr. Richardson is an assistant professor of economics at Salem College, Winston-Salem, N.C.

**PRICING
HEALTH
CARE**

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REVIEW & OUTLOOK

Who Was Webster Hubbell?—I

Needless to say, we don't think Webster Hubbell's resignation closes the book on any aspect of this affair. An anonymous White House official tried to spin the story toward closure when news was dribbling out yesterday afternoon about a resignation by the presidential golfing partner-Rose Law Firm partner-Associate Attorney General. "It's a private individual's problems that arose prior to his government service, problems with his prior law firm," said the official. That won't wash.

It was just over a year ago that we first raised a flag in an editorial titled "Who Is Webster Hubbell?" (March 2, 1993). The Clinton Administration was less than two months old. It had no Attorney General of its own, no Deputy Attorney General and few quality people in top positions. Instead it stuffed the White House with cronies from Little Rock, notably putting two of Hillary's Rose Law Firm partners in the general counsel's office and sending a third Rose partner named Webster Hubbell to be their "liaison" at the Justice Department.

The issue then was Webster Hubbell's interventions into Justice Department policy toward the federal legal troubles of Rep. Harold Ford, a prominent member of the Black Caucus. We wrote at the time: "We seem to have the spectacle of Hillary Clinton's former law partner fixing meetings between Justice officials and demand-waving pals, with the pals getting Justice to do their bidding." And concluded, "We are left to wonder what kind of Justice Department this will be, and what kind of administration."

We have pursued this initial question for 12 months now. So we were not shocked when it came out that the Treasury and White House counsel's office were holding "heads up" meetings over Bill and Hillary's potential problems with Resolution Trust investigations, the parties to which are now subject to special subpoenas.

Nominally, Mr. Hubbell's resignation has to do with allegedly unethical billing practices while back at the Rose firm. But we draw your attention to the nearby article, published last summer by the Des Moines Register. It's a fascinating tale of transactions involving a string of Iowa nursing homes, an effort that was brokered by then-Rose partner William Kennedy III, who is now Associate White House Counsel. Two Iowa court rulings refused to allow what the district judge called the deal's "excess profits," though the Rose firm's efforts kept its clients skating along the defensible side of the law. Once in the White House, William Kennedy's name surfaced for playing fast and loose with the FBI and IRS over Travelgate.

Janet Reno, announcing the Hubbell resignation yesterday, said: "He has been a tireless crusader for doing justice, for doing the right thing." Incredibly, she then added: "Webb was directly responsible for changes in the Justice Department's information policy, which had made the Justice Department and government more open and accountable."

This is Orwellian doublespeak, or perhaps Ms. Reno has just been out of the loop. After Ms. Reno loosened the rules governing requests under the Freedom of Information Act last October, Mr. Hubbell tightened the rules the following month for White House-related requests. Most pointedly, his order expanded the act's coverage to include the activities of the First Lady, specifically her top-secret health-care task force.

Ms. Reno's euphoria over Webster Hubbell leaving a legacy of "more open and accountable" government is so much blather. With interest in Whitewater now running at full tide, we have a public information blackout that has turned into an unbridgeable moat around the Clinton presidency. As we editorialized yesterday, our own FOIA request for the Park Police report on the suicide of former Rose partner Vincent Foster has now hit the ultimate contraction with Special Counsel Robert Fiske's blanket suppression of all documents and information relating to Whitewater/Madison.

Rose Partner No. 1, Hillary Clinton, is now appearing in news-magazine interviews to announce that Whitewater has been blown out of proportion. That script may still play in various journalistic backwaters, but the more likely scenario is that there will be growing pressure to expose Arkansas mores to more public scrutiny.

Moreover, someone should put out a protective order for the Justice Department. After former deputy Philip Heymann threw in the towel, the White House nominated as his replacement Defense Department general counsel Jamie Gorelick, a Beltway criminal lawyer whose client list included BCCI celebrities Clark Clifford and Robert A. Altman. Indiana basketball coach Bobby Knight drew boos for benching his first-string for a whole half this year, but Bill and Hillary Clinton seem intent on keeping their party's best people on the bench for the entire presidency. Why are they doing this?

With Webster Hubbell's resignation, this administration has lost its Bert Lance, the Jimmy Carter confidante who at least brought animal survival skills to a floundering administration. There's an important difference, though. Jimmy Carter and Bert Lance were on different planets. The Little Rock crowd travels in a fixed orbit around the same Sun. Webster Hubbell's saying he quits doesn't change that. We still want to know who these people are.



Webster Hubbell

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Clintons' friend quits Justice job

By Adam Nagourney
and Bill Nichols
USA TODAY

The third-ranking official in the Justice Department — President Clinton's golfing buddy — stepped down Monday, as the Clintons took the offensive on Whitewater.

Associate Attorney General Webster Hubbell quit to fight charges by Rose Law Firm — where Hillary Rodham Clinton

was a partner — that he used firm money for personal expenses and overbilled clients.

Hubbell said the "distractions" of fighting his firm, which also claims he gave favorable billing arrangements to cases involving relatives, would "interfere with my service to the country and the president's agenda."

The firm is expected to file formal charges imminently.

The Associated Press re-

ports the firm appears to have been paid twice by the government for the same work against a savings and loan tied to Whitewater; Hubbell supervised the work. The double-billing apparently totaled \$30,000.

Clinton learned from an aide Sunday Hubbell was considering quitting. Neither Clinton tried to dissuade him, a clear signal he should leave.

"We just have to take him at his word," Clinton said Mon-

day. "He did the right thing."

Later, at a Democratic fundraiser in Boston, Clinton accused Republicans of practicing "politics of personal destruction" on Whitewater.

And at her first uncontrolled "press opportunity" in Denver, Hillary Clinton targeted the media: "We lost money. Goodness knows what you would be saying if we made money."

► Trouble at Justice, 5A

Credit shift drove GM card

Consumers unknowingly
helped fuel rapid success

By Jayne O'Donnell
USA TODAY

The popular GM Card got that way partly by switching consumers from other credit cards without their knowledge.

Household Credit Services, which runs the card program for General Motors, dumped "several hundred thousand ... reasonably inactive or unprofitable" accounts from its own cards onto GM, says Household Credit CEO Joseph Saunders.

He says Household made the swaps late last year and now is "not doing any more forced conversions."

The move is legal, but embarrassing to the firms and aggravating to some consumers.

GM downplayed the conversions, saying they were a small percentage of the cardholders.

Saunders says Household's consumers got letters saying they would be switched to the GM Card unless they protested.

But many apparently discarded the notices as junk mail and were surprised when GM Card statements arrived showing a balance transferred from their previous credit cards.

"I guess some people don't read their mail very much," Saunders says.

The swaps triggered complaints to the Federal Trade Commission: "All these years we've taught consumers that they shouldn't be getting unsolicited cards — then all of a sudden millions were," says David Medine of the FTC.

GM introduced the card in September 1992, signing up 1 million users in less than a month — record time. And it continues to grow fast, claiming 9.1 million U.S. holders.

The GM Card is a MasterCard that gives discounts on GM vehicles — 5% of the amount charged on the card each year, up to \$3,500.

Saturn cars aren't included; about 140,000 vehicles have been bought using discounts.

GM Card's fast start attracted Ford, which teamed with Citibank — the USA's largest credit card issuer — last year to offer Visa or MasterCard.

Citibank gave the Ford card to many inactive Citibank customers, getting those nuisance accounts off its books, according to credit-industry analysts.

Neither Ford nor Citibank would comment.

The swapping "makes business sense, but it's not very good from a PR perspective," says Robert McKinley of credit card newsletter RAM Research. "Consumers don't like you to make their decisions."

TB here prior to Columbus

By Doug Levy
USA TODAY

People can no longer blame Columbus for bringing tuberculosis to the New World.

A 1,000-year-old mummy has given scientists hard evidence that TB existed in the Americas long before Europeans — and their diseases — arrived in 1492.

And the same genetic technique used to find TB infection in a mummy also could provide clues to origins of AIDS, malaria and other diseases, say scientists in today's *Proceedings of the National Academy of Sciences*.

DNA unique to the TB-causing bacteria was found in lung tissue taken from the woman's mummy, which was entombed in southern Peru around the year 954.

"It means that TB was present in this hemisphere before Columbus came," says Dr. Wilmar Salo, University of Minnesota, lead author of the paper.

The researchers studied TB first because they don't know exactly why the disease periodically resurges.

It had been on the decline in this century, even before effective drugs were developed, and re-emerged as a major disease during the 1980s despite those drugs, says Salo.

Without genetic evidence, scientists have only been able to speculate about when TB epidemics occurred, basing estimates on physical signs such as the presence in human remains of lesions and spinal deformities linked to the disease.

Now scientists are able to study tiny fragments of DNA using a technique called "gene amplification," or polymerase chain reaction.

The technique was developed by Kary Mullis of La Jolla, Calif., who won last year's Nobel Prize in chemistry for it.

Using the technique on other diseases would require locating and excavating ancient burial sites so that tiny amounts of tissue from numerous bodies could be studied.

"The potential is there to do it, but it is a difficult and costly undertaking," says Salo.

Slow snow melt eases flood fears

By Jack Williams
USA TODAY

Slowly melting snow continues to reduce the flood risk for areas hit hardest by the Great Flood of 1993.

"That was a once-in-a-lifetime event," says Frank Richards of the National Weather Service's flood office.

But hydrologists say other areas may not be as lucky.

Along the Minnesota-Dakota border and in the Northeast, the severe winter and deep snow has set the stage for possible flooding this spring.

In danger: parts of Pennsylvania, New York, New Jersey and New England.

"This area has tremendously large amounts of water sitting on the ground," Richards says.

And any abnormally heavy rain in the next few weeks could push streams just about anywhere east of the Rockies — including the Midwest — out of their banks, he says.

Luckily, this week's dry, cool weather is reducing the flood danger in many places by "bleeding off the snow pack in bits and pieces," Richards says.

Adding to the luck: The Weather Service's monthly forecast says the odds favor drier than normal weather in much of the Midwest.

► Mapping flood risk, 3A

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WHITEWATER

Arkansas pals find capital inhospitable

By Adam Nagourney
and Bill Nichols
USA TODAY

By title, Webster Hubbell was only the third-ranking official at the Justice Department, a world away from the White House and President Clinton's inner circle of advisers.

In fact, the associate attorney general, who quit Monday to fight complaints by his Little Rock law firm of pilfering, was more than that: presidential golfing buddy, the White House's political point-man in the Justice Department — and the person Clinton once said he most enjoys being with.

His departure at the best of times would have been a strike at the presidential psyche. In this supercharged environment, with the White House enmeshed in the Whitewater investigation, the difficulties encountered by yet another member of the Little Rock elite Clinton brought with him took on a special resonance.

"This is a sad day," said senior adviser George Stephano-

poulos as he prepared to fly last-minute to New Hampshire to assist Clinton for a meeting with citizens where this subject might well come up.

Added *Arkansas Democrat-Gazette* columnist John Brummett: "Webb is a kind of fun-loving former jock — and Clinton's a sucker for people like that."

Hubbell left in the expectation the Rose Law Firm was about to bring charges against him for overbilling clients and charging personal expenses against the law firm.

The White House argued this latest blemish had nothing to do with the White House or Whitewater. The Clintons hadn't talked to Hubbell since accusations surfaced March 1.

And when Hubbell had his friend U.S. Trade Ambassador Mickey Kantor call the White House Sunday to say Hubbell was thinking about quitting, neither Clinton nor the first lady tried to dissuade him.

No matter: The resignation is, fairly or not, guaranteed to keep the Whitewater story



FACING FIGHT IN ARKANSAS: Associate Attorney General Webster Hubbell, right, with Attorney General Janet Reno and then-deputy Phil Heymann, quit Monday.

churning. It is no help that Hubbell so much lends himself to the Southern caricature that Washington always seem to be looking for: the backslapping, slightly shifty pol who finds the big city unforgiving.

It smothered Clinton's efforts to change the subject, on Monday, to job creation. And it raises yet again the question of why Clinton's Arkansas friends who came to Washington — including Vincent Foster, the associate counsel who killed himself, and Hillary Clinton, both

Rose members — seem to have been so befuddled by Washington.

"It's all these people here who call it this town," said Paul Begala, a consultant to Clinton, in a disdainful remark about the establishment's questioning of the trouble with Arkansans: "It's just wrong to try to use the fact that Webb Hubbell had to go home and fight out a fight with his partners to cut up Arkansas."

Chief of staff Thomas McLarty, Clinton's boyhood

friend, said he had — with the death of his close friend Foster and now this — been wondering about those same questions.

"I don't think it's unfair to put it that way," he said.

"It is unfair to make more out of this than it is. Life sometimes has these kinds of occurrences that are disappointing."

Said a somber Clinton: "This is to me more of a personal deal for Webb Hubbell and his many, many friends."

▶ Hubbell resigns, 1A

Suddenly, for Reno, it's lonely at the top

By Tony Mauro
USA TODAY

The sudden departure of Webster Hubbell on Monday leaves Attorney General Janet Reno nearly alone at the top of the Justice Department.

Hubbell was the No. 2 official at the department. Reno's No. 3, Philip Heymann, resigned in January in a personality dispute.

Defense Department counsel Jamie Gorelick, named to replace Heymann, has Senate Judiciary Committee confirmation hearing Wednesday.

Top department officials are described as traumatized by the turmoil, but Reno insists the department "will go forward" nonetheless.

Reno, who arrived in the job to accolades last year, has been unable to shake problems in filling top positions — including civil rights enforcement, a job unfilled until an appointment last month.

Hubbell had two main roles: ▶ An old Arkansas friend of the Clintons, he was viewed as the White House's most trusted person in the 96,000-employee department. He won Reno's trust as well.

"The White House is going to sorely miss Webb Hubbell," says Ernest Heuter of the Na-

tional Legal Center for the Public Interest.

▶ As associate attorney general, Hubbell oversaw most non-criminal aspects of the department's functions, including enforcement of civil rights, immigration, tax, antitrust and environmental statutes.

"It's a very important position," says Boston lawyer Wayne Budd, who held the same post during the Bush administration.

"When you lose your No. 2 and 3 person in fairly rapid succession, it cuts your effectiveness to some degree."

While crime has occupied much of the department's attention, Hubbell was working on beefing up civil rights and anti-trust enforcement after the Reagan-Bush years.

He also was handling the politically thorny issue of "civil justice reform," aimed at reducing litigation and delay in the courts. Some reform measures ruffle the feathers of the legal profession.

Hubbell, one-time mayor of Little Rock and chief justice of the Arkansas Supreme Court, faced controversy when was first named to the Justice job.

When criticized for his membership in a country club that had no black members, he resigned his membership.

Antidote sought for ailing poison control centers

By Barbara Nachman
USA TODAY

They save lives. But the nation's poison control centers could use some life preservers of their own.

The telephone network of 38 certified poison control centers handle more than 2 million calls a year involving accidental poisoning, drug overdose and suicide attempts. About 70% of the accidental poisoning calls are handled on the phone by counselors. Others are referred to local hospitals.

But the centers from Washington, D.C., to Fresno, Calif., are plagued by financial cutbacks and are being forced to reduce services and even shut down. Originally most were hospital-backed but now seek funds from many sources, including tax money. Their plight is the focus of a news conference in Washington, D.C., this morning marking National Poison Prevention Week.

"We've hit the crisis mode," says Dr. Tom Kearney, director of the San Francisco Bay Area Regional Poison Control Center. "This is not a threat," he says. "It's not hypothetical. It's happening."

► The center in Washington, D.C., may close later this year.

► Unless a new sponsor is found, the center in Fresno will close in the spring of 1994.

► The Irvine, Calif., center closed in 1993, leaving 5.5 million people without services.

In 1992, the American Association of Poison Control Centers reported 2.4 million calls concerning poison exposures. More than 1 million involved children under 6. About 70% of those children were treated at home. All but 30 survived.

► Success stories, 4D

INSIDE TV / BY PETER JOHNSON

Ailes' Whitewater jokes don't amuse White House

To CNBC President Roger Ailes, his remarks last week on a New York radio show were in good fun. "A joke and a non-issue," is all he'll say on the subject (via a spokesman).

But to White House officials, the former GOP consultant's flip comments — to shock jock Don Imus about President and Hillary Rodham Clinton — warranted a call from Chief of Staff Thomas McLarty to NBC President Bob Wright.

Wright and NBC News execs were said to be concerned because Ailes' comments came at a time when all the network newsmagazines wanted a prime-time interview with the Clintons to discuss the Whitewater case.

As the newsmags are scrambling for top interviews, execs worried that even though Ailes has no role within NBC News, it could affect the chances of *Dateline NBC* and *Now*.

Ailes — who joked about the Whitewater case and the Vince Foster suicide — spoke with Wright and NBC News President Andy Lack about his remarks.

In the end, the White House opted to have Hillary Clinton talk to newsmagazines and White House counsel Lloyd Cutler make the rounds on all three network Sunday morning news shows. Ailes' comments "were said in the context of a comedy radio show," said NBC spokeswoman Mary Neagoy. "That's the way we're treating it here."



AILES: He says his radio remarks are 'a non-issue.'

PETE & TOM, PRIMOS: ABC's Peter Jennings and NBC's Tom Brokaw are in a dead heat as the nation's most popular news anchors, a new Harris Poll of 1,252 adults shows. Jennings slipped from last year but Brokaw has climbed. CBS' Dan Rather is third, but is positioned to challenge if either slips. In 1992 and 1993 polls, Jennings was the most popular — 11 points ahead of his nearest rival in '92 and 8 points ahead in '93. In those years, Brokaw and Rather were in a virtual tie for second. Now, 30% prefer Jennings, 29% Brokaw and 24% Rather. CNN's Bernard Shaw has slipped slightly. Only 10% prefer him, compared with 13% in '92 and 12% in '93. The poll has as margin of error of plus or minus 3 percentage points.

IRONY DEPT.: CNN's Peter Arnett, long on record as opposing any muzzling of the press by the military, found that his speech at a conference on media-military relations was closed to the media. An official at the Naval War College in Newport, R.I., said the ban was imposed so that lecturers could speak more freely. Arnett, who spoke there last week, gave a copy of his March 10 speech to a reporter for the *Newport Daily News*. Said Arnett: "In a world where information is proliferating and eagerly dispensed and sought, it seems to me pathetic that United States military authorities sometimes are so hostile to the press."

BRIEFLY: Nancy Kerrigan's appearance gave NBC's *Saturday Night Live* its highest overnight ratings in six years, with 30% of viewers tuning in. ... CBS says David Letterman's *Late Show* will have 83% live clearance, airing immediately after the late local news, by April, up from 67% when *Late* premiered last fall. ... Meanwhile, comedian Rosie O'Donnell says Fox offered her Chevy Chase's late-night slot, Buena Vista wanted her for a syndicated talker and NBC talked to her about taking over for Bob Costas. O'Donnell tells *Glamour* the one show she would've taken — but was never offered — was Letterman's old gig, NBC's *Late Night*. ... Finally, we move from *Glamour* to *Allure*, where Katie Couric says she still shops the outlets "but I don't go to Loehmann's as much. They have communal dressing rooms and now that I'm recognized I'd just as soon not be checked out in my underwear."

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Hubbell resigns post, cites 'distractions'

His Rose Law Firm billing remains under investigation

By Jerry Seper
and Michael Hedges
THE WASHINGTON TIMES

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HUBBELL

From page A1

Associate Attorney General Webster L. Hubbell, under fire over his billing practices while a partner at Little Rock's Rose Law Firm, yesterday became the second key Clinton administration official to fall as a result of the ongoing Whitewater-Madison investigation.

Mr. Hubbell's resignation, effective "as soon as possible," was announced yesterday by Attorney General Janet Reno.

In recent days, pressure had been building on Mr. Hubbell — whose Rose partners included first lady Hillary Rodham Clinton and former White House Deputy Counsel Vincent W. Foster Jr. — over his suspected overbilling of Rose clients, including the federal government.

"There are no words capable of fully conveying to you my deep respect and admiration for Webb Hubbell or how sad this event makes me," Miss Reno said. "I can say unequivocally that Webb Hubbell gave fully of himself to make America a better place."

Mr. Hubbell, in a statement, said he decided over the weekend that his continued service in the Justice Department's No. 3 post would not be effective because the "distractions on me at this time" would interfere with "my service to the country and the president's agenda."

"It is with deep regret that I have seen private issues between me and my family and my former law firm elevated to public speculation," he said.

Nine days ago, White House Counsel Bernard W. Nussbaum also resigned after it was learned he had attended secret meetings between government regulators looking into the Whitewater-Madison affair and White House officials.

President Clinton said yesterday that Mr. Hubbell did the right thing in resigning and then said four times: "I hope it was the right decision."

Speaking to reporters at Boston's Logan Airport as he arrived for a political rally, Mr. Clinton said, "I just think we have to take him at his word, give him a chance to deal with this and see what happens."

"I have no knowledge of the facts, but based on my knowledge I find [any wrongdoing] hard to believe," he said. "He's one of the most widely esteemed people that I've ever known."

Mr. Clinton, who called Mr. Hubbell from a ferry in Boston Harbor

see HUBBELL, page A9

in what administration sources said was an effort to "buck him up," said his longtime friend "wants to go home and defend himself and work through this thing."

Accusations against Mr. Hubbell for overbilling magnified last Wednesday when investigators from two federal regulatory agencies went to the Rose firm for an "entrance meeting" to set up procedures for a review of bills signed by Mr. Hubbell in a case involving Madison Guaranty Savings and Loan Association, officials said.

The investigators, from the Resolution Trust Corp. (RTC) and the Federal Deposit Insurance Corp. (FDIC), were to begin analyzing the bills in the next few days, the officials said. The investigators already had received one specific accusation of a \$30,000 double billing involving Mr. Hubbell.

"We have heard about the double billing, including that \$30,000 allegation, and we are following that up in our audit," said one federal regulator. Overall, several hundred thousand dollars worth of bills signed by Mr. Hubbell were to be scrutinized by regulators.

A review by The Washington Times of some of Mr. Hubbell's government bills in a case involving Madison shows that on at least two occasions he charged the government for a full day's work at \$125 an hour while he actually was playing golf at the Little Rock Country Club.

According to at least one accusation federal regulators are probing, Mr. Hubbell — as the lead attorney — submitted a bill in the Madison-related case for \$2,400. The firm later included the same \$2,400 as part of a larger \$27,000 bill to the government. That \$27,000 was resubmitted in yet another bill for \$80,000, covering an extended period.

Beginning in 1989, Mr. Hubbell handled the court case for the FDIC against Madison's Little Rock auditors, Frost & Co., in which the government settled for much less than it sought and less than the firm's insured coverage. The suit said the Frost audit of Madison was bogus. In 1985, Hillary Rodham Clinton and the Rose firm represented Madison in efforts to block its closure by Arkansas bank regulators who were under the dominion of Gov. Clinton, using the Frost audit to justify keeping the S&L open.

Records released by federal regulators earlier this year show Mr. Hubbell signed all the Rose bills sent to the government on the Madison-Frost case. The firm was paid \$400,000 to represent the FDIC.

Sen. Alfonse M. D'Amato, New York Republican, said yesterday that Mr. Hubbell's resignation was necessary.

"All these FOBs, as the press calls them, came here from Little Rock; what they have really brought is a cloud over the White House. ... The smelly aroma of Little Rock has now clouded the Justice Department and has certainly tainted it, and has brought real problems to the credibility of the White House as well," said Mr. D'Amato, who has called for Senate hearings in the Whitewater-Madison affair.

House Minority Whip Newt Gingrich, Georgia Republican, said yesterday that the Hubbell resignation underscores the need for congressional hearings into Whitewater-Madison.

Madison, owned by James B. McDougal, was seized by federal regulators in 1989 at a cost to taxpayers of \$50 million. Mr. McDougal and his then-wife, Susan, were partners with the Clintons in Whitewater Development Corp., a north Arkansas real estate venture.

Special counsel Robert B. Fiske Jr. is looking into suspected financial irregularities involving both Madison and Whitewater, including the diversion of funds by Mr. McDougal to Mr. Clinton's 1984 gubernatorial campaign.

Mr. Fiske's 115 subpoenas include one seeking material on Mr. Hubbell's father-in-law, Seth Ward, who borrowed \$587,000 from Madison and was an officer of a Madison subsidiary, Madison Financial Corp.

Mr. Ward's name also has surfaced in an internal audit of Mr. Hubbell's billing by Rose partners, disclosed last week by The Times and the Minneapolis-St. Paul Star Tribune.

The Wall Street Journal reported yesterday that the partners had questioned \$1 million in expenses and unbilled time charges and had additional concerns about Mr. Hubbell's personal expenses. The Journal said the partners were upset about Mr. Hubbell's representation of P.O.M. Inc., a parking-meter firm in Russellville, Ark., established by Mr. Ward — with the help of a \$2.75 million tax-exempt bond approved by Gov. Clinton.

P.O.M. Inc., now run by Mr. Ward's son, Seth Ward II, was included in the Fiske subpoenas.

The Rose firm's internal audit, which Mr. Hubbell described in his statement as "disputes over compensation and reimbursement matters," began after some partners suggested he had failed to document hundreds of thousands of dollars in expenses billed to clients.

A source at the firm told The Times last week that several partners believe Mr. Hubbell has "stonewalled" them in their efforts to get information on his billings, and about his involvement in the 1989 FDIC lawsuit.

Frustration over the matter built to the point that the partners have talked with Houston lawyer Walter Stuart IV to discuss the possibility of filing an ethics complaint against Mr. Hubbell with the Arkansas Supreme Court's Committee on Professional Conduct.

The most dissatisfied group remains Mr. Hubbell's former partners, who paid him more than \$100,000 when he cashed in his interest in the firm before coming to Washington in late 1992, then discovered the extent of the billing problems.

Mr. Hubbell has denied any wrongdoing in connection with overbilling accusations. If found to have billed clients or his firm for personal expenses, he would face consequences ranging from professional sanctions to criminal fraud prosecution.

HUBBELL AT JUSTICE

A chronology of Webster L. Hubbell's troubles as associate attorney general.

February 1993: While serving a temporary 120-day appointment with no title at the Justice Department, Hubbell is accused of intervening in the retrial of Rep. Harold E. Ford, Tennessee Democrat, reversing the department's position on a jury-selection issue.

April 1: Attorney General Janet Reno announces the selection of Hubbell as associate attorney general, calling him "one of the great men in America."

April 19: On the day of the government's tear-gas assault on the Branch Davidian compound near Waco, Texas, Reno says that Hubbell, and not she, was in communication with President Clinton about the assault.

May 18: Hubbell tells the Senate Judiciary Committee that he resigned his membership from the exclusive Country Club of Little Rock because it allowed only one black member to join during his 15-year membership.

May 18: The Washington Times reports that over a 90-day period in 1983, Hubbell made a \$3,500 profit from a \$9,100 investment in the stock of Arkansas-Louisiana Gas Co., a firm whose executive vice president was Thomas F. "Mack" McLarty, now the White House chief of staff.

Sept. 29: The Washington Times reports that Hubbell helped engineer a nursing home deal that Iowa authorities criticized as a profiteering scheme.

Nov. 10: Hubbell recuses himself and his staff from the Justice Department's Whitewater investigation. Hubbell's father-in-law, Seth Ward, was an executive at a Madison real estate subsidiary, and defaulted on two Madison loans, totaling \$587,793. In 1989, Hubbell served as the Rose Law Firm's lead attorney representing the Federal Deposit Insurance Corp. in a suit against the accounting firm Frost & Co. Frost had prepared the audit of Madison Guaranty used by Rose lawyers four years earlier in successfully arguing the case for Madison's continued operations.

March 2, 1994: The Washington Post reports that the Rose Law Firm has been investigating whether Hubbell overbilled clients and then used the money for personal expenses. Hubbell confirmed that his former partners questioned him about his billing practices, but he denied ever overbilling any clients.

March 5: The Washington Times reports that Hubbell billed taxpayers more than \$20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period in August 1990, despite his contention that he had only "indirect" involvement in the case.

March 11: The Washington Times reports that Hubbell's former partners at the Rose Law Firm are considering filing ethics charges against him after an internal probe found that he failed to document hundreds of thousands of dollars in expenses billed to clients.

The Washington Times

The Washington Times TUESDAY, MARCH 15, 1994

Letters note no end to friendship

THE WASHINGTON TIMES

Text of Associate Attorney General Webster L. Hubbell's letter of resignation to President Clinton, dated yesterday:

"For over a year, I have had the privilege of serving you, the Attorney General, and the nation at the Department of Justice. I am deeply grateful and honored for this opportunity to serve as the Associate Attorney General of the United States. I have tried to serve with honor and distinction and to follow your lead in trying to make a difference in the every day lives of the American people.

"As a public servant, I owe it to you and to the American people to evaluate constantly whether my continued service can be as effective as you would expect of me, whether it furthers or distracts from your agenda, and what effect being in the public eye is having on my family and colleagues. Over the past weekend I have undertaken such an evaluation, and I have decided to submit my resignation as Associate Attorney General. My resignation shall be effective as soon as possible, allowing the Attorney General the time to effect a smooth transition at the Justice Department.

"I am proud of the reputation I have established over the past 20 years as a private lawyer, Arkansas Supreme Court Justice, public official, and private citizen. Unfortunately, because of public speculation about me and my former law firm, I will have to spend a significant amount of my personal time on an internal matter with my former partners. I am confident of the outcome.

"I will leave the Department of Justice with great admiration for the attorney general, high regard for the professionalism and dedication of its employees, and with great pride in the Department's accomplishments during the past year.

"Public service has always been one of the greatest joys of my professional life. It is my sincere hope and belief that by devoting sufficient time and energy now to my family and other private issues, I will reenter public service in the future. Thank you for allowing me such a wonderful opportunity and, most of all, thank you for your friendship."

Text of President Clinton's letter, dated yesterday, accepting the resignation of Associate Attorney General Webster L. Hubbell:

"It is with profound sadness and regret that I accept your resignation as Associate Attorney General.

"I know better than anyone the spirit of citizenship and devotion to the law that inspired you to join our Administration and to take part, as Holmes said, in the actions and passions of our time. In the last year, these values came shining through as you worked for civil justice reform and immigration enforcement, fought to end discrimination in public housing, and to protect the civil and voting rights of all Americans.

"In these tasks you affirmed our commitment to justice, always with keen judgment and good humor, especially at vital times of challenge for the Department. The Attorney General and I will miss the service and advice you gave us. And I know your accomplishments in office will outlast any interest in the private matters that have arisen from your prior law practice and that motivated the difficult decision you announced today.

"Like you, I hope that you will return one day to public service. I remain, as always, grateful for your long and lasting friendship."

Whitewater issue won't wash away

By Paul Bedard
THE WASHINGTON TIMES

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The White House is desperately trying to keep its focus on President Clinton's domestic policy agenda, but top aides conceded yesterday that they are losing out to the growing Whitewater-Madison affair.

"Everybody has been consumed

by it," said a senior administration official. "Whitewater has been a distraction to those who work in this building."

NEWS ANALYSIS

"There's a recognition Whitewater is going to be a continued problem," said senior Clinton counselor David Gergen. That concern gathered momen-

tum yesterday with the surprising and embarrassing resignation of Associate Attorney General Webster L. Hubbell — President Clinton's golfing pal and close adviser and a former partner of Hillary Rodham Clinton's in Little Rock's Rose Law Firm.

The Clintons took to the road yesterday — Mr. Clinton to an international jobs summit in Detroit

and Mrs. Clinton to Colorado to tout the Clinton health care reform plan — but they were confronted with more questions about Whitewater-Madison and the Hubbell casualty.

The resignation knocked Mr. Clinton's summit off the front page and again trained the media spot-

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ISSUE

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light on Mrs. Clinton and her Rose colleagues just a day after White House officials thought they had turned the corner in fighting Whitewater-Madison reports.

Mr. Hubbell's resignation came amid a flurry of reports about his representation of the federal government in a lawsuit against Arkansas' failed Madison Guaranty Savings and Loan Association and overbilling of clients. Madison's owner was a partner of the Clintons' in Whitewater Development Corp.

The Hubbell resignation, coming nine days after the resignation of White House Counsel Bernard Nussbaum, "splatters mud on us" and "feeds the suspicion" that the White House is involved in wrong-

doing in the Whitewater-Madison affair, a senior administration official said. Mr. Hubbell, who had been at Justice for more than a year, was considered Mrs. Clinton's department watchdog.

The resignation also fueled Republican attacks on the Clinton White House and calls for congressional hearings into Whitewater-Madison, which have thus far been blocked by Democrats in the House and Senate.

"All the resignations in the world will not lift the dark specter that has settled over the Clinton presidency," said Sen. Lauch Faircloth, North Carolina Republican.

The political hemorrhaging of the Whitewater-Madison affair has left Mr. Clinton's top aides questioning their handling of the growing controversy and considering changes.

"There has been a level of na-

ivete and a lack of experience here that we're trying to fix," a senior Clinton administration official said.

Mr. Gergen said in a telephone interview that no staff changes are planned, but another official said "it's too early to tell what changes are in store."

Other sources said that Mrs. Clinton's power in the West Wing was being diluted because of the focus on her part in the Whitewater-Madison affair. In addition, senior Clinton advisers believe she has hurt the president with her stubbornness in resisting calls for a Whitewater-Madison special counsel, compounded by her close relationships to Mr. Nussbaum and Mr. Hubbell.

Added to those problems is the July death of White House Deputy Counsel Vincent W. Foster Jr., another Rose partner and the Clin-

tons' personal attorney, who authorities said committed suicide. White House officials, led by Mr. Nussbaum, removed Whitewater files from Mr. Foster's office shortly after his death.

Administration officials said yesterday it has become clear that the Little Rock "mafia" closely associated with the first lady has exploded, leaving her somewhat isolated.

Her remaining Rose ally, White House Associate Counsel William Kennedy III, has been under fire for months and has seen his influence dry up as a result, according to the officials.

But sources close to Mrs. Clinton disputed reports that the first lady was seeing her role lessened. They noted that she has led the latest effort to explain the Clinton's involvement in Whitewater-Madison.

Mr. Gergen, a former aide to President Reagan, said the White House staff "is rallying around" the Clintons.

He rejected any description that the White House was reeling from Whitewater-Madison. "Reeling is panic, and that's not what I sense here," he said.

To overcome the Whitewater-Madison hurdle, Mr. Clinton has told aides in senior staff meetings to ignore the burgeoning controversy and push his programs to reform health care and welfare.

During an East Room rally last week announcing Lloyd Cutler as Mr. Nussbaum's replacement, Mr. Clinton told White House staffers that he did not want them to become discouraged or divert attention from the agenda.

"I'm not going to do anything to screw up this job," a senior administration official recalled the pres-

ident telling his aides.

Mr. Clinton has taken steps to keep to his agenda. Before leaving for the Detroit jobs summit Sunday, for example, he invited Uruguay's president into the Oval Office for a meeting that delayed his departure to Andrews Air Force base 30 minutes.

"He's told us not to get too preoccupied with what's going on in the press," said a national security aide.

Mr. Gergen said that the latest efforts in the White House to deal with the Whitewater-Madison crisis shows "we've turned the page in how we're handling Whitewater."

But other aides said it is unlikely they can stem the daily barrage of Whitewater-Madison news reports and politically charged attacks.

Hubbell Resigns At Justice Dept. in Law Firm Dispute

By Michael Isikoff
Washington Post Staff Writer

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Associate Attorney General Webster L. Hubbell abruptly resigned yesterday after he was unable to resolve disputes with his former partners at the Rose Law Firm in Little Rock, Ark., over allegations he overbilled clients and charged the firm for hundreds of thousands of dollars in improper expenses.

The resignation of Hubbell, 46, a close friend and frequent golfing partner of President Clinton and a former law partner of Hillary Rodham Clinton, stunned officials at the Justice Department where the former Little Rock mayor had been a preeminent figure and, according to officials there, a major stabilizing force.

Hubbell, who said the Rose firm billing dispute would become a distraction from his public duties, is the third high-ranking administration lawyer to resign in recent weeks. White House counsel Bernard Nussbaum departed after bringing heavy criticism on the White House with his handling of the Whitewater affair and the suicide of his one-time deputy, Vincent Foster, also a former Rose firm partner. Last month, Deputy Attorney General Philip B. Heymann resigned, citing bad "chemistry" with Attorney General Janet Reno.

Foster and Nussbaum were particularly close to the Clintons as well, and the controversies surrounding all three men have been especially painful for the president and Hillary Rodham Clinton. The First Lady said yesterday she was "personally deeply saddened for Webb and his family." The president, according to a senior administration official, spoke briefly with Hubbell and tried to "buck him up." Clinton earlier told reporters that Hubbell made "the right decision."

Knowledgeable sources said Hubbell, the Justice Department's No. 3 official, reached his decision after learning that the Rose firm partners were planning to discuss at a regular monthly meeting yesterday whether to file a complaint against him with the Arkansas Bar Association and a lawsuit seeking compensation for the disputed expenses and billings.

The results of that meeting were unclear, but among the issues in dispute, sources said, were allegations that Hubbell overcharged a federal agency, the Resolution Trust Corp., and improperly charged the firm for more than \$500,000 in litigation expenses relating to an unsuccessful contingency fee lawsuit he filed on behalf of a firm headed by his father in law, Seth Ward.

"It is with deep regret that I have seen private issues between me and my family and former law firm elevated to public speculation," Hubbell said in his statement. "From time to time law firms and departing part-

ners have lingering discussions and even disputes over compensation and reimbursement matters; the Rose Law Firm and I are having such discussions now. I am confident that at the conclusion of these discussions all outstanding matters will be resolved satisfactorily."

Hubbell and his lawyer, John Nields, sought to negotiate a resolution with the Rose firm over the weekend, but were jolted when they found the Rose partners refusing to budge, according to knowledgeable sources. Fearing that the dispute, which was made public in The Washington Post March 2, would quickly escalate and embarrass the administration, Hubbell alerted special trade representative Mickey Kantor on Sunday that he might step down.

After hearing reports from Nields on his talks with the Rose partners, Hubbell concluded "it was going to be virtually impossible to resolve this while he was still in the public eye," said one source close to Hubbell. "He found it hard to believe that John [Nields] was not able to get this thing over with. There was this sense that there was something going on in Little Rock that he couldn't control."

After The Post story, Hubbell assured senior White House officials and Reno that the law firm dispute was relatively minor and that he had done nothing wrong. Those assurances were accepted without question and yesterday, top administration officials rallied to praise Hubbell.

Reno called Hubbell a "tireless crusader for doing the right thing," and said she was confident he had done nothing wrong.

Initially viewed largely as a crony of the president's, Hubbell was involved in a series of controversies at the Justice Department last year and was repeatedly accused by Republicans of injecting politics into such decisions as the mass dismissal of U.S. attorneys last March. But since being confirmed last spring as associate attorney general, Hubbell was widely seen as a stabilizing influence in a department experiencing consid-

erable upheaval. Hubbell had almost singlehandedly managed large portions of Justice, developing a close working relationship with Reno and emerging as the principal source of contact with the White House on major policy issues ranging from the crime bill to immigration reform.

Within the Justice Department, "the reliance [on Hubbell] was close to complete for everything that involved the White House," said Heymann. Although Heymann had previously complained about some aspects of Hubbell's role, he said yesterday his former colleague was an "honorable man" and that his resignation "will leave a big hole in the Department of Justice."

Hubbell appeared at the Justice Department auditorium yesterday and said it had been a "great honor" to serve at Justice. He received an emotional and prolonged standing ovation from largely career lawyers. Many of the lawyers were "angry and bitter" over "whatever it is in this town that is forcing him to leave," said one official close to Hubbell.

But Republicans were less charitable. Sen. Alfonse M. D'Amato (R-N.Y.), a leading critic of the administration handling of Whitewater, called the president's friend "a political hack" and said of his departure: "good riddance . . . He has certainly tainted the Justice Department. The stench that started in Little Rock has made its presence felt here."

At first, the Rose firm's inquiry focused on Hubbell's role in handling a complex patent infringement case on behalf of P.O.M. Inc., a parking meter manufacturer owned by his in-laws, on a contingency fee basis. Hubbell ran up several hundred thousand dollars in travel and other expenses. But after the firm was allegedly assured that Hubbell's in-laws would take care of the expenses, Rose partners were upset to later learn that was not the case and that they were being stuck with other unpaid bills for patent lawyer and expert witnesses Hubbell had hired to assist in the case.

The firm later began looking into other Hubbell billing arrangements and found instances that it believed showed their former partner had overbilled other clients and spent law firm money to pay for personal expenses—allegations that Hubbell has denied.

WEBSTER L. HUBBELL

1973: Receives law degree from University of Arkansas; joins Rose Law Firm.

1979-1981: Mayor of Little Rock.

1984: Chief justice of Arkansas Supreme Court for four months, appointed by then-Gov. Bill Clinton.

1985: Rose Law Firm (including partner Hillary Rodham Clinton) represents Madison Guaranty Savings & Loan seeking state regulatory approval for plans to raise new capital, using Frost & Co. audits to make case.

1989: Madison fails at estimated \$60 million cost to taxpayers. Rose firm (with Hubbell as lead attorney) hired by RTC to seek damages from Frost & Co. relating to audits. RTC staff raises questions of possible conflict of interest.

1993: May 28—Sworn in as assistant attorney general. Nov. 3—Recuses himself from Whitewater investigation.

1994: March 2—The Washington Post reports Rose Law Firm probe of Hubbell client billing and expenses. Yesterday—Hubbell resigns.



—Compiled by Margot Williams

The Washington Post

TUESDAY, MARCH 15, 1994 WASHINGTON POST

Clinton Angrily Denounces Republicans

Party Is 'Committed to Politics of Personal Destruction,' President Says

By Ruth Marcus
Washington Post Staff Writer

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BOSTON, March 14—President Clinton lashed out tonight at his Republican critics, assailing them as members of a party "committed to a politics of personal destruction" who would "rather take off after" First Lady Hillary Rodham Clinton than come up with a health plan of their own.

Clinton's outburst came at a \$1,000-a-plate Democratic Party fund-raiser here that ended a day in which the president tried to talk about creating jobs but again found his message drowned out by another problem in his administration—this time the

resignation of one of his closest friends, Webster L. Hubbell, as associate attorney general. Hubbell said he left because of his inability to resolve a dispute with former law partners over allegations he overbilled clients and was reimbursed for improper expenses.

Clinton started tonight's speech sounding subdued and almost depressed, but frustration and anger quickly flashed through. The country is facing "profound problems" that "beg for debate," he told the audience of 900.

"Why, then, are we confronted in this administration with an opposition party that just stands up and says,

'No, No, No, No, No, No, No, No, No, No,' " Clinton asked, his voice rising and his fist pounding the lectern with increasing power with each of the nine "No's."

Clinton said there had been some cooperation from Republicans on issues like crime and for a while on health care. But he then said, "This overriding, negative, intensely personal, devoid-of-principle attack is not good for the country. It is inconsistent with the tradition of Abraham Lincoln and Theodore Roosevelt."

Clinton contrasted this Republican partisanship with what he said was the

See PRESIDENT, A8, Col. 1

PRESIDENT, From A1

cooperative stance he had maintained with his Republican predecessors.

"When I was a Democratic governor and they had the White House I constantly sought them out, engaged them in debate, offered to work with them on issues from education to welfare reform to you name it," Clinton said, slashing his hand through the air. "I never did them the way they are doing us in Washington, D.C. It is wrong and it is not good for the United States of America."

Clinton's temper is renowned among those who work for him, and it occasionally surfaces in public. During the campaign, for example, he was captured on camera assailing the Rev. Jesse Jackson for a "back-stabbing thing to do" when he believed, incorrectly as it turned out, that Jackson had endorsed his primary opponent, Sen. Tom Harkin (D-Iowa).

The appearance of his temper tonight followed weeks of news reports about his Whitewater real estate investment and related matters, and Republican demands, first for a special counsel to investigate Whitewater issues and now for congressional hearings. Six senior White House officials have been subpoenaed by special counsel Robert B. Fiske Jr., and Hillary Clinton has come under increasing scrutiny over her role, both as a lawyer in Arkansas and as a political power at the White House.

The frustration that Clinton expressed was evident among his fellow Democrats here last night as well. Sen. John F. Kerry (D-Mass.), declaring himself "amused" by the Republicans' choice of Sen. Alfonse M. D'Aмато (R-N.Y.) as their "spokesman on ethics," added, "I guess Bob Packwood was busy," a reference to the Oregon Republican who finds himself facing an ethics committee inquiry into charges of sexually harassing aides and others.

TUESDAY, MARCH 15, 1994 WASHINGTON POST

FINAL

Hillary Clinton Steps Back From \$69,000 Figure

First Lady Says Couple Lost
'Bunch of Money' on Whitewater

By Dan Balz
Washington Post Staff Writer

DENVER, March 14—First Lady Hillary Rodham Clinton today appeared to back away from previous assertions that she and President Clinton lost \$69,000 on their investment in the Whitewater land development company, but insisted they "lost a bunch of money" and maintained they have consistently told the truth about the matter.

On a one-day visit to Colorado to promote the administration's health care reform plan, the First Lady once again acknowledged that she has mishandled the issue.

"I have tried to be as understanding as I can about the concerns and questions of the press," she said during a brief news conference, "and I've admitted that I made mistakes in how I have perceived this and handled it."

But she asserted: "When this is over it's going to

Madison Guaranty Savings & Loan, which was owned by the Clintons' business partner.

Throughout her visit, which included speeches at the University of Colorado in Boulder and to a health care reform conference, she was greeted by enthusiastic crowds, who appeared to have little interest in the issue that has dominated the news in Washington recently.

She said the public never asks her about Whitewater and predicted that the growing political warfare over Whitewater would not hamper the administration's efforts to pass health care reform in Congress.

"The overwhelming majority of Americans want health care reform and they want it now," she said.

Asked today whether she stands by a report prepared for the campaign in 1992 that said she and the president lost \$69,000 on Whitewater, she said, "We know we lost money and lost a bunch of money for us. We're trying to get exact figures and will be giving information we come across . . . to the special counsel. That's what we believe our primary obligation is, and that's what we're doing."

Over the weekend, there were reports that the Clintons may have additional tax liabilities because of certain deductions they claimed. Asked to explain why they might owe more taxes on a losing investment, she said, "You're just going to have to wait along with everybody else as we work this through with the special counsel and try to figure out what we are obligated to give him and what kinds of questions we have to answer in that process."

At her appearances, she was given something of a hero's welcome by cheering students and health care professionals. Ren. Patricia Schroeder (D-Colo.) in Jesse Jackson for a "back-stabbing thing to do" when he believed, incorrectly as it turned out, that Jackson had endorsed his primary opponent, Sen. Tom Harkin (D-Iowa).

The appearance of his former foe, and defended her as someone who "only wanted power to help somebody, not to be somebody."

She said Hillary Clinton has "a heart the size of a washtub," compared to most others in Washington who have one "the size of a swollen pea."

Clinton's trip here today marked her first outing since White House aides were subpoenaed by special counsel Robert B. Fiske Jr. and came amid growing questions about her role in the Whitewater development firm and in her representation of the failed

Environment Unit Impropriety Rejected

By Jim McGee
Washington Post Staff Writer

A nine-month internal review at the Justice Department has rejected charges made by the Clinton-Gore campaign in 1992 that the Bush administration had undermined prosecutions against alleged environmental polluters. But the inquiry concluded that "pervasive distrust" among prosecutors has become so severe that senior managers should step in.

Prosecutors and their supervisors in the department's environmental crimes program "suffered from a frequent absence of teamwork and mutual respect . . . which has led to accusations that prosecution decisions [by supervisors] have been made on an improper basis," said the 325-page report released yesterday.

The report was prepared by four career government attorneys who were asked to provide an independent review of a number of allegations, including specific claims that six major environmental cases in the 1980s had been undermined by decisions in Washington.

The inquiry determined that both general and specific "accusations are unfounded and that they arise primarily from innuendo and unsubstantiated suspicions," said the report. "We have found no evidence substantiating the allegations that Justice Department officials or employees relied on improper criteria in prosecuting or declining to prosecute environmental cases."

Charges that Bush appointees at Justice had interfered in environmental prosecutions first arose in 1992.

oversight and investigations that September, the department was accused of "failure to pursue aggressively a number of significant environmental cases."

In October 1992, the Clinton-Gore campaign charged the Bush administration with "letting criminals off the hook after they pollute our air and our water and our land . . . [and] letting politics get in the way of prosecutions, protecting their rich corporate friends."

Asked about the controversy a year ago at her confirmation hearing, Attorney General Janet Reno said she was looking forward to building an effective environmental crimes unit. Last week, Reno said she had not yet made any changes in the unit pending completion of the internal inquiry.

The report released yesterday was sharply critical of an ongoing investigation by the House subcommittee.

"Our review reveals that the suggestions of incompetence, improper motivation and wrongdoing are baseless," it said. "The subcommittee relied on dubious sources and incomplete analyses to question the ability and integrity of career attorneys who made entirely appropriate prosecutive decisions."

Within hours of the report's release, the House subcommittee, led by Chairman John D. Dingell (D-Mich.), criticized the report.

"It should come as no surprise to anyone familiar with bureaucratic behavior that an internal agency review—in this case, conducted by the Justice Department—found little wrong within the agency," said the statement. " . . . The subcommittee's

view will be addressed at the appropriate time."

Last Friday, the subcommittee subpoenaed various Justice documents relating to the six cases and internal department documents related to the congressional inquiry.

Although the department's review largely vindicated the professional judgments of Environmental Crimes Section chief Neil S. Cartusciello and other supervisory officials whose decisions were challenged in six cases, it called upon senior managers to intervene in what it portrayed as an untenable situation.

"The Justice Department and the Environmental Division should use the managerial authority at its disposal to bring the current dispute between ECS management and the objecting attorneys to a prompt close," said the report. Noting that the "objecting attorneys" represent the "minority view" in the unit, the report said "their transfer appears more likely to resolve the current discord . . ."

The report urged senior Justice officials to more precisely define the mission of ECS, and to take a more active role in setting national policy for environmental prosecutions.

It also noted a lack of trust between ECS and the Environmental Protection Agency, some of whose investigators originated charges of politicization of environmental cases at Justice.

"The most important challenge, however, is to overcome the existing distrust that is reflected in the Sub-

History in the Remaking

The reason the White House is in such trouble over Whitewater is that no one working there has ever heard of Watergate.

I discovered this when I was sitting in a laundromat with an administrative aide from President Clinton's office. He had just been subpoenaed to appear before the special prosecutor for Whitewater to answer questions about apparent White House interference in the case.

"I don't understand it," he said. "Why are they upset because we wanted to know what was going on in an insignificant S&L land development? If the president is involved, it's our job to put out the fire."

"Perhaps the media was afraid of another Watergate," I suggested.

"What is a Watergate?" he asked.

"It was a major scandal involving President Nixon and his aides—many of whom went to jail."

"That was before my time," he said.

"That's impossible. Everyone in the country remembers Watergate. Don't the names Haldeman, Ehrlichman, Colson and Liddy mean anything to you?"

He shook his head. "They don't ring a bell. I was playing in the sandbox back then."

I could see he was serious.

"You know who President Nixon was, don't you?"

"Yeah. We learned about him in American history."

"Well, his people broke into the Democratic Party offices in the Watergate building and were caught. It wasn't the crime itself but the coverup that caused such a furor. All the forces of the White House were put into play to protect the president. It was a failed effort, however, because in the end Nixon lost everything."

"What has Watergate got to do with me?"

"Nothing, except the perception is that this White House staff is doing the same thing. There are reports that you are all shredding papers, hindering the investigation and hiding evidence. You people have learned nothing from Watergate."

"How could we? We were too young to know that the Justice Department didn't belong to us."

"Listen, Haldeman and Ehrlichman went to jail so that future White House staff members would know right from wrong. Don't you realize that interfering in the country's legal system can give a president heartburn?"

"But if we do have something to hide it doesn't make sense to let it leak out to the press," he said. "Whitewater could affect Clinton's reelection, and if the staff doesn't sweep it under the rug—who will?"

I told him, "That's what the Watergate people said. They refused to acknowledge that they had lost their moral compass. All I'm trying to do is save you from going to a minimum security prison like Allenwood where they have nice tennis courts."

"Okay, so you've warned me, but that doesn't mean I believe every word of what you say."

"What don't you believe?"

"That part about an American president being driven from office over a third-rate burglary at the Watergate—I don't know anybody in the White House who would be that stupid."

THE FEDERAL DIARY

Full Raises Appear Likely

By Mike Causey
Washington Post Staff Writer

Despite efforts to force-feed "diet COLAs" to the area's 150,000 federal and military retirees, it appears they will be getting the full 2.6 percent cost-of-living raises due them in their April checks.

House and Senate budget cutters voted last year to delay the 1994 civilian and military retiree COLA, which was due in January, until April. That three-month delay will be in effect for the next two years for the 3 million civilian federal retirees.

Military retirees will get their COLAs in April. But from 1995 through 1998, their raises will be delayed until October, unless groups representing retired officers and enlisted personnel can get Congress to put them back on the civilian payout schedule. That won't be easy.

Congress did not tamper with the COLA due date for people getting Social Security benefits for two reasons: 1) The average Social Security benefit is much smaller than the average civil service benefit. 2) More important, 1 of 6 Americans gets a Social Security check. Tampering with the benefits of that many people would be the equivalent of suicide for most politicians.

Early this year, several attempts were made to trim the federal-military COLA to 1.3 percent. There was another effort to skip two of the next five COLAs. Another plan, which is alive but apparently dormant, is the amendment proposed by Sens. Bob Kerrey (D-Neb.) and Hank Brown (R-Colo.). One feature of the Kerrey-Brown amendment would have trimmed the 1994 COLA to 1.3 percent, but that has been tabled.

Timing is important for a couple of reasons: Many retirees who pay taxes quarterly are trying to estimate their liability for the 1994 year. Obviously, any increase they get—or don't—is an important

factor in the calculations. Also, the Treasury Department, which already has programmed its check-printing computers for the higher amount, needs to know very soon if that is going to be changed. Officials of the National Association of Retired Federal Employees say it looks good for the 2.6 percent raise, because the Kerrey-Brown amendment is on hold. But at congressional budget hearings last week, NARFE President Charles W. Carter said that any time Congress appears to be quiet, "federal retirees get nervous, for good reason."

Union Shop?

More government employees (34 percent) belong to unions than do their counterparts in the private sector, where only 11 percent of the work force is unionized. Data from the Bureau of Labor Statistics for 1993 show that 7 million state, local and federal government workers belong to unions, compared with 9.6 million union members in the private sector. Most of the union members in the federal service are in the U.S. Postal Service and the Tennessee Valley Authority.

Buyout Update, Day 142

Senate-House conferees may meet today to work on a compromise buyout bill. Both bills call for paying selected workers up to \$25,000 to quit or retire.

The Senate bill applies money from cutting 252,000 federal jobs to the proposed Violent Crime Reduction Trust Fund. The Congressional Black Caucus doesn't want that considered as part of a buyout plan. Three members of the caucus are on the conference committee.

The House has instructed its conferees to accept that Senate financing plan. Three House members who voted for it also are on the conference committee, which has five Senate and 14 House members. Getting that many busy people, plus staff members, into the same room at the same time will be a chore.

Solid Arkansas Image Wilts in Capital Heat

By Howard Schneider
and Sharon Walsh
Washington Post Staff Writers

A1

On documents submitted to the Senate Judiciary Committee last year, Associate Attorney General Webster L. Hubbell listed among his "ten most significant litigated matters" a complicated patent dispute involving Hunter Engineering and the F.M.C. Corp.

"I was the lead trial counsel," Hubbell wrote to the senators reviewing his career and fitness to take over the No. 3 job at the Justice Department.

But the Hunter Engineering case never went to trial, and other lawyers involved in the 18-month dispute have a different recollection of Hubbell's involvement. "I wasn't ever in the same room with him," said Greg Upchurch, the St. Louis attorney who handled the case for Hunter Engineering and remembers only minimal involvement by Hubbell's firm.

In the narrow world of Arkansas law and politics, few lawyers could top Hubbell's public image. A champion University of Arkansas linebacker who became Little Rock's mayor at 31, he headed the litigation section at the Rose Law Firm and accumulated a net worth of nearly \$1 million before following his longtime friend and golf partner Bill Clinton and law partner Hillary Rodham

LAWYERS, From A1

Clinton to Washington. "You'd have to go a long way in my state to find anybody who commands more respect, both professionally and as a person, than Webb Hubbell," said Sen. Dale Bumpers (D-Ark.) as Hubbell eased through the Senate confirmation process with glowing recommendations from the White House.

But in recent weeks, as Hubbell's legal activities came under scrutiny—by his own law firm, the federal agencies that had used his services and the press—a less clear picture of Hubbell emerged. In an internal inquiry, the Rose firm raised serious questions about possible improprieties in Hubbell's client billings and expense reports that may have resulted in hundreds of thousands of dollars in losses for the firm and excessive bills to some of its clients.

Both the Federal Deposit Insurance Corp. and Resolution Trust Corp. recently began reexamining Rose firm bills from the time that Hubbell served as supervising attorney on savings and loan cases. Rose firm partners have been preparing to take the matter to the state bar and are considering bringing a lawsuit against Hubbell, according to sources close to the firm. Rose firm partners were meeting last night and were expected to discuss how to proceed. They could not be reached last night for comment.

For his Senate Judiciary hearings, Hubbell submitted a 26-page questionnaire that included his description of the 10 most significant litigated matters that he handled personally. Among the matters he successfully litigated were cases for the Audubon Society of Little Rock and the Arkansas-based Tyson Foods Inc. James B. Blair, Tyson's general counsel, said, "In all my relations with Webb Hubbell, he's been a competent lawyer and a nice guy."

However, in roughly half of the cases he

listed as significant, other lawyers involved said Hubbell played either a minor role or the cases themselves were not significant.

Hubbell told the Judiciary Committee he handled for then-governor Bill Clinton a challenge to a ballot initiative setting new ethics disclosure requirements for public officials. But Scott Trotter, who worked with Hubbell to defend the proposal, said, "There is no way that any of those ballot title challenges can be considered major litigation."

In a case involving a roof collapse at a Little Rock car dealership, Hubbell represented a subcontractor while most of the case focused on the general contractor and the architect. Some lawyers described it as a standard construction dispute; Hubbell portrayed it to the Judiciary Committee as the "longest civil trial in Pulaski County history."

"I'd be very much surprised if Webb Hubbell ever did a dollar's worth of work for Enesco," said H. Clay Robinson, former president, board member and outside counsel for Environmental Systems Co. of Little Rock. Current Enesco officials declined comment. Hubbell had listed Enesco on a list of clients from whom he said he received more than \$5,000 in recent years.

Hubbell's role in the Clinton administration was controversial from the beginning. On paper, he served as associate attorney general, the No. 3 person in the bureaucracy overseeing the prosecution of civil laws. But Clinton's critics suspected Hubbell's power went beyond his formal appointment, with Hubbell serving as a sort of de facto attorney general, the real power at the Justice Department.

But it was the Whitewater controversy and the Justice Department's investigation of the failed Madison Guaranty Savings & Loan that proved most troublesome for Hubbell.

After Madison was taken over by federal regulators in 1989, Hubbell and other Rose lawyers were hired by the FDIC to represent the agency in a malpractice suit against Madison's accountants.

Hubbell secured the legal work for the Rose firm despite several possible conflicts: The owner of the thrift, James B. McDougal, was a partner with the Clintons in the Whitewater Development Corp.—the land deal that along with the collapse of Madison is being investigated by special counsel Robert B. Fiske Jr. In addition, the Rose firm had earlier been hired by McDougal to help salvage Madison's finances—an effort that involved Hillary Clinton representing the thrift before regulators appointed by her husband.

Finally, Hubbell's father-in-law was an employee and was involved in one of the land projects criticized repeatedly by federal bank investigators.

Though the FDIC recently cleared Hubbell of ethics violations, his Madison involvement is likely to become an issue not only for Fiske's investigators, but also for the RTC inspector general who is conducting an audit of his work.

Former Madison executive Harry Don Denton, who served as senior vice president and loan officer, said in an interview that Hubbell drafted language for a \$1.15 million Madison loan for his father-in-law that was used to finance a real estate deal in a project now under federal investigation.

The wording in the 1985 loan to Seth Ward, an employee of Madison's real estate subsidiary, said Ward could not be held personally liable for repayment, according to Denton.

"Hubbell structured ... the wording for Seth's non-recourse note," said Denton in an interview. "There wasn't anyone obligated to repay it."

Denton said he met with Hubbell in the fall of 1985, and that Hubbell prepared the language in a promissory note under which Ward

FINAL

would have no personal liability on a loan to buy about half of Madison's 1,100-acre Castle Grande project south of Little Rock. Fiske has subpoenaed Castle Grande records as part of a broad look at Madison's activities.

Hubbell, who recused himself from the Madison investigation late last year, said through a spokesman that he does not recall helping draft the terms of the loan for Ward, a retired businessman who was hired by McDougal in 1985 to put together real estate deals.

"He has no clear recollection of drafting it," said Justice Department spokesman Carl Stern. "He doesn't believe he did it, but it's been a long time," Stern said.

Ward has declined to be interviewed. His attorney, Alston Jennings, said: "As far as [Ward] knows, Webb Hubbell had nothing whatsoever to do with the transaction."

Ward's loan was repaid through the sale of Castle Grande lots. Madison, which fully financed those sales, was unable to collect on most of the loans. The Castle Grande project was harshly criticized in a confidential 1986 federal bank examination, which found that it was "purchased and sold in a series of fictitious transactions" that generated \$1.8 million in inflated profits and payments to Madison owners and employees.

Three years later, when Madison failed and the RTC wanted to file suit against the thrift's accountants for malpractice, Hubbell was hired without informing the government that his father-in-law had been a Madison insider who was in the midst of his own legal dispute with the RTC over Madison funds.

In June 1989, after federal officials learned of Hubbell's connection to Ward, they sought and received a letter from him in which he stated, "I have not represented Mr. Seth Ward in connection with any issue or matter relating to his disputes with Madison Guaranty." Hubbell further pledged he had "no intention" of representing Ward.

Four months later, Hubbell—still representing the RTC—warned Ward's lawyer of a key court development, according to testimony by the lawyer. That information led the lawyer to obtain \$400,000 in disputed RTC funds.

Under a side contract never made part of the S&L's records, Madison owner McDougal had agreed Madison would pay Ward a 10 percent commission on all commercial land sold at Castle Grande, no matter who actually sold it. Ward claimed \$356,840 in commissions on commercial land sales at Castle Grande.

Ward sued Madison in Arkansas state court and won; \$400,000 was placed in an escrow account while the case was appealed. After the RTC stepped in and moved the case to federal court, the state appeal was dismissed.

Hubbell advised Alston Jennings, Ward's lawyer, about the state court decision. That gave Jennings an opportunity to take the \$400,000 out of escrow—setting off yet another court dispute with the RTC.

"I guess it must have been Wednesday morning of last week I was advised ... by Web Hubbell, who is Seth Ward's son-in-law ... that the [state] Court of Appeals had dismissed the appeal in this case. ... I decided that Mr. Ward was entitled to his money and I went down to Worthen Bank and got it," Jennings testified on Oct. 31, 1989. He said he also read an item in the local newspaper about the dismissal.

Ward's victory was overturned in federal court, and he ended up returning most of the money in a settlement with the RTC.

Staff writer Susan Schmidt contributed to this report.

Mr. Hubbell Goes

IF ASSOCIATE Attorney General Webster Hubbell had been an official of, say, the Agriculture Department, perhaps he could have remained in government while trying to fight free of his other troubles, which are considerable. The issue would have been mainly a political one—whether his continued presence in the administration was an embarrassment to his friend the president who appointed him.

But the Justice Department as the government's principal law enforcement agency is different. It is charged with upholding some of the very standards that Mr. Hubbell is accused by his various critics of having violated. Mr. Hubbell, Hillary Rodham Clinton's former partner in the Rose Law Firm of Little Rock, is said to have done a good job in his tenure at Justice, for which he was praised yesterday by Attorney General Janet Reno. He still needed to resign, and should probably have done it or been asked to do it earlier.

His troubles arise from two cases that he handled while a Rose partner, both involving his father-in-law, Seth Ward. Mr. Ward was in turn an employee of the real estate arm of Madison Savings & Loan, the failed institution whose president was a business partner of then-Governor and Mrs. Clinton. Mr. Hubbell at one point represented the federal Resolution Trust Corp in a lawsuit involving Madison; the RTC was trying to recover from an accounting firm some

of the money Madison had lost, so there would be less for the taxpayers to pay. The issue is partly whether Mr. Hubbell properly disclosed to the RTC that his father-in-law had a Madison tie (and in fact, was still trying to extract a sizable fee he claimed that Madison owed him). Mr. Hubbell says he did make proper disclosure; a more basic question is whether he should have taken the case even so, because of the potential conflict-of-interest it created for him.

Mr. Hubbell is also in a dispute with the Rose firm over certain expenses incurred while he was there. Some of these were run up in the course of a lawsuit that he agreed to file on behalf of his father-in-law on a contingency-fee basis. Rose was to get paid only if it won; instead it lost, and has had to absorb the costs itself.

Mr. Hubbell has not been fully heard from on either of these matters. Nor has he been officially or frontally charged with doing any wrong. But he can't simultaneously defend himself on these flanks, where he may or may not be vulnerable, and still do the No. 3 job in a Justice Department that already has lost its No. 2 official and has management and policy problems enough. The place is hurting. The administration is hurting, too. The last thing it needed was what Mr. Hubbell had become—a further reminder of the Madison Savings & Loan-Whitewater real estate venture story, inside the Justice Department.

Much More Than Research

Fortunately for the American people, the agricultural research projects recently listed in the "Congressional Pig Book" ["Highlights of 1994 Pig Book List," Feb. 17] received far better evaluation for their scientific merit before they were funded than was the analysis rendered by Pig Book's sponsor, Citizens Against Government Waste (CAGW).

Let me cite one project as an example: the \$34.6 million labeled as screwworm research. Actually, those funds would finance operations of the jointly managed U.S./Mexico/Central American screwworm eradication program—not research. The goal is to eliminate this vicious pest from North and Central America down to the Isthmus of Panama, where a natural geographic barrier can be maintained. Because NAFTA will allow the free exchange of livestock across the U.S./Mexico border, this program is essential to protecting the United States from a screwworm reinfestation.

The technology to eradicate the screwworm was developed by two U.S. Department of Agriculture scientists who won the 1993 World Food Prize for their achievement. Carefully measured doses of irradiation are used to sterilize artificially raised male screwworm flies so that

when they mate with fertile, native female flies, the eggs will not hatch. This technology, already used to control other insect pests, is environmentally safe and eliminates the need for chemical controls.

The screwworm fly lays its eggs in open sores of warm-blooded animals, including humans. When these eggs hatch, the larvae eat the flesh of their hosts, eventually causing death. If CAGW's members could see these larvae eating into a live animal—or in the nostrils or scalps of young children, as has been well documented—I'm sure they would change their tune.

The screwworm eradication program saves U.S. livestock producers \$400 million annually, returning to consumers and taxpayers more than \$10 in benefits for every dollar spent. The program will help secure the economic viability of the U.S. livestock industry, keep food prices low and preserve the health and safety of both humans and animals.

So the next time CAGW decides to make headlines about a topic about which it has little knowledge, it had better check its facts.

R. D. PLOWMAN
Acting Assistant Secretary
Science and Education
Department of Agriculture
Washington

Mr. Hubbell Goes

IF ASSOCIATE Attorney General Webster Hubbell had been an official of, say, the Agriculture Department, perhaps he could have remained in government while trying to fight free of his other troubles, which are considerable. The issue would have been mainly a political one—whether his continued presence in the administration was an embarrassment to his friend the president who appointed him.

But the Justice Department as the government's principal law enforcement agency is different. It is charged with upholding some of the very standards that Mr. Hubbell is accused by his various critics of having violated. Mr. Hubbell, Hillary Rodham Clinton's former partner in the Rose Law Firm of Little Rock, is said to have done a good job in his tenure at Justice, for which he was praised yesterday by Attorney General Janet Reno. He still needed to resign, and should probably have done it or been asked to do it earlier.

His troubles arise from two cases that he handled while a Rose partner, both involving his father-in-law, Seth Ward. Mr. Ward was in turn an employee of the real estate arm of Madison Savings & Loan, the failed institution whose president was a business partner of then-Governor and Mrs. Clinton. Mr. Hubbell at one point represented the federal Resolution Trust Corp in a lawsuit involving Madison; the RTC was trying to recover from an accounting firm some

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R. D. PLOWMAN
Acting Assistant Secretary
Science and Education
Department of Agriculture
Washington

Madison questions pursue first lady

She asserts commitment to press ahead with reform of health care

By Valerie Richardson
THE WASHINGTON TIMES

DENVER — First lady Hillary Rodham Clinton tried doggedly to stick to the subject of health care during her visit here yesterday, but questions on the Whitewater-Madison matter would not leave her alone.

In Colorado, Mrs. Clinton promoted her proposed national health care proposal, gave a speech at the University of Colorado at Boulder, explained the finer points of her health plan at a forum in Denver and toured a National Guard medical unit operating in Denver's inner city.

When she finally agreed to field questions from reporters at the end of the day, however, she was deluged by queries on the Clintons' involvement in Whitewater-Madison and the resignation of Associate Attorney General Webster L. Hubbell.

At one point, the discrepancy between her agenda and that of reporters became so stark that Colorado Gov. Roy Romer, a fellow Democrat, stepped in and banned further questions unrelated to health care.

Even so, Mrs. Clinton insisted

that the Whitewater-Madison imbroglio had not detracted from her campaign to implement universal health coverage.

"I don't think it [Whitewater] matters at all," said Mrs. Clinton, flanked by about 30 uniformed National Guard medical personnel outside a makeshift medical unit. "I've been talking about health care for more than a year, and I'll keep talking about it 'til I get it done."

As for Mr. Hubbell's resignation, she said he would be "missed greatly."

Mr. Hubbell, a former senior partner with Mrs. Clinton's at Little Rock's Rose Law Firm and close friend of the Clintons', was mired in questions about his handling of a federal lawsuit aimed at Madison Guaranty Savings and Loan Association and possible overbilling of Rose clients.

"I am personally deeply saddened for Webb and his family," she said. "But I'm also very sad for this country because he has and had done a lot of very good work at Justice."

She repeated remarks released over the weekend about her own involvement with the failed S&L, saying she had made mistakes and

that she would release all information surrounding the matter after the investigation by Whitewater-Madison special counsel Robert B. Fiske Jr.

"We lost money — goodness knows what you all would be saying if we made money," Mrs. Clinton said. "I'm glad we lost money."

Reporters were not the only ones with questions about Mrs. Clinton's involvement in the Whitewater-Madison affair. At her speech at the Boulder campus, a group of local men held up an enormous banner with the message: "What Did Vince Foster Know?" The words "Vince Foster" were painted in dripping red letters.

Mr. Foster, the former White House deputy counsel, Clinton personal attorney and former Rose colleague of Mrs. Clinton's, died in July in what authorities have termed a suicide at a Northern Virginia park. White House officials removed records from the Clintons' partnership — Whitewater Development Corp. — shortly after his death.

A few seconds into her speech, campus security guards ordered the men to put down the banner, which was about 50 feet from the

podium. Afterward, one guard said the order to remove it came from the first lady's staff.

Shariar Ghalam, one of several men who brought the sign, said he was not satisfied with the White House's explanation of Mr. Foster's suicide.

His friend, Kendall Collins of Boulder, added: "At the pinnacle of his career, it's hard to believe that he committed suicide."

Mrs. Clinton's health care program drew some challenges, as well. While the 5,000 students and local residents who attended cheered at several points in speech, several dozen held signs with messages such as "Colorado Wants Single-Payer," "No New Taxes," "Reduce Government" and "Please Save Us, Hillary, We're Helpless Without the Government."

Rep. Patricia Schroeder, Colorado Democrat, took a swipe at Mrs. Clinton's detractors during the Denver summit, one of several health care forums sponsored nationwide by the Columbia Institute. Some congressional Republicans, she said, have done "everything they could do to stop Hillary" from succeeding in acting health care reform.

Federal employee buyout bill stalls over how to spend savings

By Greg Pierce
THE WASHINGTON TIMES

House and Senate conferees will meet today to hash out the federal employee buyout bill.

The main issue, according to staffers in the House and Senate, will be how to spend the savings resulting from reducing the federal work force by 252,000 over the next few years.

Today's conference "may not be the end of it," according to a Senate staffer.

Both bodies have endorsed a provision to use the estimated \$22 billion in savings to finance the Senate's crime trust fund, which President Clinton supports.

However, the Senate staffer said the majority of conferees from both chambers are opposed to the anti-crime fund, which would go for prison construction and to train 100,000 additional police.

"I guarantee it will not have the crime trust fund in it" when the bill comes out of conference committee today, the staffer said.

"They're just going to delay this another couple of days," because the Senate, if not the House, "will not stand for it."

The buyout bill, intended to target middle managers as part of the administration's attempt to "rein-

vent government," would provide up to \$25,000 each to those wishing to leave government. However, it may be too late to be cost-effective in this fiscal year, which ends Sept. 30.

The Office of Personnel Management already has begun laying off employees. NASA, the U.S. Information Agency and the Interior Department also are said to be considering layoffs this year.

On Friday, the Senate voted 90-2 in favor of the crime amendment to the buyout bill. Later that day, the House voted 231-150 to instruct its conferees to accept the measure.

"This could go on and on," the Senate staffer said, because one or both chambers will vote to recommit the bill to the conference committee and reinstate the crime amendment.

A House staffer agreed that the big issue "is earmarking the savings," meaning the crime trust fund.

"It's hard to get a reading on something like this," but "I'm kind of optimistic this will be resolved in some reasonable period of time" — a couple of days at most, the House staffer said.

Only three of the 14 House conferees backed the crime measure in Friday's floor vote. Three of the

five Senate conferees will oppose the crime provision, despite overwhelming support in that chamber.

Sen. William V. Roth Jr. of Delaware, ranking Republican on the Governmental Affairs Committee and original author of the crime amendment, is a member of the conference committee.

"He's still of the hope that we can reach agreement quickly and promptly to get this bill approved," Mr. Roth's press secretary, Verna Hensley, said yesterday. "The greater question is whether the conferees will follow the wishes of both the House and Senate that were expressed on Friday."

Mr. Roth has said he would be willing to use the savings from the work-force reduction to cut the deficit, should the House refuse to accept the crime amendment.

"That would be a reasonable compromise, one that would be hard to argue with," Mrs. Hensley said.

However, it remains to be seen whether such a compromise would be acceptable to House conferees.

Rep. William L. Clay, Missouri Democrat and chairman of the Post Office and Civil Service Committee, will lead the House delegation.

Nothing at law firm is smelling like a rose

By Rod Dreher
THE WASHINGTON TIMES

The news keeps getting worse for Little Rock's beleaguered Rose Law Firm.

Yesterday's resignation under fire by Associate Attorney General Webster L. Hubbell, a senior partner at Rose before joining the Clinton administration, guaranteed the prestigious firm would have its erstwhile white shoes further stained as the story splashes across the nation's TV screens and front pages.

On Friday, The Washington Times reported that the Rose firm is considering filing ethics charges against Mr. Hubbell after an internal investigation found he could not account for hundreds of thousands of dollars in expenses billed to clients. Monday's Wall Street Journal put the figure at more than \$1 million.

In his resignation letter to President Clinton, Mr. Hubbell said publicity generated by the escalating controversy with his old firm hamstrings his effectiveness at the Justice Department. The continuing crisis at the Rose firm, which includes a federal investigation of

its role in the Whitewater-Madison affair and a possible cover-up, threatens to hobble its practice.

"It's obviously gone south about as fast and as bad as a situation could," said David Williams, recent past president of the Arkansas Bar Association. The latest developments, he speculates, "are intended to salvage whatever they can as early as they can."

Ronald Clark, the firm's managing partner, did not return a reporter's phone call seeking comment.

The Washington experience has taken a particular personal toll on the four Rose senior partners who came to Washington to serve in the Clinton administration.

Two are no longer in the government. Vincent W. Foster Jr. died in what authorities termed a suicide, and Mr. Hubbell resigned under an ethical cloud.

Assistant White House Associate Counsel William Kennedy III is reportedly unhappy in the White House. And the leader of Rose's "Gang of Four"—Hillary Rodham Clinton—is widely considered to be at the center of the Whitewater-Madison affair.

If the massive overbilling accusations against Mr. Hubbell prove true, Rose firm lawyers will no doubt have to work overtime to re-

assure jittery clients that the overbilling was an isolated phenomenon.

There is evidence that this is already happening. Dean Cannon, president of Cannon Trucking in Little Rock, checked his billing records after reading press reports about the internal investigation at the firm. He found no problems, and his Rose lawyer, Richard Massey, called Mr. Cannon to assure him there would never be a problem.

"I don't feel like it's a company problem, as much as an individual," Mr. Cannon said. "The people that we've dealt with there on a regular basis are very reputable, straight-up people."

One knowledgeable Arkansas lawyer predicts most of the firm's established clients will, like Mr. Cannon, stick with the Rose lawyers with whom they have built a relationship. Yet if the \$1 million figure proves true, the lawyer says, all bets are off.

The danger of client defections couples with the risk of lawyer defections as the federal investigation continues, said a well-known Washington lawyer.

"The thing that holds a law firm together isn't just the collegial nature of institution. It's a partnership," he said. "To the extent

you have to spend an enormous amount of time in meetings related to the investigation, dealing with lost clients and questioning the decisions of one another, people inside the institution have to ask themselves: 'Is this the firm I need to be?'"

Mr. Hubbell returns to Arkansas with the possibility of ethics charges hanging over his head. If the Rose Law Firm files a formal complaint with the state Supreme Court Committee on Professional Conduct and the committee finds Mr. Hubbell guilty, the former No. 3 man at the Justice Department could face disbarment proceedings in a court of law.

Mr. Hubbell was appointed by Gov. Clinton as chief justice of the Arkansas Supreme Court, and was mayor of Little Rock from 1979 to 1981.

Unless charges of extreme overbilling can be proven, Mr. Williams thinks his old friend will land on his feet back home.

Others aren't so sure.

"You've got to be kidding," one prominent Little Rock lawyer said. "I don't see how he can come back here and be received with anything but disdain, particularly by the Clinton crowd. Webb Hubbell will soon be the Jim McDougal of the Arkansas Bar."

More lawyers find overbilling has legal limit

By Nancy E. Roman
THE WASHINGTON TIMES

Lawyers increasingly are being prosecuted for overbilling their clients, ethics lawyers say.

"Five years ago it was a very oddball story to read anything about a lawyer defrauding a client by charging some fantastic sum for legal bills. Now I probably run across a story like this once every month or two," said Roy Simon, a law professor who teaches ethics at Hofstra University in New York.

The Rose Law Firm is investigating reports that Webster L. Hubbell overbilled clients.

He is accused of writing checks on a client account to pay for personal trips and credit-card bills, crediting to himself hours worked by salaried associates, and billing taxpayers more than \$20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period.

As managing partner of Little Rock's Rose Law Firm, Mr. Hubbell submitted a bill to the federal

government that said he worked without a day off, through three weekends, averaging more than eight hours a day at a fee of \$125 an hour.

John J. Marquess, founder and general counsel of Legalgard Inc., a company that audits legal bills, said overbilling is commonplace.

"Our experience since 1987—and we have seen between 4 and 5 million legal bills—when you find fat it can be as high as 30 percent," said Mr. Marquess. "I'm not saying that every legal bill is full of 30 percent fat, but four out of five bills we see have some problem."

Mr. Marquess left private practice to start Legalgard after witnessing unchecked abusive billing. "I did some research into what we were hearing and found out that a lot of it was real," he said.

He said most of the fat is inefficiency, but about 5 percent is outright fraud, which includes billing for:

- Expenses not incurred.
- More hours than were spent.
- Attending events not attended.

• More hours in a year than anyone physically could have worked.

Mr. Simon told of one case in which a woman reported overbilling to the firm's senior partners. They fired her, and she sued, winning a handsome jury verdict.

Mr. Simon said he uses a stopwatch when talking with a client on the phone. "But you don't see many lawyers in practice who are billing in that way."

"Usually, they are on the train the next morning trying to reconstruct the previous day. If you know that you got to the office at 8:30 and didn't leave until 7:30, that sounds like 11 hours. But that doesn't account for chats in the hall, or stopping to read a magazine on a reception table. Those five and 15 minutes add up."

Ultimately, he said, 11 hours are billed for eight hours work.

Philadelphia lawyer William Perrone was suspended last year from handling court-appointed work after the Philadelphia Inquirer reported the 43-year-old lawyer had billed three 30-hour

and many 24-hour days in 1991.

Records showed that in 1991, Mr. Perrone billed the city for a total of 3,755.75 hours of work—more than 10 hours every day of the year.

He was suspended from taking further appointments, and court officials were ordered not to pay any of his pending bills.

Lawyers bill in four ways: the contingency fee, the flat fee, the statutory fee and the hourly fee. With a contingency fee, the client agrees to pay a percentage of the money won in the lawsuit. A statutory fee is set by law or a judge.

However, most business attorneys charge by the hour.

This month the ABA Journal has a cover story on hourly billing called "When Alternative Billing Beats the Clock," which concludes that clients do not like to be billed on an hourly basis but prefer a results-oriented pay scheme.

Mr. Simon says he will bring all this up with his ethics classes.

"I wouldn't be able to resist bringing this up," he said.

In the tensely partisan atmosphere on Capitol Hill, Republicans are demanding hearings on the burgeoning Whitewater affair while the Democratic beachhead against a congressional inquiry is being held by, of all people, Rep. Henry B. Gonzalez.

The Texas Democrat, who in five years as chairman of the House Banking Committee led the investigative charge on everything from the savings and loan crisis to the funneling of U.S. aid to Iraq, has never let politics get in his way.

But in an increasingly bitter dispute with the ranking Republican on the committee, Rep. Jim Leach of Iowa, Mr. Gonzalez is fending off the same kind of investigative hearing on Whitewater that has been the San Antonio maverick's trademark.

"I don't know what's gotten into Leach," Mr. Gonzalez said in an interview. "I don't know if he wants to be Mickey Spillane or what."

Republicans are trying to turn a March 24 House Banking Committee hearing on the oversight of the Resolution Trust Corp. (RTC) into an expose of the dealings of President and Hillary Clinton with a failed Arkansas thrift and an investment property known as Whitewater Development Corp.

Mr. Gonzalez, 77, is having none of it.

"I'm not going to get sidetracked," he said firmly. "We have no legislative purpose in looking at Whitewater. If something happened with respect to the S&L, we have laws."

And that means that if there was any wrongdoing, he believes it is up to special counsel Robert Fiske to find it. Mr. Fiske opposes hearings into Whitewater.

Both Democratic and Republican Banking Committee watchers note that Mr. Gonzalez has pursued his high-profile inquiries even in the face of opposition from all levels of law enforcement. Richard Thornburgh as attorney general tried unsuccessfully to quash hearings into the scandal-ridden Banco Nazionale de Lavoro, accused of concealing U.S. aid to Iraq before the Persian Gulf war.

Mr. Gonzalez first catapulted to prominence with the 1989 Keating Five case, in which five senators — four Democrats and one Republican — were accused of using their influence with regulators on behalf of California thrift owner Charles Keating. He now says that case was altogether different from Whitewater.

"That was under the old re-

Gonzalez is chief foe of hearings

Fort Worth Star-Telegram

gime," he said, meaning before Congress passed stricter banking rules.

Mr. Leach has been a strong ally of Mr. Gonzalez on all the investigations, including one into the role of Neil Bush, son of then-President Bush, as a director of a failed Denver thrift.

For now, Mr. Leach will say only that he respects Mr. Gonzalez for his "distinguished career of independence." But sources say Mr. Leach is weighing upping the ante in his struggle with the chairman by suing the thrift regulatory agencies for documents that Mr. Gonzalez withheld from Mr. Leach.

Republican staffers mutter that Mr. Gonzalez and his aides are suddenly worried about holding on

to the Banking Committee chairmanship after years of defying the Democratic leadership.

Mr. Gonzalez denies that he is under pressure from the leadership. Asked about reports that House Speaker Thomas S. Foley, Washington Democrat, put out the word that there were to be no hearings, Mr. Gonzalez said: "I haven't heard from him."

But in early February, Mr. Gonzalez said in a televised exchange with two Republicans on the House floor that there would be hearings on Whitewater. Congressional sources say Mr. Foley "went ballistic" and Banking Committee staffers immediately denied that the chairman meant that there would be anything other than the semiannual RTC review on March 24.

"The maverick," said one former Democratic banking expert, "is playing ball."

As a result, Republicans are striking out.

Mr. Leach's ploy in requesting that 40 persons associated with Whitewater — including White House Chief of Staff Thomas F. "Mac" McLarty — appear as witnesses at the March 24 hearing may backfire.

"When we get to that day, I'll make a ruling," Mr. Gonzalez said.

Former partner mum on Clintons

LITTLE ROCK, Ark. (AP) — A former Whitewater partner of President and Mrs. Clinton's passed up an opportunity yesterday to say she thinks the Clintons have done nothing wrong in the Whitewater-Madison affair.

At a news conference, Susan McDougal read a brief statement that declared simply that she and her ex-husband — James B. McDougal, owner of the failed Madison Guaranty Savings and Loan Association — are innocent of any wrongdoing.

Mrs. McDougal said the investigation of Whitewater-Madison special counsel Robert B. Fiske Jr. is politically motivated and then declined to answer questions.

In an appearance Sunday on ABC-TV's "This Week with David Brinkley," Mr. McDougal, who co-owned Whitewater Development Corp. with his ex-wife and the Clintons, said Mr. Clinton is "guilty of committing no crime."

And he said Hillary Rodham Clinton is guilty of nothing other than "poor bookkeeping."

But Mrs. McDougal's attorney, Bobby McDaniel, repeatedly refused to characterize the Clintons' role in Whitewater-Madison.

Mr. McDaniel, in response to a question about the Clintons' guilt, said, "Susan just does not want to address the Clinton" question.

He noted that his client delivered all her Whitewater records to the Arkansas governor's mansion in 1991 at then-Gov. Clinton's request and has not gotten them back.

Mrs. McDougal said previously the records were requested by Mrs. Clinton, who had written a letter in November 1988 seeking power of attorney for Whitewater and all the records.

The Clintons initially said the records were missing, but the White House later turned over Whitewater records to federal investigators after searching the office of former White House Deputy Counsel Vincent W. Foster Jr. soon after his body was found in a park in July in what authorities termed a suicide.

Mr. McDaniel said Mr. Clinton had given no reason for wanting the records in 1991 and that his



Susan McDougal

client never asked for any reason.

Madison is suspected of being a conduit for campaign funds for Arkansas politicians, including Mr. Clinton.

"Susan McDougal is aware of no inappropriate financial transactions in which she was directly involved and she has no knowledge of any improper transfer of funds to a Clinton political campaign," Mr. McDaniel said.

He said he would advise Mrs. McDougal not to give a sworn statement to Mr. Fiske or testify before a grand jury here unless she is given access to all of her financial records that are being held by various government agencies.

Mrs. McDougal, 38, who faces fraud charges in an unrelated California case, is unemployed, Mr. McDaniel said.

The McDougals and Clintons were 50-50 partners in Whitewater, the Ozarks real estate project that is part of Mr. Fiske's criminal investigation. He is leading a federal grand jury probe into whether Madison depositors' money from Madison benefited the Clintons and was siphoned to political campaigns. Mr. Fiske also is probing Mr. Foster's death and accusations that Little Rock's Rose Law Firm has shredded Whitewater documents.

Among the accusations is that \$110,000 of a \$300,000 federally backed loan Mrs. McDougal received from Little Rock businessman David L. Hale wound up in the Whitewater account. Mr. Hale said Mr. Clinton and Mr. McDougal pressured him to give the loan to Mrs. McDougal. The loan was never repaid.

Mr. Hale, a former county municipal judge, goes on trial March 28 in Little Rock on charges of defrauding the Small Business Administration.

INSIDE THE BELTWAY

Ask her new chef

"Dear Inside the Beltway," writes Larry Zupan of Vienna, Va. "Is it true that Hillary Rodham Clinton's favorite breakfast cereal is Shredded Wheat?"

Double take

Just sitting in the lobby of President Clinton's hotel in Detroit yesterday, Debbie Godfrey shook up the Secret Service, White House press, hotel security and at least one guest.

Debbie Godfrey, you see, is a dead ringer for Hillary Rodham Clinton, and she knows it.

"It's all in the cheekbones," the Ohio woman told our White House correspondent, Frank J. Murray, as she waited with her sister to attend a theater event that brought her to Detroit. She claimed it was pure coincidence that she registered in the Omni International Hotel, where Mr. Clinton was also a guest.

It seemed the same kind of coincidence gave her a Hillary haircut and the trim business suit of the type Mrs. Clinton generally wears. She is younger, 35 years old, but close enough in appearance to the real thing to fool even the skeptical White House photographers who see Mrs. Clinton often.

At one point, when a gullible guest asked if she was Mrs. Clinton, Mrs. Godfrey replied: "Yes, I am. I'm the woman they love to hate."

Posing with the lady guest, she added: "I have to keep an eye on my husband. A hotel's a great place to have an affair."

Oh, Yogi!

Could word circulating around the halls of the Interior Department be true? Did National Park Service Director Roger Kennedy really contact pal Ralph Lauren about designing dress uniforms for his rangers?

Yes, confirmed a high-ranking Interior official, who spoke on the condition of anonymity, "it's true — until Kennedy was told we didn't have dress uniforms here."

Shucks. We were going to suggest a Ralph Lauren camel's-hair

jacket for the men, with contemporary necktie and cufflinks. And for the women, a combination of Lauren fragrance and fur — imitation, of course.

Ridiculous politics

Live from Chicago, where he is fighting for political survival, Rep. Dan Rostenkowski was asked his thoughts on the Whitewater-Madison affair yesterday on CBS-TV's "This Morning."

"I'm not interested in having a [congressional] hearing," the Illinois Democrat told interviewer Harry Smith. "I mean, it's gotten so political that it's almost ridiculous. There was a poll done just yesterday. Seventy percent of the American people don't really care whether or not there's a hearing; as a matter of fact, they aren't even concerned about Whitewater."

Mr. Smith countered: "But at the same time, that doesn't mean that what's at issue is not necessarily important."

Mr. Rostenkowski: "Oh, I think it's important. But I think more is being made of the quote-unquote 'cover-up' than the actual incident that took place 10 or 12 years ago."

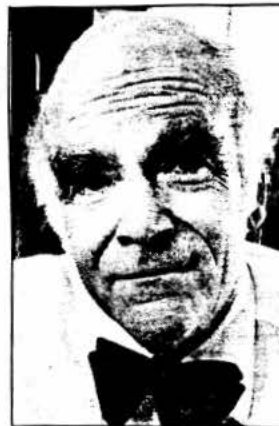
Pit bull named Alfonse

While most Democrats display a reluctance to conduct congressional hearings into Whitewater-Madison any time soon, lawyer Joseph Califano, who held high-ranking posts in two previous Democratic administrations, believes the Clintons would benefit from such hearings.

Mr. Califano, domestic policy analyst in the Johnson administration and secretary of the Department of Health, Education and Welfare during the Carter years, said it's important for the president "to get the word out" on Whitewater.

"The president may benefit by having congressional hearings," Mr. Califano said, adding that Rep. Jim Leach, Iowa Republican who's been leading the House call for hearings, "is not a partisan."

By contrast, Mr. Califano describes Mr. Leach's counterpart in the Senate, Alfonse D'Amato,



No Polo shirts for Roger Kennedy's park rangers.

New York Republican, as a "partisan pit bull."

Counting chickens

Political analyst Kevin Phillips tells us that Republicans in Congress had better be careful about premature gloating over Mr. Clinton's Whitewater troubles. They could end up looking stupid if the president's protestations of innocence bear out.

"A lot of these [Republican] guys aren't exactly the reincarnation of Machiavelli," Mr. Phillips muses. "They make a good herd, but I'm not so sure there's a lot of candlepower there."

All aboard the PC train

Following the example of the U.S. government, the Washington Metropolitan Area Transit Authority is currently advertising a position vacancy for a "Cultural Diversity Specialist."

Hurry — the deadline for applications is Friday.

But what a prize!

The Arlington County Republican Committee, recently criticized on this newspaper's editorial page for its comments on behalf of single-member districts for elected school boards, has taken our editor's characterization of "bean counters" to heart.

"We thought the editorial was unfair... but we decided to have a little fun with it," the county's GOP chairman, Deb Phillips, reasoned yesterday for holding a "Guess the Number of Beans in the Jar" contest at tonight's monthly meeting.

The prize? A one-year subscription to The Washington Times.

The Washington Times TUESDAY, MARCH 15, 1994

Off welfare rolls and into the business world? ✓

By James W. Brosnan
MEMPHIS COMMERCIAL APPEAL

The White House task force on welfare reform has big goals for welfare families — it hopes to make some of them homeowners and get others to start their own businesses.

According to a task force official, one recommendation to President Clinton will be that the nation's 4.7 million welfare families be allowed to set up savings accounts — individual development accounts, or IDAs.

They could use the money to start a business, buy a house or get an education.

To help those who want to start

a business, the plan proposes loans of up to \$25,000.

Currently families on welfare cannot have savings of more than \$1,000. If they do, the thinking goes, they don't need welfare.

Mr. Clinton is expected to unveil his welfare reform package next month. Most of the attention has focused on plans to allow women a maximum of two years on welfare and then require them to take a job — government-provided or private.

But Mr. Clinton also has expressed the view that many of those on public assistance could qualify for small loans to start their own businesses.

Last year he doubled the size of

an experimental Small Business Administration microloan program from \$16 million to \$32 million.

Agriculture Secretary Mike Espy also was a proponent of microloans and individual development accounts when he was in Congress.

Michael Sherraden, a professor of social work at Washington University in St. Louis and a longtime advocate of such accounts, estimated that fewer than 5 percent of those on welfare would be equipped to start a business right away, even if given the money to do it.

"It takes a fair amount of gumption to start a small business," he

said. "People would have to be bright and motivated."

The individual development accounts are a broader proposal to encourage long-term savings. Under a plan envisioned by Mr. Sherraden, the government would match or subsidize deposits for the poor in interest-bearing accounts.

He compares IDAs to the 160 acres of land his great-grandparents were given in the West under the Homestead Act after the Civil War.

"Accumulation of assets is the key to development of poor households," Mr. Sherraden said, adding that assets lead to a different way of thinking.

• Distributed by Scripps Howard

Illinois today

Aside from a decision on Rep. Dan Rostenkowski's suddenly uncomfortable incumbency, today's Illinois primary is likely to offer other historic results.

For the first time, state Democrats are expected to nominate either a woman or a black for governor. Comptroller Dawn Clark Netsch led Attorney General Roland Burris 42 percent to 35 percent in the most recent poll.

Democrats are also expected to nominate a woman — either Penny Severns or Sheila Smith — for lieutenant governor. Likely result: two Democratic women running against two Republican men in the general election.

In suburbs northwest of Chicago, conservative Rep. Philip M. Crane has been pounded hard by state Sen. Peter Fitzgerald in the GOP primary in which Judy McCracken Svenson and Gary Skoien are also running.

Good for the game

Former Sen. Eugene J. McCarthy — poet, politician, presidential aspirant — said on USA Today's op-ed page that a "great service could be done for the United States and for baseball" by choosing Fidel Castro as baseball commissioner.

Among other beneficial results to the nation resulting from this move, he said, would be U.S. access to Cuban rum and cigars as well as the elimination of the last communist country in the Western Hemisphere.

At the same time it would "give the game what most baseball experts say it needs — an experienced dictator."

Infobyte

Four of five Americans do not know enough about medical concepts to make intelligent choices about their own health care, a study sponsored by the National Institutes of Health says.

The new ethicist

Sen. Alfonse M. D'Amato these days has the role of his life: leading inquisitor into the aftermath of the land deal that has engulfed the White House in Whitewater, the New York Times reported.

Writer Todd S. Purdum observed that the fact the New York Republican "himself happens to have been the repeated subject of inquiries into his conduct in office for most of the last decade troubles him not at all."

"He wears the mantle of moral

Inside Politics



authority with equanimity in a capital where almost everything is relative, braced by a \$21.15 package of cologne on his desk, 'White Water for Men,' a gift from the Senate Minority Leader, Bob Dole."

Mr. D'Amato "summed up his mission tersely . . . the other day: 'Howard Baker, I think, asked the right question during the days of Watergate, and it applies here with a little bit of a twist. What did the president know, and when did Hillary tell him?'"

Audit: 'Clintons owe'

An in-depth examination of President and Mrs. Clinton's federal income tax returns for the years 1980 to 1992 suggests underpayment of their income taxes by \$16,358, Money magazine said.

As a result, the first couple may have a total liability of \$45,411 when IRS interest charges are added to the underpayment, Money said.

Money added they may have committed the three mistakes common in cases of professional and financial success:

Though both are sophisticated lawyers, they didn't keep adequate records, tended to overestimate certain deductions and relied far too much on their tax preparer to get it right, reported Teresa Tritch and Mary L. Sprouse.

This week's Time quoted Hillary Rodham Clinton as saying she and the president are prepared to pay back taxes if it turns out they underpaid.

U.S. News & World Report said the Clintons were told by their personal lawyer, David E. Kendall, that all he finds are some tax errors and improper deductions.

Nostalgia

In Yorba Linda, Calif., there was a 20 percent jump in visitors to the Richard Nixon Library & Birthplace this month, the Asso-

ciated Press reported. Library spokesman Kevin Cartwright attributes the increase to a renewed curiosity about Watergate, inspired by the Whitewater investigation of President Clinton.

The counterattack

The Democratic National Committee meetings over the weekend in Cleveland offered an insight into the party's strategy for responding to the hammering it is getting on Whitewater.

USA Today described the game plan:

"Dismiss it as a partisan ploy by Republicans . . . to bring Clinton down; attack the personal ethics of Republicans leading the Whitewater charge; organize women's public forums to defend the first lady."

Republican National Committee Chairman Haley Barbour dismissed the Democratic charges of partisan excess: "It's just not true, and I'm not going to abet them in that fraudulent defense."

Divided Fiske view

As Ellen Joan Pollock reported in the Wall Street Journal yesterday that special counsel Robert Fiske Jr. was off to an aggressive start on all Whitewater fronts, the paper's editorial page was decidedly less optimistic.

The editorial asserted that Mr. Fiske's probe is "beginning to look less like an effort to get the facts and more like a sophisticated exercise in political damage control. In a word, like a cover-up."

This may not be Mr. Fiske's intention, the editorial said, but it is a result of his opposition to congressional hearings, unwillingness to respond to Freedom of Information Act requests and decision to prosecute David Hale, who claims being pressured by then-Gov. Clinton into making an improper federally sponsored loan to a Whitewater partner.

Still, Ms. Pollock wrote, the Republican Mr. Fiske gets good

marks from veterans of other probes, "has a reputation for fierce independence and is staying clear of the web of social and professional connections that helped spawn the Whitewater controversy in the first place."

The Robb prospect

A shoe has dropped on Charles S. Robb, Virginia Democrat, and Democrats are asking whether The Washington Post story on memos written by Robb staffers is the footgear that will end his career, said Charles E. Cook in Roll Call.

The Post revealed memos prepared several years ago by Robb staffers investigating behavior that, as the senator said in a letter to the state's party leaders, demonstrated he had participated in activities "not appropriate for a married man."

"Privately, many Democrats who like and respect Robb a great deal nevertheless wish he would step aside and allow another Democrat to step forward — one who, given [his likely GOP opponent Oliver] North's negatives, would very likely hold the seat," Mr. Cook wrote.

Will The Post decide to go into greater detail about some of the allegations? What is to stop the former Robb staff member who has copies of these memos from shopping them around to other news organizations who may not share The Post's "reticence to get down and dirty?"

He concludes: "The next 30 days will be the most important in Robb's political career. If he can weather this storm, he is a decent shot at beating North. But if anything else happens, or if a strong Democrat enters the primary, this campaign could even more colorful."

Recall and hit

In Quartzsite, Ariz., the mayor has been arrested on charges he tried to hire a hit man for \$10,000 to kill a political rival.

Mayor Rex Byrd, 70, and bodyshop owner Robert Bacon, 51, were charged with conspiring to murder former Mayor Richard Oldham, who was ousted in an August recall election in this town of fewer than 1,000 residents.

Capt. Mike Denny of the state public safety department could not immediately offer a motive, but residents say Mr. Byrd and Mr. Oldham, who remains active in politics, have been feuding for at least five years.

• Compiled by Alan McConagha.

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Pruden on Politics

By Wesley Pruden



Some of our lawyers seem to be missing

One dead, three down, and one on fire. The ideo-
of March have not been kind to Bill and Hillary
Clinton and their friends.

One is dead, done in by someone's hand, perhaps
his own, and the White House is suddenly going
through lawyers like an Arkansas governor goes
through bimbos.

And now Hillary is on fire, threatening to set the
woods ablaze.

The sacking of Webster Hubbell, leaving the Jus-
tice Department with only Janet Reno as the figure-
head in charge, has all the marks of being the work
of Lloyd Cutler, the presidency's new lawyer — not,
as he insists, the president's lawyer.

Mr. Cutler has taken considerable pains to make
it plain that he has not put his own considerable
reputation on the line for this particular president.
Who can blame him?

And this particular president declines to put his
reputation for truth-telling, such as it may be, on
the line for his wife's former law partner. As Mr.
Hubbell's personal friend, Mr. Clinton said yester-
day, he finds it "hard to believe" that he is guilty of
doing anything wrong. (How can children of the
'60s, the best generation in the history of person-
hood, be guilty of anything wrong when they're so
smart and so sincere?)

Mr. Clinton no doubt finds everything "hard to be-
lieve," which may be why he changes what he be-
lieves as often as he changes the underwear that
Hillary takes as deductions on the family income-
tax return. (He is the president of change, after all.)

Mr. Hubbell returns the ambiguous compliment,
remarking that the 20-year friendship with the Clin-
tons "has been a never-ending source of pride and
sustenance."

"Pride and sustenance" is the way the Renais-
sance Weekend big-chill boomers actually talk, but
Mr. Hubbell and his one-time partners at the Rose
Law Firm ought to be grateful to the Clintons
for sustenance (if not necessarily pride) if half the
tales told in Little Rock are true.



U.M. Rose

With Hillary's connec-
tions to the man who ap-
pointed the state regu-
latory agencies, how
could the clients of Mr.
Hubbell and his partners
lose? You might think they
would be grateful to pay
double.

This cozy Little Rock
way of doing business was
not easily transplanted to
Washington, but Hillary
tried, first with the White
House travel office, then
the now-aborted attempt
to seize the health-care industry and with it one-
sixth of the American economy, even the pots and
pans of the White House kitchen. Reach exceeded
grasp.

Mr. Hubbell has been in Washington long enough
to recognize that first inkling that he was in trouble,
Janet Reno's vote of confidence, expressed last
week. Mr. Hubbell's farewell dripped with deeply
felt self-regard.

He could "stand and take the blows from wher-
ever they came" if they affected only him, but he
"believes too much in this country, the president,
the attorney general, the Justice Department, my
wife and family, and my colleagues." (He excluded
only the Metro, the Domino's Pizza deliveryman and
the new coach of the Redskins.)

"After a thoughtful weekend, I believe that my
continued service will not be as effective as it has

been, that the distractions on me at this time will
interfere with my service to the country and the
president's agenda, and that my family, although to-
tally supportive, is being harmed."

The spin doctoring began at once. This had nothing
to do with Whitewater, only "private matters." Alas,
the private matters have everything to do with the
Rose Law Firm, which had everything to do with
Hillary's manipulation of the levers of power that
the voters of Arkansas, in their curious judg-
ment, assigned to her husband. The Clintons and
their friends, in Congress and in the media, have
been attempting the spin that, well, yes, maybe the
White House has been trying to cover up something
here, and that's not nice, but they didn't really do
anything bad in Arkansas. This begs the question —
and at last nearly everybody gets it, even in Wash-
ington — that if there was nothing bad to cover
up in Arkansas, why have Bill and Hillary risked
the Clinton presidency to cover it up?

Shredding, subpoenas, White House limousines at
the curb at the U.S. courthouse, and now resigna-
tions following resignations.

The wicked flee, when no man pursueth.

Embassy Row

The Cuban American National
Foundation is warning
against the latest campaign
for easing U.S. restrictions on
Cuba, noting that pressure has in-
creased since Washington lifted
the U.S. embargo on Vietnam.

Jose Cardenas, of the Washing-
ton-based foundation, criticized
calls for the removal of the em-
bargo on travel and the export of
communications technology.

In a new position paper, Mr.
Cardenas argued that such posi-
tions are based on the "fallacious"
assumptions "that Western travel
undermined communism in the
former East Bloc" and that the
United States blocks all commu-
nication services with Havana.

The Cuban government has re-
jected U.S. proposals for certain
communications improvements,
such as upgraded telephone sys-
tems and U.S. mail delivery, to the
island, he said.

"An inherent and equally dubi-
ous assumption is that Cubans
need to mix with Americans to
understand they are not free and
that their system does not work,"
Mr. Cardenas wrote.

"The average Cuban citizen is
well aware of these facts and
doesn't need to watch American
tourists enjoying themselves at...
tourist resorts to figure these
points out.

"Unlike many of his former co-
horts in Moscow, [Fidel] Castro
continues to adhere to policies that
are an utter anathema to democ-
ratic principles," he added.

"And letting American tourists
frolic on Cuban beaches —
beaches ruled off-limits to Cuban
citizens — will do nothing to
change the nature of that regime."

Four Democratic members of
the House of Representa-
tives will head a group of
500 American observers to moni-
tor presidential elections in El
Salvador Sunday.

Reps. Dan Hamburg and Xavi-
er Becerra, both from California,
Nydia Velazquez of New York and
Luis Gutierrez of Illinois are
scheduled to travel to the Central
American nation Friday.

The trip is organized by the U.S.
Citizens Elections Observer Mis-
sion to El Salvador, a coalition of
24 private, voluntary groups

funded by nongovernmental U.S.
sources.

The observers will form groups
that will spread across the country
to oversee the first presidential
polls since a peace agreement put
an end to a protracted civil
war that has killed 75,000 Salvadorans.

Main contenders for the presi-
dency are Armando Calderon Sol,
a member of the right-wing Na-
tionalist Republican Alliance, and
Ruben Zamora of the former
Marxist rebels of the Farabundo
Martí National Liberation Fr

U.S. billionaire philan-
thrope George Soros
said he was "in active
negotiations" to buy the archives
and research unit of Radio Free
Europe, but denied he planned to
buy the radio station itself.

"Those rumors are false — or
rather they are distorted," Mr.
Soros said at a news conference in
Moscow, where he announced new
funding for Russian scientists.

"But we are in active negoti-
ations to acquire the archives and
the institute connected with Radio
Free Europe," he said.

The radio station and the
Radio Liberty, which broad-
cast to Eastern Europe and the So-
viet Union during the Cold War,
have suffered severe budget cuts
and are likely to lose 1,500 employ-
ees.

Mr. Soros has been called the
"philosopher-king of speculators."

His Wall Street investment
fund, the Quantum Group, has
\$1 billion in currency speculation
last year but lost \$600 million in
one day in February betting incor-
rectly that the dollar would appre-
ciate against the Japanese yen.

He recently joined forces with
the GE Capital Corp. to invest in
electric power plants in develop-
ing countries.

Their new Global Power Invest-
ments will raise at least \$2.5 bil-
lion to build or operate privately
owned power plants in Mexico and
in Asia, particularly China, India
and Indonesia.

Whitewater's second casualty

These are dangerous days to be a close lawyer friend of Hillary Rodham Clinton: Lani Guinier is licking her wounds, Vince Foster is dead, Bernie Nussbaum is out of a job and has been subpoenaed by Robert Fiske Jr., and now Webster Hubbell has left the Justice Department under a cloud. The No. 3 man at Justice, Mr. Hubbell was on the receiving end of a one-two scandal punch. He is being scrutinized for his role in the Whitewater affair — for starters, did his work for the Federal Deposit Insurance Corp., as custodian of the failed Madison Guaranty Savings and Loan, constitute a conflict of interest in light of his own firm's former representation of Madison and in light of the fact that his father-in-law had won a large judgment against Madison that the government was appealing? And he is being investigated by his former partners at the Rose Law Firm in Little Rock for overbilling. Yesterday he resigned his position as associate attorney general — insisting that he would be thoroughly vindicated.

Maybe. But his hasty departure makes little sense unless Mr. Hubbell knows he has some particularly difficult rapids to negotiate. The billing question is not a niggling one: no small change here. The money at issue may total more than \$1 million. Such an embarrassing squabble would under normal circumstances have elicited little more than Page 18 news, but add to it the fact that the White House is already taking on water, and Mr. Hubbell becomes a true liability. Mr. Hubbell became just so much cargo to be jettisoned by the Clintons in the storm.

The most immediate affect of Mr. Hubbell's resignation is at an already rudderless Justice Department. Attorney General Janet Reno is now all alone in the executive offices of the department. The departure of Mr. Hubbell follows on the heels of Philip Heymann's resignation. Mr. Heymann, who was second in command, left Justice last month citing a lack

of "chemistry" between him and Miss Reno. The bad blood may actually have been between Mr. Heymann and Mr. Hubbell, who regularly acted as a sort of surrogate attorney general, running the department according to the Clintons' druthers while Miss Reno looked on.

Miss Reno is now going to have to run the fractured Justice Department all by herself, a task few think she is up to. She has shown little interest in the crucial day-to-day tasks of deciding what suits to bring and which to settle. Mr. Heymann handled most of those questions involving criminal cases and Mr. Hubbell took care of the civil cases. Expect the Justice Department to come to a screeching halt.

Mr. Hubbell's fate must also bring beads of sweat to the Clintons' brows, because it was precipitated by the much-buffed Rose Law Firm. If the wall of silence around Rose is compromised by more than just the couriers who were pressed into shredding service, far more about the Whitewater fiasco may become known. The aggressive assault by Rose partners on Mr. Hubbell suggests that some lawyers in the firm are fed up. Consider the position of young partners, those 35-year-olds who have slaved for years as associates at Rose and expected the elevation of the Clintons to mean open partner slots and, finally, the Little Rock gravy train. Turning on Mr. Hubbell may signal that the younger guard at Rose is no longer going to stand idly by while their careers are washed away in a scandal that has nothing to do with them.

Mr. Hubbell's bug-out is particularly revealing as regards the first lady. Much of her power was based in her control over key appointments. Mr. Hubbell and Mr. Nussbaum were two such, and they are gone. The point is that Mrs. Clinton is unable to protect her closest friends when they need her, which may be the most damaging revelation of all.

Robb vs. Robb

"I believe 'character' is critically important in an elected official. Before I take the time to learn where a candidate stands on the issues or what a candidate's philosophy is, I want to know about a candidate's integrity — and you ought to know mine too."

So writes Sen. Charles S. Robb in a letter to Democratic Party leaders seeking their support for his re-election campaign. The letter concedes that over the years he has engaged in behavior unfit for a married man. And it acknowledges he failed to destroy an illegal recording of a car phone conversation of former Gov. L. Douglas Wilder. But the senator strongly denies having used drugs or even having attended parties where others used them.

The letter left a lot of people slackjawed in amazement, given that it appeared just days before he formally announced for re-election: Why bring up all this stuff again, since a lot of it is old news? A Robb spokesman says he was not just trying to put an early "spin" on expected news stories in The Washington Post, which apparently obtained damaging office memos from a disaffected staffer ousted in the controversy over the Wilder tape. He just wanted to resolve any lingering questions about past controversies.

Unfortunately, what the letter really did was remind people why they are lingering. At one point, rumors about the senator's conduct at Virginia Beach parties apparently were spreading so quickly that staff members quietly went down there to find out what their boss was doing. What they heard, among other things, were allegations that on numerous occasions he associated with drug users and people who had served federal prison time on drug-related charges. The staff also heard and ultimately concluded that he had been having sexual relations, including oral sex, with women half his age.

Such particulars are interesting primarily because they don't seem to square with earlier public state-

ments from the senator. "I chose my words with care," the senator told The Post. "I previously said I hadn't slept with anyone, hadn't had an affair."

This is the sort of casuistry that makes one cringe while listening to President Clinton. (Asked whether he had used drugs, Mr. Clinton responded that he had broken no U.S. laws.) Reporters on Mr. Robb's trail weren't asking him for the specifics of his sexual acrobatics. They simply wanted to know if he was involved with someone who wasn't Mrs. Robb, regardless of the manner. And it is not a little disingenuous now for the senator to claim he was telling the truth all along.

So it is that in this controversy, as in other earlier controversies, Mr. Robb finds himself having to answer less to, say, Tai Collins, a beauty queen from whom he claims to have received a back rub in the nude, or to Doug Wilder than to the public Chuck Robb, whose image the senator and staff have carefully cultivated. The latter is the milk-drinking, ramrod straight ex-Marine, the one who served as Virginia governor and the one who stood up to liberals in his own party and voted for Clarence Thomas. The other, private Robb is the one can't justify his activities to his own staff, much less the public.

One memo to Mr. Robb complained that "you have not offered a credible explanation to the public or the press as to why a man of your caliber, discipline and integrity was in Virginia Beach in the first place socializing with these men and women, and why you continued to do so after you were warned by others that there were possible problems ahead if you kept going to the beach."

If the term of President Clinton has proved anything so far, it is that character really does count. It is going to count in Mr. Robb's re-election campaign, and it is going to count in Oliver North's campaign for the Republican nomination against Jim Miller. Mr. Robb is finding that out the hard way.

bc-hubbell times - a1739

(ATTN: National editors) (Includes optional trims)

No. 3 Justice Dept. Official, Close Clinton Friend Resigns (Washn)

By John M. Broder and Ronald J. Ostrow= (c) 1994, Los Angeles Times=

WASHINGTON Webster L. Hubbell, the third-ranking Justice Department official and a close friend of President Clinton and Hillary Rodham Clinton, resigned Monday amid allegations that he cost his former Little Rock law firm as much as \$1 million in unbilled time and improper expenses.

Hubbell said in a statement that an investigation into his billing practices by his former partners at Little Rock's Rose Law Firm had become a burdensome distraction and that he did not want to do further damage to the administration by remaining in office.

The departure of Hubbell left a hole at the Justice Department, which has not yet filled the spot vacated by the departure last month of the department's second-ranking official, deputy Attorney General Philip B. Heymann, who quit in a personality clash with Hubbell and Attorney General Janet Reno.

The Hubbell resignation also intensified the growing cost to the Clintons of the Whitewater banking and real estate affair. His departure also leaves an impression of an administration in disarray.

"It could not have come at a worse time for him and for the administration," said a senior White House adviser.

Hubbell described the matters under dispute with his former firm as "private issues" relating to "compensation and reimbursement" that have nothing to do with the Whitewater affair or the president and first lady.

"I am confident that at the conclusion of these discussions all outstanding matters will be resolved satisfactorily," Hubbell said.

The Rose firm internal investigation "came to a very acute head" over the past several days, according to knowledgeable sources. Hubbell's former partners confronted him with how much money they believed he owed them and said they could not settle the matter amicably, the sources said.

Hubbell decided Sunday to resign, knowing that the dispute with Rose would spill over in the public arena, embarrass the Clintons and limit his effectiveness at Justice, a senior White House official said. "He did the honorable thing," the aide said. "He didn't want to ensnare the president and the first lady."

Numerous calls to attorneys at the Rose firm went unanswered Monday. The firm's outside counsel, Walter B. Stuart of the Houston firm Vinson & Elkins, did not return calls seeking comment.

Hubbell, Mrs. Clinton and the late deputy White House counsel Vincent W. Foster Jr., who committed suicide last July, all were senior partners and close friends at the Rose firm before coming to Washington with the inauguration of Clinton.

Hubbell thus became the second casualty tainted by the roiling Whitewater controversy in the past 10 days, following the resignation of White House counsel Bernard Nussbaum on March 5, who quit after disclosures that he had met with federal regulators looking into the Clintons' role in the Whitewater case. Nussbaum, too, was a close friend of the first lady's, having worked with her 20 years ago on the House Judiciary Committee considering the impeachment of former President Nixon.

In his letter of resignation to the president, Hubbell wrote that dealing with "public speculation about me and my former law firm" would consume increasing amounts of his time and would limit his effectiveness in office.

Arriving in Boston for a political appearance, Clinton told reporters that Hubbell made "the right decision."

And while he praised Hubbell as a "good personal friend" and a lawyer who is "widely esteemed" by those who know him, Clinton left himself considerable distance in case the facts prove otherwise. "I haven't talked to him since this whole issue came up," Clinton said. He repeated several times that he had "no knowledge of the facts."

Hubbell ``strongly feels that he will be vindicated but it will take some time for him to do it and that he shouldn't be working at a public job while he's doing that," Clinton said. ``I think he's right."

(Optional add end)

The Rose firm has been investigating Hubbell's billing practices since last year, when it discovered what it considered discrepancies in the hourly billings and expense accounts of the former senior partner. The internal review heated up last month when the monetary scale of the dispute became clear and when Whitewater Special Counsel Robert B. Fiske Jr. announced that he would investigate a broad range of activities at the Rose firm when Hubbell, Foster and Mrs. Clinton were essentially in charge.

The matters under scrutiny internally at Rose involved the business interests of Hubbell's father-in-law and brother-in-law, Seth Ward Sr. and Seth Ward Jr., as well as Hubbell's work for federal bank regulatory agencies, the Federal Deposit Insurance Corp. and the Resolution Trust Corp. The firm is trying to determine whether Hubbell properly accounted for personal expenses paid out of firm funds and whether there was any impropriety involved in litigation costs borne by the firm in matters Hubbell handled.

Hubbell took on an unsuccessful copyright infringement suit that a parking meter manufacturing company the Wards owned filed against a competitor, according to White House and Justice Department sources. Hubbell assumed the case on a contingency basis, an unusual arrangement for a large corporate law firm, meaning that if he lost the case his firm would bear the expenses of the litigation.

Hubbell lost the case but didn't disclose the contingency fee deal to his partners until after he joined the administration, the sources said. As a result, Rose will receive none of the \$500,000 in hourly billings amassed during the litigation.

What's more, the firm was stuck with as much as \$500,000 in additional costs related to the case.

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bc-whitewater times - a1743

(ATTN: National editors) (Includes optional trims)

Susan McDougal Offers Little New on Whitewater (Little Rock)

By William C. Rempel= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Susan McDougal, the former real estate partner of Bill and Hillary Rodham Clinton, broke the long silence that has made her the "mystery woman of Whitewater," but in a sometimes emotional press conference here Monday she shed little light on that mystery.

Refusing to answer questions about the critical transactions that have plunged the White House into controversy, McDougal instead declared her innocence and accused the Republicans of persecuting her and her former husband, Madison Guaranty Savings & Loan executive James B. McDougal.

"I know that Jim McDougal did not ever knowingly violate any laws and neither have I," she said, her voice quivering at times as she read a brief statement from handwritten notes.

Left unanswered, despite repeated questions from reporters, was whether Bill Clinton, while he was governor of Arkansas, played a role helping her obtain a \$300,000 loan in 1986 from the Small Business Administration-backed investment fund of former judge David Hale.

Hale, who goes to trial on federal fraud charges later this month, says he made the loan, intended for minority and disadvantaged borrowers, at the specific request of the governor. James McDougal and the White House have denied Clinton this.

Also unanswered was why she borrowed the money and what she did with it. James McDougal has acknowledged spending about \$110,000 of the Hale loan to purchase land in the name of the Whitewater Corporation, the Clinton-McDougal partnership that in 1978 bought 230 acres of raw land on the White River to develop an Ozark Mountain resort.

In 1989, three years after the McDougals were forced out of the S&L by federal regulators, James McDougal and two of Susan McDougal's brothers were indicted on multiple counts of federal fraud violations. All three were acquitted after a brief trial.

(Optional Add End)

On Monday she said the jury verdict should have ended the controversy but that Clinton's election had renewed it.

Her attorney, Bobby McDaniel, said that the McDougals' Whitewater records were all delivered to the governor's mansion in a box at some time in 1991, before or possibly around the time that Clinton declared his candidacy for president. The attorney said that Bill Clinton personally requested the records and that Susan McDougal had one of her brothers deliver the box to the Clinton residence.

"She expected to get them back in a relatively short period of time," McDaniel said, but Susan and James McDougal say they have not seen those documents since.

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Next, Hillary Clinton is right to charge that partisanship is at work here. She blames it on Republicans and others who have political or financial reasons for opposing her husband's programs, but here she is off the mark. The passionate rage with which the opposition party and its writers pursue the Clintons comes from 20 years of being told by Democrats that Republicans and people who like the private sector are slimeballs.

In the years after Watergate, many of the Clintons' comrades, who in their own lives were not known as notable sticklers for the rules, used the issue of ethics as a tool against Republicans and conservatives. The ethics enthusiasts encouraged journalists in the habit of thinking of scandal as the center of political news.

Now the news media is hooked, with an addict's craving for scandal politics. Republicans have come into possession of a satisfying fix. To ask them now to stop in their tracks, assume the mantle of statesmen, and proclaim this an occasion for both parties to kick the scandal habit is useless and perhaps even counterproductive: The current scandal-mongering will probably not stop until both parties have had their noses rubbed in it.

Yet perhaps the strongest subterranean stream feeding this scandal is ambivalence about the first lady. This resentment is somewhat unexpected. Hillary Clinton is admired by many for embodying the idea of the new, more assertive woman who shares in her husband's career without sacrificing her own individual work, interests and open access to political power.

Some people doubtless hate her for precisely this reason: She is a woman exercising unprecedented female political authority. Others probably dislike her certitude men because they think it pushy, women because it refuses to acknowledge the tensions and ambivalence of their own lives as workers, wives and mothers.

Most important, Hillary Clinton has run afoul of the deep American animus toward nepotism. We hate the practice because it announces that power will be distributed not according to rules by which all can compete but within unbreachable walls of blood and kinship. Also, it enables some people in power to escape the normal channels of accountability. Mrs. Clinton has so far not been forced to give direct answers to questions about Whitewater. Each public appearance she makes, answering only what she chooses to answer, delivers the reminder that some politicians under scandal fire are more equal than others.

Whitewater shows us a scandal machine, built of multiple rules and the large-scale urge to exploit them, that is expert in magnifying public figures' sins. It also shows us that some of the designers of this machine did not take it seriously either as a threat or as a guide to their own conduct.

The scandal displays a generation, finally come to power in the White House, seemingly incapable of the self-discipline necessary to build an organization that might present a reasoned response to a crisis like Whitewater. Finally, it reveals a first lady who does not understand that she must sometimes be governed by the rules and attitudes that constrain more ordinary politicians.

We have seen the 1960s all grown up, and the sight makes a depressing prediction about the course of the Whitewater scandal and the future of the Clinton administration from here on in.

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(ATTN: Editorial Page editors)

The Damage of Damage Control

Garment is a resident scholar at the American Enterprise Institute.

She is the author of "Scandal: The Culture of Mistrust in American Politics" (Times Books).

By Suzanne Garment= Special to the Los Angeles Times=

Around Washington last week, political types have two major reactions to the continuing Whitewater uproar. Some people express highly vocal astonishment at how the still-unknown, probably-not-so-big Whitewater offenses have acquired all the trappings of a major scandal. Other folks are just tickled at the Clintons' troubles and opine righteously about the first couple's arrogance of power. Neither school seems to see that a big part of Whitewater's fascination is its role as a mirror to the entire bitter politics of the past 25 years.

Clinton defenders are surely right about one thing: The underlying offenses now laid at the door of the Clintons, especially of Hillary Rodham Clinton, are sins often committed in state politics with only minor comment. Money may have moved illegally between Bill Clinton's Arkansas campaign funds and the Whitewater Development Corp. but so far we've heard no evidence that the Clintons knowingly violated the law. It may also be that indebtedness to Clinton swayed an Arkansas banking regulator's decision about whether to sanction the practices of Madison Guaranty Savings and Loan, but such crimes are notoriously hard to prove.

True, it was not just these allegations that made Whitewater fester and spread. There was also what is now known as the "cover-up." The Clinton administration has behaved almost inexplicably in reacting to this scandal.

Recently ousted White House Counsel Bernard W. Nussbaum and Hillary Rodham Clinton both worked for the House Judiciary Committee during Watergate in a successful attempt to bring down President Nixon. In other words, they helped create the climate of pervasive political mistrust without which Whitewater, at least in its current bloated form, could not happen. No wonder people are asking how these same two people could be so blind to the moral and practical dangers of stonewalling?

But the puzzle is broader than that. In the time since Watergate, we have seen scandal after scandal follow the same pattern: exposure of wrongdoing, cover-up, exposure of cover-up, conflagration. In other words, we have had 20 years of training in the difference between successful and self-destructive damage control. Where were the Clintonites while all this was going on?

Yet the facts are unmistakable: In the wake of Vincent W. Foster Jr.'s suicide, some of the Clintons' papers were removed from his office and sent to their outside personal lawyer rather than remaining available to federal investigators. The first couple strenuously resisted giving the Justice Department documents in their control. Other documents were shredded by Hillary Clinton's old law firm. White House aides met with regulators to discuss an investigation in which the Clintons were involved.

So what is going on here? Well, one factor at work is that the Clinton White House has been operating with an insufficient amount of adult supervision.

The tales of White House staff behavior are numerous and consistent: Meetings called on the spur of the moment. Often anyone can walk into a meeting and ask a question. Whenever crisis strikes, everyone drops what he or she is doing and races in that direction. As one administration official described, "They're like little kids just learning soccer. They don't know how to play their positions: When the ball moves, the whole team just follows it."

From time to time an outsider, like David R. Gergen or Lloyd N. Cutler, is brought in as savior and legitimator. But the White House insiders resist acculturation. Thus it is no surprise that some of the Whitewater mess is due, just as administration spokesmen have said, to dumb mistakes.

Clinton aide quits in rift with firm in Arkansas

No. 3 official at Justice Dept.
denies any Whitewater link

By Ana Puga
GLOBE STAFF

WASHINGTON - Associate Attorney General Webster L. Hubbell resigned suddenly yesterday, adding to the turmoil in the Clinton administration, amid reports of a deepening dispute between Hubbell and his former Little Rock law partners over past billing practices.

The dispute with the Rose Law Firm appeared to be only tangentially related to the Whitewater controversy plaguing both the administration and the firm. But an aide to Hubbell said the longtime Clinton adviser had decided on his own last weekend that he needed to focus full time on clearing himself of allegations that he had cost his former law firm more than \$1 million in unbilled time and that he had not properly accounted for his expenses.

In resigning, Hubbell said his effectiveness as the Justice Department's No. 3 official was being compromised, adding in a statement, "It is with deep regret that I have seen private issues between me and my family and my former law firm elevated to public speculation."

Hubbell's resignation followed within 10 days that of White House counsel Bernard Nussbaum, a central figure in accusations that administration officials had met improperly with federal regulators during their investigation of the Whitewater land deal.

The two resignations have contributed to an atmosphere of disorder and instability, damaging Clinton's attempts to carry on with his legislative agenda. Clinton, in Detroit yesterday for a jobs conference among industrialized nations, ignored questions about Hubbell, but later said in Boston that the decision to step down was "the right thing to do."

Clinton said he did not believe his old ally had done anything wrong. "Based on my knowledge of him, I find that hard to believe. We just have to . . . give him a chance to go home and deal with this and see what happens," Clinton said.

Dee Dee Myers, the White House spokeswoman,

said Hubbell made the decision to resign on his own. "This is not something the White House asked him to do," she said.

Attorney General Janet Reno's voice shook as she briefly appeared before reporters yesterday afternoon to announce Hubbell's departure. Aides said the decision had come as a shock to her.

"There are no words capable of fully conveying to you my deep respect and admiration for Web Hubbell or how sad this event makes me," Reno said.

Besides adding to Whitewater-related speculation, Hubbell's departure creates a larger vacuum at the top of the Justice Department. The No. 2 slot has been empty since last month, when Deputy Attorney General Philip B. Heymann resigned, citing management-style differences with Reno. Heymann's designated replacement, Pentagon counsel Jamie Gorelick, has not yet been approved by the Senate.

Reno said she has not yet decided who will replace Hubbell and does not know when his resignation will become effective. A longtime Clinton adviser, Hubbell had served as the main link between the Justice Department and the president, but Reno denied that his departure would affect Justice-White House communications.

Hubbell's responsibilities also included civil rights, anti-trust and immigration policy.

According to a Wall Street Journal article yesterday, partners in the Rose firm are questioning Hubbell's decision to represent his brother-in-law, Seth Ward, on a contingency-fee basis. Because Hubbell lost the case, Rose could not charge for \$500,000 in time spent on the matter.

In his statement, Hubbell insisted that the dispute with his former employer is unrelated to the Whitewater case, in which the Rose Law Firm played a role, and unrelated to the question of whether the Clintons had improperly used their influence in the matter.

Hubbell said it was "unfortunate that private issues between me and my firm have been cast, by some, as being part of a broad political net called Whitewater . . . These private issues have nothing to

do with Whitewater," he said.

But questions have been raised as to whether the Rose Law Firm behaved properly in representing first Madison Guaranty Savings and Loan and then the Resolution Trust Corp., after it took over the failed thrift. Robert Flske, the Whitewater special counsel, has subpoenaed documents relating to the cases.

Although Hubbell said Whitewater was a separate matter, Justice Department sources said privately that the associate attorney general felt pressured by the hue and cry surrounding that case.

When news of the Rose firm's investigation into

Hubbell's spending broke this month, Reno suggested the matter was a minor query on some past expenses. She insisted that Hubbell had done nothing wrong. Reno yesterday conceded she did not know the details, but continued to defend him.

"I don't believe he did a thing wrong, and I think ultimately that that will be clear to everyone," she said.

Later she added, "I don't have any knowledge of the facts. I base it on my judgment of his character."

BC-CLINTON-NORMALCY (SCHEDULED)

CLINTON SEEKS NORMALCY BUT TROUBLES STALK HIM

By Susan Cornwell

BOSTON, March 15 (Reuter) - It was supposed to be the day the Clinton White House got back on track, but it was interrupted by something like a train wreck as the administration was hit by the resignation of another top official under a cloud.

President Clinton's Monday began in Detroit with Clinton speaking about a favourite subject, the reviving U.S. economy.

By late afternoon a saddened president was in Boston trying to explain his latest personnel problem and minimise the damage to his administration.

An old friend of Clinton's from Arkansas, Associate Attorney General Webster Hubbell, unexpectedly resigned. The resignation came amid questions about billing practices at the Rose Law Firm in Little Rock, Arkansas, where he was an associate of first lady Hillary Rodham Clinton.

It was another setback to an administration already staggering from the Whitewater affair and trying to refocus attention on policy.

"As I said, I have no knowledge of this," Clinton told reporters in Boston who asked about possible harm to his administration. "This is, to me, more of a personal deal for Webb Hubbell."

But White House officials were clearly crestfallen that the week during which they hoped to get attention back on domestic issues had started so badly.

The president launched a three-day trip Sunday that was supposed to concentrate on the economy, including a speech at the international jobs conference in Detroit, and to get away from Washington and two weeks of unseemly Whitewater headlines.

"Whitewater" takes its name from the Whitewater Development Corp, a now defunct Arkansas real estate venture in which then-Arkansas Governor Clinton and his wife invested.

A special counsel is investigating Whitewater's ties to the failed Madison Guaranty savings and loan in the 1980s.

The scandal exploded in Washington this month with word that 10 administration officials had been subpoenaed to testify about several meetings between White House and Treasury Department staff concerning a federal probe into the Whitewater affair.

The Republicans cried "coverup" and on March 5, White House counsel Bernard Nussbaum was forced to resign after admitting he took part in the meetings on the investigation with Treasury aides.

His was the latest in a string of high-profile departures from the administration that were unrelated to Whitewater, including Les Aspin, Clinton's first defence secretary, and Deputy Attorney General Philip Heymann, who quit over a personality clash with Attorney General Janet Reno.

"There has been a barrage of bad press lately," White House spokeswoman Dee Dee Myers acknowledged to reporters Monday morning in Detroit, just before Clinton addressed the labour and finance ministers of the leading industrial nations on a global approach to growth.

"We'll do everything we can to get attention back on the things that matter," Myers said.

But when Hubbell's resignation burst into the headlines in the afternoon, it bumped Clinton's remarks about global growth and jobs right out of the spotlight.

Television newscasts Monday evening focused on the president's problems again, including rehashes of the Whitewater scandal, even though the administration asserted there was no link between the affair and Hubbell's decision to step down.

Hubbell's name, however, has been linked to Whitewater. His father-in-law is said to have borrowed money from Madison and was an executive of a Madison real estate subsidiary.

There had also been questions on whether the Rose Law Firm where Hubbell

worked had misled the government about previous work done for the failed Madison thrift. In November, Hubbell removed himself from any involvement in Whitewater matters.

As Clinton sought to distance himself from Hubbell's resignation Monday, a senior White House official admitted, ``We can't always control the timing of these things.''

If the president had any bad feelings about Hubbell's resignation, ``he didn't express them,' ' the official said.

But by Monday evening the president was sounding defensive, charging that Republicans opposed to his policies were ``committed to the politics of personal destruction.''

``I never did them (the Republicans) the way they are doing us today in Washington D.C.,' ' he told a Democratic fundraiser in Boston. ``It is wrong, and it is not good for the United States of America.''

REUTER

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(ndy) (ATTN: National editors) (Includes optional trims)

A Tangled Web of Questions About Hubbell (Little Rock)

By John Riley= (c) 1994, Newsday=

LITTLE ROCK, Ark. Associate Attorney General Webster Hubbell is President Clinton's golfing buddy. He was Hillary Rodham Clinton's former law partner at the Rose Law Firm, and her partner in an investment group as well. And as the Justice Department's third-ranking official, he was a trusted loyalist at one of the most sensitive agencies in the federal bureaucracy.

But despite his ties to the first family, by the time of his resignation Monday Hubbell had also become a potentially serious political liability his billing practices for government and other clients under scrutiny at Rose, and his sensitivity to possible conflicts of interest under investigation by two federal banking agencies.

From the time of his confirmation hearings in 1992, controversy has surrounded Hubbell, an affable former football lineman at the University of Arkansas and former Little Rock mayor known here more for his connections and his ability to bring in clients than for his lawyering skills.

A corporate lawyer, he listed some of Arkansas' most powerful companies Stephens Inc., Worthen Bank, Wal-Mart and Tyson Foods among his major clients, along with several out-of-state Fortune 500 companies and two federal banking agencies, the Resolution Trust Corp. and the Federal Deposit Insurance Corp. He made more than \$300,000 his last year at the firm.

To get confirmed, he had to agree to resign from an all-white country club, where Clinton had also golfed, to counter complaints about his racial sensitivity. And he also denied accusations from a local stockbroker that some of his personal stock purchases appeared to rely on unusually astute inside knowledge about the affairs of one of his corporate clients.

Hubbell became embroiled in the sprawling Whitewater controversy last year, following disclosures that he had been the lead lawyer at Rose representing the FDIC and Resolution Trust in a 1989 suit against the former accountants of Madison Guaranty Savings and Loan, after the agencies took over the failed thrift. The \$10 million suit was eventually settled for \$1 million, and Rose received \$400,000 in fees.

The problem: There was, and is, no written evidence that Hubbell advised the two agencies of Rose's previous links to Madison. First, Madison, which cost taxpayers more than \$47 million when it failed, had been owned by James McDougal. McDougal was a partner of the Clintons in the Whitewater land development scheme.

McDougal had put Hillary Clinton on a \$2,000-a-month retainer in the mid-1980s to try to convince a state securities commissioner appointed by then-Gov. Bill Clinton to approve an unusual financing scheme and she had relied on reports by the very accountants Rose sued in 1989.

That, ethics experts say, raised questions about whether Hubbell could aggressively pursue allegations of faulty audits against the accountants without risking embarrassment to his own law firm. Among other problems, Rose itself might be subject to a suit by the FDIC or RTC if evidence surfaced that it knew in the mid-'80s that the accountants had painted a too-rosy picture of Madison.

Second, Hubbell's father-in-law, Seth Ward, the former owner of a major Arkansas parking-meter manufacturer called P.O.M. Inc., had been involved in some of the real estate deals at Madison that federal banking regulators were questioning. In fact, he was suing Madison and the agencies for real estate commissions that he claimed were owed.

Hubbell and Hillary Clinton were representing P.O.M., owned by his brother-in-law Seth Ward II at the time. And, while Hubbell promised regulators who raised questions not to represent relatives in disputes with Madison, court records showed that he later called Ward's lawyers to give them a piece of helpful information (gleaned from a newspaper) in the suit against the agencies. That, according to ethics experts, raised questions

about his loyalty to his own client.

Last month, with the FDIC and Resolution Trust still studying possible sanctions against Rose for those conflicts, Hubbell came under fire again with reports that his former firm was investigating his billing practices, and was considering reporting him to the Arkansas bar association.

(Optional add end)

Among other problems, Hubbell apparently had handled a patent infringement case for P.O.M. under an unusual fee agreement that required Rose rather than the client to pay a reported \$500,000 in fees to expert witnesses. That, sources said, didn't set well with the partners left behind in Little Rock after Hubbell went to Washington.

Rose also raised questions about possible overbilling by Hubbell, including charging personal expenses to client accounts and billing for the work of others.

Although the billing issues were primarily focused on Hubbell, they had potential ramifications for the Clinton administration as well. According to some reports, the Rose investigation of his billing practices began in 1992, raising questions about whether Hillary Clinton and former Rose managing partner William Kennedy, now deputy White House counsel, knew about it and failed to report it to Congress and the FBI when Hubbell was being confirmed.

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BC-USA-HUBBELL (SCHEDULED)

WHITE HOUSE STRESSES HUBBELL WASN'T FORCED OUT

By Irwin Arief

WASHINGTON, March 15 (Reuter) - The White House is stressing that Associate Attorney General Webster Hubbell acted on his own when he resigned his Justice Department post in a move that both Hubbell and the White House agree has no connection to the Whitewater affair.

"This is, to me, more of a personal deal for Webb Hubbell," President Clinton told reporters Monday when asked whether Hubbell's decision was a setback for his administration as it sought to dig itself out from Whitewater.

"I'm just hoping that it works out for him and I think he made the right decision," Clinton said, stating that he had not been involved in Hubbell's decision.

Hubbell said he had to resign to deal with an ugly billing dispute with his former law partners at the Rose Law Firm in Little Rock, Arkansas.

In his resignation letter, he said he could no longer be effective as the Justice Department's third-ranking official because of the time he had to spend dealing with questions about his billing and expenses at the Arkansas firm.

But the timing could not have been worse for the Clinton administration, which has been struggling to shift the national focus back to policy and away from Whitewater.

"It is... unfortunate that private issues between me and my firm have been cast, by some, as being part of the broad political net called Whitewater," Hubbell said in a statement issued along with his resignation letter.

Hubbell had been a partner of first lady Hillary Rodham Clinton at the law firm, and he has been a longtime friend and golfing companion of the president.

His resignation marked the third recent departure of a senior administration official. The others were:

-- White House counsel Bernard Nussbaum -- also a close friend of the first lady -- who was forced to resign earlier this month after admitting he met with Treasury Department officials concerning a federal probe into Whitewater.

-- Deputy Attorney General Philip Heymann, who quit due to a personality clash with Attorney General Janet Reno.

In Little Rock, 15 partners of the Rose firm met privately into the evening hours to discuss the Hubbell matter.

Afterward, the partners left the firm offices without responding to reporters' questions on whether they would seek disciplinary action against him from state legal authorities.

Hubbell said he was "confident" that his dispute with his law firm "will be resolved satisfactorily" and left open the possibility of returning later to government service.

"This is not something the White House asked him to do," White House spokeswoman Dee Dee Myers said, referring to Hubbell's decision to resign.

Clinton had not spoken with Hubbell from the time his troubles with the Rose Law Firm came to light two weeks ago until after his decision to resign was announced Monday, a senior administration official insisted.

Asked if he was aware of any Hubbell wrongdoing involving the Rose firm, Clinton said, "I have no knowledge of the facts. Based on my knowledge of him, I find that hard to believe."

Speaking with reporters on a trip to Boston, a sad-looking Clinton predicted Hubbell would be vindicated but added, "I think he did the right thing."

Though Hubbell's private dispute with his old law firm was unrelated to Whitewater, his name has figured in the affair.

His father-in-law had borrowed hundreds of thousands of dollars from

Madison and was an executive of a Madison real estate subsidiary.

Hubbell in November removed himself from any involvement in Whitewater matters after questions were raised about a possible Rose Law Firm conflict of interest in work it performed for the government and for the failed Madison bank.

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