
Daniel Wattenberg

The Lady Macbeth of Little Rock

Hillary Clinton's hard-left past and present.

Hillary Clinton has been likened to Eva Perón, but it's a bad analogy. Evita was worshipped by the "shirtless ones," the working class, while Hillary's charms elude most outside of an elite cohort of left-liberal, baby-boom feminists—the type who thought Anita Hill should be canonized and *Thelma and Louise* was the best movie since *Easy Rider*. Hillary reckons herself the next Eleanor Roosevelt. But, standing well to the left of her husband and enjoying an independent power base within his coalition, Hillary is best thought of as the Winnie Mandela of American politics. She has likened the American family to slavery, thinks kids should be able to sue their parents to resolve family arguments, and during her tenure as a foundation officer gave away millions (much of it in no-strings-attached grants) to the left—including sizable sums to hard-left organizers. She is going to cause her husband no end of political embarrassment between now and November—and who knows how long afterward.

By the morning of June 5, four top Clinton campaign aides—David Wilhelm, George Stephanopolous, Eli Segal, and Stanley Greenberg—had had enough of Susan Thomases and Harold Ickes, two ultra-liberal campaign aides who had fastened themselves to Hillary. Accord-



ing to a Clinton insider, the four had concluded that "Susan Thomases is running this campaign with Harold Ickes through Hillary," and gave Bill Clinton this ultimatum: "Either [Thomases] goes, or we're all going and *she* can run the campaign." Ever the Conciliator-in-Chief, Clinton managed to avert a mass resignation by the top echelon of his campaign staff. "They papered all this over for the time being, but it won't last," says the insider.

Thomases, a New York lawyer, is "the most doctrinaire liberal or old-line thinker

around" the campaign, says a Clinton adviser. "Someone who just doesn't get any of the reform/New Covenant message." Ickes, son of Roosevelt's New Deal Interior Secretary Harold Ickes, is anathema to many centrist Democrats who rallied early to the Clinton candidacy. In 1988 he was Jesse Jackson's convention manager. In 1972, he was a key delegate selector for George McGovern, bending party rules to disestablish traditional Democratic constituencies—middle-class and socially conservative—in favor of student, feminist, and minority activists. A Clinton insider calls him "the most evil man on the face of earth," adding: "He has done more single-handedly to destroy the Democratic party than anyone else."

The immediate cause of the threatened walk-out was a national poll that the four, along with Frank Greer, had worked on with Thomases. When, despite opposition from Thomases, the others prepared to run the poll, Thomases

Daniel Wattenberg is a writer for Insight.

complained to Hillary. The latter interceded with her husband, and the poll was killed. But the poll was small potatoes compared to the strategic coup that Hillary and her allies pulled off in blocking the move of Clinton's campaign headquarters from Little Rock to Washington, a move many considered inevitable after Clinton's victory in the New York primary. In Little Rock, lines of authority are fuzzy, and Hillary's temple dogs roam free. By keeping the campaign in Little Rock, they simultaneously froze out ideological adversaries linked to the centrist, Washington-based Democratic Leadership Council (DLC) and a group of seasoned national campaign professionals. "Hillary's probably the only person in this campaign who wanted it to be in Little Rock. The DLC crowd and the centrists—all of Washington—have basically been left high and dry," says a campaign source.

An influx of senior political talent would have left Mrs. Clinton's politically inept allies licking envelopes—Thomas is the political genius who guided Bill Bradley, a New Jersey institution since his All-America days at Princeton, to a 50-47 reelection squeaker over underfunded, unknown challenger Christine Todd Whitman in 1990. And moving the campaign to Washington would have meant more conventional wife-of-duties for the gaffe-prone Hillary. "You bring it to Washington and the first thing you do is you get the Tom Donilons, the John Sassos, and all the grown-ups involved with real experience. They're going to—number one—kick out the Thomaseses and the Ickeses," explains an insider. "Number two, they're going to put Hillary in a very different position in the campaign."

Hillary Clinton's unfavorable poll ratings have risen as high as 29 percent in recent months. "Negatives" of 40 percent are generally fatal for a candidate; for a new-to-the-national-scene wife of a candidate, negatives in the 30 range are disastrous. The image of Mrs. Clinton that has crystallized in the public consciousness is, of course, that of Lady Macbeth: consuming ambition, inflexibility of purpose, domination of a pliable husband, and an unsettling lack of tender human feeling, along with the affluent feminist's contempt for traditional female roles.

Usually when a public figure develops a chronic image problem, it is the result of searching investigative reporting, leaks, revelations, scandal: Dan Quayle's National Guard service; John Tower's drinking and womanizing; Nancy Reagan's new china, borrowed designer gowns, and astrology. The surprising thing about Hillary's image problem is that it is self-generated. No one in the press has really scrutinized her twenty years of political activism in the far left border regions of the Democratic

party. The only big scandal to blow in her direction concerned her errant husband, and that should have earned her general sympathy. The *New York Times* did do a page-one story about Hillary's involvement on behalf of a client with a case before the Arkansas Securities Commission. But that went right over most heads, and she was home free until Jerry Brown dinged her about it and she answered, infamously, "I suppose I could have stayed home and baked cookies and had teas."

Hillary Clinton is a self-detonating explosive. The condescending comments and snide innuendos that have landed her in such trouble (the Tammy Wynette crack, her insinuation in a *Vanity Fair* profile that Barbara Bush's husband was an adulterer too) have been volunteered. "She seems to be poised and intelligent," laments a Clinton adviser, "and yet she always seems to be one smart remark away from getting in trouble."

While Clinton has abandoned the husband-and-wife team presidency concept implicit in the slogan "Buy one, get one free," and while on-back-ground speculation about cabinet posts for Hillary has been squelched, protecting the campaign from her bouts of public tactlessness remains "a continual topic of conversation day in and day out" within the campaign, according to one source. But how do you tell her to knock it off? Very carefully. "People

who wrote memoranda which kind of gently raised that topic had them returned saying, 'You need to take those two paragraphs out, because Hillary will see them, and if she sees them, you'll be dead.' "

Centrist Democrats fear that internal advocates of a 34-percent strategy (placate the liberal base, concede the center) have found a powerful and untouchable champion in Hillary, guaranteeing continuing wrangling in the campaign. "There is a general notion below the surface of a 34-percent strategy, meaning go to the left and energize the base to win this thing, versus 51 percent," says an insider "There was always a marriage of expedience and principle in the DLC world: You had to get back the Reagan Democrats by going to the center. But the expedience and principle have been decoupled, because now the expedient may be to go for 34 percent."

Many in and around the campaign have the disquieting sense that Clinton is powerless to check his wife's growing influence because he needs her to fulfill the public role of forgiving wife standing by her man through marital vicissitudes. Could it be that Hillary is exploiting this unusual form of leverage to maximize her clout? A source replies, "It would be the first time I've heard that without an outright expletive in the sentence."

How could the party's moderate wing have signed on with such enthusiasm to a campaign that is penetrated at

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high levels by the nutty left? "We didn't know Hillary at all," confesses a Clinton adviser.

When the spunky, young Hillary Rodham left Park Ridge, Illinois, for college in 1965, she was by all accounts a Goldwater conservative. Four years later, as Wellesley's first-ever student commencement speaker, she took her leave of the school in a valedictory cloud of disjointed sixties rhetoric. What happened to Hillary at Wellesley? "What happens to everybody at Wellesley," says her close college friend, Eleanor "Eldie" Acheson (granddaughter of Truman Secretary of State Dean Acheson). "They become right-thinking."

The times they were a-changin', and a naturally ambitious but intellectually impressionable college girl like Hillary was made to order for a faculty mind-sweep. Hillary was a political science major at a time when virtually all departments at Wellesley, according to Acheson, were being swamped by "a ton of younger assistant professors and lecturers and instructors who came to that college with a lot of new ideas and some very aggressive, advocacy-oriented ways of teaching." Pursuit of knowledge for its own sake was giving way to the pursuit of Relevance. "Whatever the course, one needed to draw a current application from it. How did it relate to where we are today in the United States of America and the world at large?"

Hillary's 1969 commencement speech offers a glimpse of the results of her undergraduate education. After initial resistance and much negotiation, the Wellesley administration finally agreed to a student commencement speaker, on two conditions: the speaker and her remarks were to reflect a consensus of the graduating class and the remarks were to be "appropriate" and not embarrass the college. The students selected Hillary, the president of College Government, to speak. But the main commencement speech, delivered by the late Senator Edward Brooke of Massachusetts, a liberal Republican, flunked the "relevance" test. "Senator Brooke gave an address that was pretty close to being just absolutely disconnected with the four years of our experience at Wellesley," says Acheson. "Hillary decided it could not go unremarked upon, and before her speech, gave an extemporaneous critique of Brooke's remarks."

Although Acheson defends her friend, Hillary's speech, read today, appears barely intelligible, even by sixties standards:

Every protest, every dissent . . . is unabashedly an attempt to forge an identity in this particular age. That attempt at forging for many of us over the past four years has meant coming to terms with our humanness. Within the context of a society that we perceive—now we can talk about reality, and I would like to talk about reality sometime, authentic reality, inauthentic reality, and what we have to accept of what we see—but our perception of it is that it hovers between the possibility of disaster and the potentiality for imaginatively responding to men's needs.

This part isn't much better:

Words have a funny way of trapping our minds on the way to our tongues, but there are necessary means even in this multi-media age for attempting to come to grasps [sic] with some of the inarticulate maybe even inarticulate things that we're feeling.

But she springs free from the mind-word-tongue trap to express her impatience with empirical analysis as a basis for radical change:

What does it mean to hear that 13.3 percent of the people in this country are below the poverty line? That's a percentage. We're not interested in social reconstruction; it's human reconstruction. How can we talk about percentages and trends?

It gets even more interesting:

There are some things we feel, feelings that our prevailing, acquisitive and competitive corporate life, including tragically the universities, is not the way of life for us. We're searching for more immediate, ecstatic, and penetrating modes of living.



(Hillary must look back now with some amusement on the anti-corporate, anti-acquisitive rhetoric of her youth. Until a few months ago, she served on three corporate boards—French chemical giant, La Farge; Little Rock-based yogurt kings, TCBY; and the Wal-Mart Corporation, source of the recently deceased Sam Walton's fortune, perennially the largest personal fortune in the United States. Between 1986 and 1991, Hillary collected more than \$129,000 in director's fees. "Hillary has always made out like a bandit," says a tax expert familiar with the Clintons' returns. "Director's fees have been a really big source of income to them over the years, particularly since the mid-eighties.")

In quest of more immediate, ecstatic, and penetrating modes of living, Hillary went from Wellesley to, of all places, Yale Law School. Here she met her future husband, and the story of their first meeting—she made the first

move—is well known. Law school professor Burke Marshall took her under her wing, and she flourished academically. Marshall, a Kennedy family confidante, is the first person Ted Kennedy called after driving Mary Jo Kopechne off Chappaquiddick Bridge.

At Yale, Hillary slipped into an intellectual milieu marked by way-out and sometimes vicious left-wing polemics and activism. While leading campus protests against everything from the Vietnam war to the absence of a Tampax dispenser in the women's law school john, she found time to serve on the board of editors of a law school quarterly called the *Yale Review of Law and Social Action*.

The Spring 1970 issue featured articles by Duncan Kennedy (now a leading figure in Harvard Law's Marxist critical legal studies circle) and Robert Borosage (a radical left Jesse Jackson adviser based at the Institute for Policy Studies in Washington). Another article, "Jamestown Seventy," proposed "political migration to a single state for the purpose of gaining political control and establishing a living laboratory for experiment." Impatient with the counterculture, the authors hungered for an American-style Kam-puchea:

Now a new frontier must be found to foster further experimentation, an environment relatively unpolluted by conventional patterns of social and political organization. Experimentation with drugs, sex, individual lifestyles or radical rhetoric and action within the larger society is an insufficient alternative. Total experimentation is necessary. New ideas and values must be taken out of heads and transformed into reality.

As a member of the editorial board, Hillary provided a "detailed sympathetic critique" of the article, according to a source at the journal. Her main problem with the piece was that it was "long on rhetoric, short on action," according to the source. Hillary, it seems, had found an appropriate laboratory for the "human reconstruction" she championed at Wellesley.

Hillary Rodham is listed as an associate editor in a special double issue of the journal, much of it devoted to the Black Panther murder trials then taking place in New Haven. Several drawings depict policemen as pigs. In one, rifle-toting, hairy-snouted pigs with nasal drip march in formation emitting "oinks" and thinking to themselves, "niggers, niggers, niggers, niggers . . ." Another shows a decapitated and dismembered pig squealing in agony. It is captioned, "Seize the Time!" If Hillary approved of her colleagues' artwork, then she appears to have foreshadowed by about twenty years such contemporary traffickers in cop-killing imagery as rappers NWA and Ice-T.

In the *New York Review of Books*, Garry Wills touted Hillary as "one of the more important scholar-activists of the last two decades" for her work in the field of children's rights and family policy. On federal children's policy, she repeatedly expressed the radical's contempt for fainthearted liberal approaches to federal programs for children. She rejected piecemeal testing and evaluation of pro-

grams targeted on needy children in favor of "comprehensive programs—those that provide services for the entire child population."

In "Children's Policies: Abandonment and Neglect" (*Yale Law Journal*, 1977), she chastises the Brookings Institution's Gilbert Steiner for his look-before-you-leap attitude toward federal intervention in the family: "Steiner posits that 'non-intervention serves as a basic guiding principle rather than an absolute.' Steiner's rejection of absolutism is welcome, but it is his cautious attitude toward governmental involvement in child-rearing that implicitly molds his analysis." And later: "There is nothing wrong with pressing for better programs for the needy, but Steiner sets his sights too low."

Underlying Hillary's demands for a sweeping range of federal children's programs now is the same impatience with empiricism she exhibited in her adieu to Wellesley ("What does it mean . . . 13.3 percent . . . are below the poverty line? That's a percentage . . ."). The flaws in Steiner's analysis, she writes, can be pinpointed by

examining two familiar corollaries of the non-interventionist principle, both of which help shape Steiner's evaluation of federal policy toward children. . . . The first corollary is that in order to overcome the non-interventionist impulse the evidence supporting proposed or ongoing children's programs must be greater than that necessary to overcome resistance to change in other areas of public policy. . . . The second corollary . . . is that children's programs, once underway, should be judged more quickly and harshly than other programs.

It's worth noting in passing that her second corollary merely restates part of her first, an embarrassing logical lapse in a finely tuned legal mind.

In any case, the empirical threshold is just a blind for sentimentalists: "Apparently we share so much apprehension about potential harm to cherished, albeit fantasized, family values that programs for children must demonstrate immediate success or risk extinction."

But Hillary's advocacy of massive and immediate expansion of federal child-care programs was relative tinkering compared to the radical redefinition of the relationship between state and family that she called for as a champion of the "children's rights" movement. In "Children Under the Law" (a 1974 essay reprinted by the *Harvard Educational Review* in 1982) she proposed three measures for obtaining "children's rights": (1) the immediate abolition of the legal status of minority and the reversal of the legal presumption of the incompetence of minors in favor of a presumption of competence; (2) the extension to children of all procedural rights guaranteed to adults; (3) the rejection of the legal presumption of the identity of interests between parents and their children, and permission for competent children to assert those independent interests in the courts. (In effect, when parents and their teenage kids don't agree on who's the boss, a judge steps in.)

The relationship between her first and third proposals

forms a powerful wedge for the courts to intercede between parents and children to resolve intra-family disputes. It works like this: Under proposal No. 1 (the reversal of the presumption of incompetence), competence would be decided case by case by the courts. Hillary accepts that infants will in most cases be deemed incompetent, but when it comes to kids 12 and over, she leans to the view that they are more like adults than kids and that their presumed competence ought to withstand challenge in most cases. Under proposal No. 3 (the rejection of the presumption of the identity of interests between parents and their children), when the interests of parents and children diverge, competent children—that's most teenagers, remember—are free to testify against Mom and Dad and the courts will decide between them.

In a 1979 article, "Children's Rights: A Legal Perspective," Hillary—by this time over 30 and wife of the governor of Arkansas—answered critics who feared her brand of children's rights would elevate family squabbles into legal battles:

The fears that many people have about . . . a law of children's rights arise from their concern about increasing government control over such intra-family disputes.

A letter sent out several years ago about the Child and Family Development Act urged persons to oppose the proposed bill because it would, according to the writers, allow children to take parents to court if they were ordered to take out the garbage. Family disagreements that result in legal battles are, of course, of a more serious nature. . . . The most recent example of disagreement between parent and child is found in the abortion cases recently decided by the United States Supreme Court. The Court held that a minor child might seek an abortion without her parents' consent and over her parents' objections if a court believed it to be in the child's best interests.

In other words: "Don't worry, we'll still leave mundane decisions to the discretion of parents, it's just the important ones they can't be trusted with." Did she think her critics would be reassured?

How far into the home would Hillary invite the courts?

I prefer that intervention into an ongoing family be limited to decisions that could have long-term and possible irreparable effects if they were not resolved. Decisions about motherhood and abortion, schooling, cosmetic surgery, treatment of venereal disease, or employment, and others where the decision or lack of one will significantly affect the child's future should not be made unilaterally by parents. Children should have a right to be permitted to decide their own future if they are competent.

Incidentally, it is by no means clear in these litigation-happy times that a "long-term and possible irreparable ef-

fects" criterion would exclude take-out-the-garbage cases.

Maybe the most irresponsible thing about Hillary's writing in this field is that she never attempts to calculate the "chilling effect" of what she proposes. In a world where parent-child tiffs are actionable by legally competent children, will parents have the nerve to oppose their children's wishes on matters of importance? Or even insignificant matters? How will they know where the line is between the important and the trivial?

I have read all she has written on children's rights and can only conclude that Hillary suffers from a massive misunderstanding of the function of parents. "The presumption of incompetency has profound significance not just because children are reliant on adults to exercise their right for them, but because a child denied the opportunity to exercise responsibilities is effectively denied the opportunity to mature into a responsible adult," she writes. She seems to miss the

obvious: as children mature, sensitive parents gradually relax the reins and give their children greater freedom and greater responsibility. Hillary Clinton doesn't appear to grasp how spontaneously evolved social institutions like the family absorb and retain knowledge and wisdom through the ages, an igno-

rance typical of the left to which she belongs. Garry Wills laments with Hillary that we don't have a "calibrated scale of increasing competence applicable to all children." Of course we don't. We don't need one. Because we have something far better, families: millions of calibrated scales of increasing competence tailored individually to millions of individual children by millions of parents.

Truth be told, Hillary Clinton harbors a deeply cynical view of the traditional family, its origins, and its defenders. In "Children Under the Law" she likens arguments against her plan to eliminate the legal minority status of children to arguments in favor of black slavery and against the emancipation of married women. In the same article, she goes even further, equating the family itself with slavery:

The basic rationale for depriving people of rights in a dependency relationship is that certain individuals are incapable or undeserving of the right to take care of themselves and consequently need social institutions specifically designed to safeguard their position. Along with the family, past and present examples of such arrangements include marriage, slavery and the Indian reservation system.

In her view, the family as we know it, in which children are legally dependent on their mother and father until achieving majority at 18 or 21, is not a social institution adapted over time to meet children's needs of protection,

sustenance, and love. It is instead a breeding ground of perpetual conflict that was "invented" in the nineteenth century in response to organized labor demands aimed at protecting adult workers against competition from children:

Many of the modern conflicts between parents and children arise because of the 'invention' of adolescence. Children in the Middle Ages became adults at the age of seven. . . . The concept of childhood gradually was expanded until children became more and more dependent on their parents and parents became less and less dependent on their children for economic support and sustenance. During the nineteenth century in this country, the idea of compulsory education provided an opportunity for children to be trained, and took them out of an increasingly smaller work force, so that they would not compete with adults. Child labor laws continued this trend and so did the imposition of age requirements for school attendance. . . . Because children now remain in the family for longer periods, during which they are still dependent but becoming more and more adult, the opportunities for intrafamily disputes have increased dramatically.

As Hillary would reverse the presumption of the identity of interests between parents and their children, so I would like to reverse the presumption of the identity of interests between Hillary and America's children. I suspect that Hillary's years of activism on behalf of children's

rights and comprehensive federal child care have less to do with the interests of children than with the interests of the feminist elite of working mothers that Hillary has come to exemplify. If children mature much earlier than is conventionally believed, and if such needs as they still have for adult supervision can be met by federal day-care centers, then career-first moms (and dads, for that matter) need not have their busy days bustling from law offices to corporate board rooms to television studios troubled by occasional pangs of conscience for their neglected children. It lets all of America's Hillarys right off the hook, once and for all.

The children's rights movement fizzled out in the late seventies, far too wacky to get very far even in the pre-Reagan courts. About the only chance it has to make a resurgence, and it's a slender one, is if Bill Clinton is elected President and his wife assumes responsibility for screening his judicial appointees, as she did in Arkansas, according to a story in the *New York Times*.

If one is to believe street talk in Arkansas, Hillary's rejection of traditional family life is not confined to her scholarly scribblings. The status of the Clintons' marriage, including the possibility that Bill's extramarital wanderings reflect an "open marriage," is the subject of wide speculation and gossip in Arkansas political circles. Those close to the Clintons hotly deny any such allegations.

Friends of the Clintons say that there is a very powerful bond between them, a bond immediately apparent to anyone who sees them together. "What I get a sense of when I'm around them is a really powerful relationship, of two people who really take a lot of delight in each other," says Hillary's close friend, film actress Mary Steenburgen.

Powerful though it may be, there is a pattern of details about their relationship that suggests it is not as fully fused as an old-fashioned marriage. The Clinton's financial assets are separately held; Bill draws a modest salary as governor, and basically the rest of their assets are under Hillary's name. (Despite her husband's frequent public complaints about the investment in non-productive assets and "paper profits" of the eighties, Hillary appears to have done well by such an aggressive strategy in the decade of greed. "At Wharton business school this spring, [Clinton] was yelling at them about how many of them went off to be investment bankers and did this sophisticated financial stuff instead of

doing something that was actually productive," says a source familiar with the couple's tax returns. "Hillary herself in 1987 bought these straddles, Standard and Poors. She's done the kind of stuff that he thinks is bad. The way they've actually gotten the richest is that in 1986 Hillary sunk a lot of her money into this thing called the Value Partnership.

It's very aggressively managed: they short all of these stocks, there are all these puts and calls, and it did very well for them." But Hillary has never been one to let principle stand in the way of pecuniary gain: in 1981 she reported a tidy, if politically incorrect, capital gain from the sale of stock in De Beers, the South African diamond barons.)

The Clintons give to separate charities. And attend separate churches; he's a Baptist and she's a Methodist. But if one is to believe wicked gossips in Little Rock, they do attend church at the same time: election time. The two also take separate vacations. Hillary vacations annually with the Arkansas native Steenburgen, daughter Chelsea (named after sixties folkie Judy Collins' hit "Chelsea Morning") in tow. San Francisco is a favorite destination. (Steenburgen explains that they are mother-daughter deals, to which even her son is not invited.) As should be clear by now, the Clintons have separate ideological agendas, and Hillary is indeed a faction leader within the Clinton campaign. And finally, press reports notwithstanding, Hillary appears to have retained her maiden name. Legend has it that after many blamed her retention of her maiden name, Rodham, for her husband's failed re-election bid in 1980, Hillary took his last name. Strangely, though, the name she gives on page one of her 1991 tax return is Hillary Rodham.

None of these details in and of itself rebuts the Clinton

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loyalists' avowals of a "powerful relationship" or a "strong bond." Indeed, many of these arrangements are typical of modern marriages among elite segments of society. But that's just the point. They are typical of modern, post-sixties counterculture designer marriages, not of traditional, pre-counterculture marriages. Steenburgen puts it this way: "They're two whole people. One hasn't given away huge parts of themselves to the other."

In 1978, Hillary Rodham was appointed Chairman of the Board of the Legal Services Corporation (LSC) by Jimmy Carter. Established by Congress as a federally funded, independent, private, non-profit, and *non-political* corporation to provide legal assistance to the poor in non-criminal cases, the LSC degenerated under Rodham into what the late Warren Brookes called "a \$300 million liberal political action committee," rife with illegality. During her chairmanship and later tenure on the board, the LSC published a political training manual showing "how community organizations and public interest groups can win political power and resources," a sequel to the earlier "Tactical Investigations of People's Struggles." They even made a contribution to a mayoral campaign in Georgia, rationalizing it as "a project to educate clients about their rights in the legislative process."

In January 1980, the LSC funneled taxpayer money into something called the Proposition 9 Task Force, a campaign to coordinate the efforts of thirty LSC grant recipient groups and 500 attorneys in California to defeat Proposition 9, a ballot initiative to cut state income taxes in half. The LSC is explicitly barred by its charter from providing this type of assistance to defeat a state ballot initiative, and in a September 19, 1983 report, the Comptroller General of the United States (GAO) nailed the Rodham LSC to the wall.

According to the report, the LSC, the Western Center on Law and Poverty (the California legal services grantee that requested and received a \$61,655 LSC "Special Needs" grant to hire four "coordinators" to direct the campaign), "and certain other unidentified California Legal Services grantees violated the provision of 42 U.S.C. §2996e(d)(4) in providing funds and personnel support for the Proposition 9 Task Force that operated a large-scale opposition campaign to the Proposition 9 ballot measure."

Because the Task Force "had obtained staff commitments from approximately 30 California Legal Services Programs funded by the Corporation," the GAO concluded that LSC resources dedicated to the campaign went far beyond those accounted for in the "special needs" grant. According to the report: "The cost of these staff commitments is unknown and difficult to compute, considering the lapsed time. However, we know that the campaign lasted approximately 3 months and that many staff persons at field offices throughout California devoted at least half their time to the campaign. With the grant . . . the Task Force hired four coordinators who had experience working with poor people and in political campaigns. Funds were also expended on clerical staff, travel, printing and postage associated with campaign activities." These activities, the Comptroller concluded, "were the precise sort . . . prohibited

by the statute's injunction against using corporate funds to oppose a ballot measure that is already on the ballot and where client's legal rights are not at issue."



But Task Force 9 was a mere pilot project in politicization and illegality, compared to the corporation's 1981 effort to mobilize Legal Services lawyers into a nationwide network of resistance to Reagan Administration plans to restrain the growth of entitlements and social programs and rein in the rogue LSC. In January 1981, the LSC held a Regional Project Directors meeting in Boulder, Colorado, attended by a host of officials from grantee organizations in nearby states and Corporation officials from

Washington. In a training session captured on videotape, a parade of speakers took the floor to denounce Reagan fiscal policy in startlingly frank terms and outline their plans for organizing an LSC network to combat it.

The GAO concluded from the remarks that LSC grantee officials had violated statutory bars against using LSC money to hold training programs to advocate public policies, encourage political activities, or create associations, federations, or networks. They faulted the Corporation itself for failing to insure the compliance of its grantees with the provisions of the Legal Services Corporation Act.

In 1982, Hillary and other holdovers from the Carter LSC board made one more attempt to nullify Reagan's mandate by seeking an injunction in the U.S. District Court to prevent the newly appointed Reagan board from assuming

control of the board or even holding a meeting of the board. They moved on the grounds that the Reagan board members, as recess appointments, had not been confirmed by the Senate, as required by the LSC act. In denying the motion, the judge observed that four members of the Carter board had themselves been recess appointments. One of the four was Hillary Rodham.

Because of the way the Legal Services Corporation Act is written, only the corporation itself has the power to enforce compliance with the Act by grantees. No third party has standing to sue to compel compliance. Given this virtual immunity to external authority, Hillary's lax supervision of the Corporation, while its staff not only tolerated but actively encouraged prohibited political action by grantees, was an especially egregious betrayal of the public trust.

Hillary served in 1987-88 as director and chair of the board of directors of the New World Foundation, a philanthropy dedicated to the support of "progressive activist organizations," as she puts it in her foreword to the group's annual report for 1987-88. While the foundation (ranked as one of the country's ten most liberal in a recent Capital Research Center monograph) does back some fairly well-known liberal groups (Norman Lear's People for the American Way, Randall Robinson's Trans-Africa Forum, and the NAACP Legal Defense and Education Fund), under Hillary it also financed a number of groups associated with the hard left.

In 1988, New World gave \$5,000 to the Committee in Support of the People of El Salvador (CISPES) education fund. CISPES was founded at meetings in New York City in 1980 by Farid Handal (brother of El Salvador's Communist party chief Shafik Handal), who had come to the United States to mobilize American support for the FMLN, the major Communist guerrilla organization in El Salvador. Also in 1988, New World gave \$2,500 to Fairness and Accuracy in Reporting, a group dedicated to exposing conservative bias in the media, especially the television networks. That's right, conservative bias. In *Extra!*, its newsletter, FAIR chastised such liberal standard-bearers as Michael Kinsley and National Public Radio for being too tough on Jesse Jackson. Last year, in a special issue of the newsletter devoted to media coverage of the Persian Gulf War, editor Jim Naurekas lashed out: "The euphoria at the beginning and the end of the Persian Gulf War brackets one of the most disturbing episodes in U.S. journalistic history—a period when many reporters for the national media abandoned any pretense of neutrality or reportorial distance in favor of boosterism for the war effort." (While Bill Clinton maintains he supported the decision to move militarily in the Gulf, I'm not so sure about Hillary. Mary Steenburgen recalls a conversation in which she along with Hillary and another friend discussed their "feelings" about the prospect of U.S. involvement in the war. "Both of them had felt like [Saddam] was a really frightening person that was potentially very dangerous to people, yet we all talked about our feelings that war was not

the way to solve everything," she says. *Potentially* very dangerous? The guy had gassed Kurdish villages and conquered a neighbor by this time.)

In 1988, Hillary lavished \$20,000 on the Christic Institute, the far left crackpots who flacked the "secret team" theory, alleging a massive, 20-year conspiracy by CIA and Special Forces operatives to do everything from run a heroin ring out of Indochina in the sixties to topple the Sandinistas in the eighties. In June 1991, they were assessed \$1.1 million in court-ordered sanctions for filing a frivolous lawsuit against General John Singlaub and other supposed secret teamsters. Hillary doled out \$15,000 in 1987 to the National Lawyers Guild, founded in the 1930s as an adjunct to the American Communist party and retaining party ties to this day. Support also went to the Center for Constitutional Studies (co-founded by Chicago 7 lawyer William Kunstler) and the Institute for Policy Studies (self-styled "center for radical scholarship")—the list goes on and on to include scores of other more obscure but equally fishy-sounding grantees.

While these grants may have gone to projects that sound innocuous enough, if you give twenty thousand bucks to bad folks for a merely objectionable project, then that's twenty thousand they don't have to raise for a truly hideous one. Moreover, in her foreword to the annual report, Hillary makes a special point of New World's predilection for giving money away to the left with no strings attached:

The foundation has recognized the dilemma presented to public policy as federal support is withdrawn from social programs and social advocacy at the same time as the need for such programs grows more acute. As a result philanthropy has had to serve as a bridge from the "system" to the neediest and least represented. The New World Foundation has sought to use its resources to strengthen that bridge and to encourage other foundations to focus on the fragility of activist and advocacy efforts on behalf of the poor in general and people of color in particular. In this effort we have made *mostly general support grants, rather than special project grants, so as to provide core support to organizers and advocates.* [Emphasis added.]

Guess you can't be too choosy with Ronald Reagan on the loose.

There are those who would say of Hillary's involvement in radical politics, "Aw, she was just a kid." But she wasn't just a kid. She was a middle-aged woman of 40 when sponsoring the hard left from her perch at the New World Foundation. Moreover, she has not, as far as I know, publicly repudiated or even distanced herself from the views or activism described in this article, and her husband's presidential campaign was the perfect occasion to do so. There is no reason she ought to be forgiven, when she hasn't repented. Especially since she is right now doing her utmost to drive her husband's campaign into her own corner of the Democratic party, where the liberal left and the radical left meet. □

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Have We Seen the End of Banks?

by Warren T. Brookes

A couple of years ago, the Cato Institute's Catherine England, who has written brilliantly on banking reform, was asked: "What would happen to the U.S. economy if our banking system were to collapse?" Her answer: "Not all that much."

Mrs. England was right. Consider the automobile industry. Not only are GM and Ford already the second- and third-largest financial institutions in the U.S., writing most of their own car loans and leases and supplying lines of credit to dealers and suppliers. They also have virtually unlimited access to the world's financial and credit markets. And they have become major providers of the short-term commercial paper that is rapidly replacing the traditional commercial bank loan. Their capital backing dwarfs that of most banks. With only modest changes in the law, both companies could provide a full line of banking services nationwide, and it probably wouldn't take them that long to get up to speed.

What about housing? Of the \$3.7 trillion in home mortgages, nearly \$2 trillion, or 53 percent, are now held outside the banking system. Many large real estate agencies now finance deals

wholly outside of the banking sector. GM and Ford, not to mention GE and Sears, are major players in the mortgage-backed securities industry, and thirsting for more of that kind of credit gold.

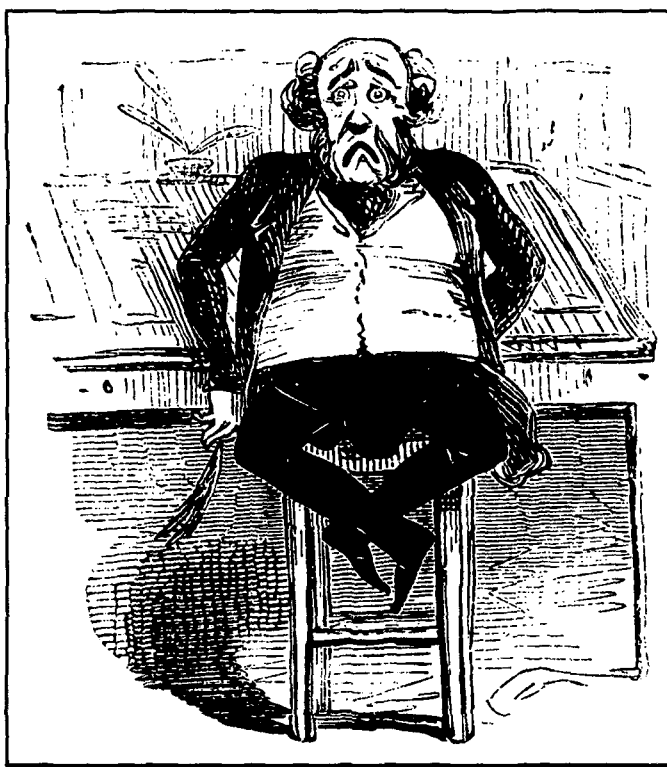
Checking accounts and other depository services can now be handled through money market funds, cash management accounts, or plain old credit cards. Commercial and industrial borrowing and lending can be done by companies themselves. In 1960 the ratio of bank loans to commercial paper floated by companies and their investment bankers was 10:1. Today it's 1.5:1, and falling. Outstanding non-financial commercial paper rose from \$13 billion

to \$129 billion between 1976 and 1989.

Commercial and industrial loans fell from 31 percent of all bank assets to 19 percent between 1980 and 1988. In 1991 they fell to less than 16 percent. Between 1981 and 1988, the banks' share of private credit supplied to domestic non-financial business fell from two-thirds to less than half. The share of domestic private non-financial credit provided by credit market "instruments"—from junk bonds to commercial paper—rose from 25 percent to 51 percent. By 1990, with junk bonds reviving and the banks in a regulatory crunch, well over 70 percent of all private credit supplied to the U.S. non-financial market came from credit market instruments.

To put it bluntly: In the last two decades banks have faded from preeminence to a secondary role in the credit life of our economy, and that trend is accelerating. As Mrs. England has written, "Bankers' inability to adapt and innovate . . . has left them with a shrinking pool of customers and thereby has reduced their importance in the evolving financial services industry."

Although some of the shift can be attributed to the obsolescence of the banking rules laid down by Congress in Glass-Steagall and McFadden-Douglas, it is the telecommunications revolution that has made the traditional bank a dinosaur. The information revolution has altered our naive ideas about money, and is now moving world financial markets toward the kind of market-



Warren T. Brookes, who died last December, was a nationally syndicated columnist for the Detroit News. This essay is adapted, with permission, from the May 1991 issue of the Durrell Journal of Money and Banking (P.O. Box 847, Berryville, Virginia 22611).