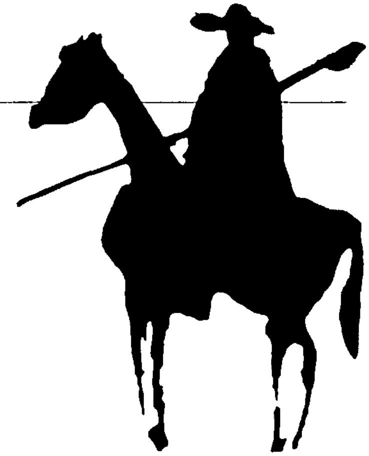
TILTING AT WINDMILLS



How have the alumni of the Nixon administration made out since the disgrace of Watergate? A glimmer of light was cast on the answer by a story that was buried in the back pages of *The New York Times* of June 1. It seems that John V. Brennan, Nixon's former military aide, and the estate of John Mitchell, the former attorney general, have won a judgment for fees due Brennan and Mitchell for negotiating the sale of military uniforms by Romania to Iraq. The amount claimed was $3.3 million. What had Mitchell and Brennan done to earn this sum?

"Papers filed in the lawsuit," according to the *Times*, "indicate that the deal was put together at two meetings, one at the Four Seasons Hotel in Washington and the other at the Hotel Scribe in Paris."

How did Mitchell and Brennan secure this lucrative assignment? They were recommended for it by Richard Nixon in a letter to his friend Nicolae Ceausescu. The *Times* also notes that "former Vice President Spiro T. Agnew played a role in the transaction." It's like one of those benefit concerts where you can't believe even more legends are waiting in the wings as still another strolls onto the stage. . . .

Seventeen of the 31 senators running for reelection this year are receiving more than half their campaign funds from outside their own states. Examples include 73 percent of Bill Bradley's money, 87 percent of Al Simpson's, and 96 percent of Al Gore's. Does this make any sense at all? Why should wealthy New Yorkers and Californians be able to influence an election in Tennessee?. . .

Senators have to travel in order to raise such funds, which helps explain why they accepted more than 500 expense-paid trips from corporate or trade groups last year. Of course, fund-raising is not always the purpose of these trips. Sometimes they're just for good, clean fun. Rep. Marty Russo, for example, got free trips to three golf tournaments plus $1,151 in golf-related gifts. Senator Alan Dixon of Illinois, who owns a condominium in West Palm Beach, managed to get his roundtrip airfare from Washington to Florida paid for on five separate occasions during 1989.

He thus became indebted to Pratt & Whitney, BellSouth, the Olin Corporation, Barnett Banks, Inc., and the Chicago Board of Trade. One can't help wondering just what he has done to discharge that indebtedness.

One thing you may not realize is that these groups often pick up the tab for the lovely wife as well. For example, Mrs. Stephen Solarz, the spouse of the chairman of the Asian and Pacific subcommittee of the House Foreign Affairs Committee, got four trips abroad paid by private groups last year. She visited India, Japan, South Korea, Hong Kong, Indonesia, and the Soviet Union.

On many of these trips, our legislators not only have their expenses paid but also receive honoraria. A recent report reveals that 32 senators kept $35,000 each in honoraria. This practice is not confined to Washington, however. It also flourishes in state capitals around the country. The champion has to be Willie Brown, the speaker of the California Assembly, who managed to pull in $42,150 in speaking fees last year. . . .

Which reminds me that we haven't had an "Only in California" section for a long time, so here goes:

The East County Jail in San Diego County cost $38 million to build but has walls so flimsy that inmates can literally kick their way out. The plans called for concrete walls four to seven inches thick, but "what we've got," according to Sheriff's Captain Benny McLaughlin, "is drywall, empty space, and four inches of styrofoam." So far there have been 11 escapes.

In Sacramento, Governor George Deukmejian named as a deputy affirmative action expert, at a salary of $59,274 a year, one Ernest Wayne Michael, whose previous experience was in growing rice and raising pigs.

Finally, in case Captain McLaughlin is thinking of suing the contractor who built the East County Jail, he should know that the judicial precedents are not promising.

The California Court of Appeals has ruled that a homeowner who discovers his house is falling apart can't sue the builder if the builder has dissolved his corporation.

The result is, according to Bradley Inman of the *San Jose Mercury News*:

"Many developers are setting up new corporations for each project they build and dissolving the corporate entities when the projects are complete."...

Twenty-seven thousand children die each day on this planet from causes that could have been prevented or treated effectively—from diseases they could have been immunized against, and from diarrhea and from pneumonia, both of which could be cured.

The immunizations and treatments needed are cheap. According to the World Health Organization, they would cost only $2.5 billion for one year. Wouldn't you be willing to give up just one aircraft carrier to save these lives? . . .

When Richard Darman took over the Office of Management and Budget 18 months ago, there were three steps he needed to take to assure that OMB would foresee and prevent scandals such as those involving HUD and the S&Ls. One was to hire about 400 more examiners, enough to make sure the examiners could cover the executive branch thoroughly, spending sufficient time in the field to be able to spot serious operational problems as they cropped up. Another was to change the kind of person who is hired as examiner—from the bright and well-educated but inexperienced in government to the bright who either have the experience to know where the bodies are buried or who have the investigative skills to find them anyway. Third, and most important of all, the examiners need to understand that their highest duty is not to juggle numbers to meet budget targets but to determine whether the programs they oversee are working and are needed.

Last November, Jason DeParle reported in these pages that as of that time, none of these steps had been taken. This spring I asked a trusted friend who once worked at OMB and still knows a lot of people there to find out if the situation had changed. In June the answer came back. It was no, nothing had changed.

David Stockman, who was once described, as Darman is today, as the smartest man in Washington, is now the butt of jokes as the man who fiddled with the books while refusing to hire the examiners who could have helped prevent the S&L disaster that was brewing. Indeed, when in recent budget negotiations Darman dismissed some obvious fiscal flummery as "Stockmanesque," everyone laughed. Does he really look forward to a similar response from the audience when several years hence another budget director describes similar shenanigans as "Darmanesque"? . . .

The ability to avoid the burdensome regulations affecting official purchasing has long been one of the most prized of bureaucratic skills. There is a new champion and again we must look to the great state of California. Chancellor W. Ann Reynolds of the California State University system wanted to buy six cars for her vice chancellors, who had previously been subjected to the indignity of having to check vehicles out of the motor pool. However, she realized that because the state was cracking down on faculty salaries and other expenses at the state universities, it might not be wise to attract attention to the purchase of the cars, especially since she was already giving the vice chancellors salary increases of from 15 to 26 percent. Purchases of more than $100,000 have to be reported to Sacramento, where they might excite undue interest on the part of legislators and other public officials, not to mention the press. So Reynolds bought Tauruses at a total cost of $99,998.70. . . .

Cadwalader, Wickersham & Taft. A law firm with a name so reeking of the soundest respectability surely would not stoop to bilking its clients—or so most of us would assume. But the *American Lawyer*'s Steven Brill has uncovered a memo from Rodney Dayan, the co-chairman of the firm's management committee, that suggests that, alas, even a name like Cadwalader, Wickersham & Taft, not to mention one like Rodney, is no guarantee against chicanery at the bar. The memo, concerning a subject dear to the heart of the legal profession—how to increase billable hours—contains these seemingly innocent words:

"The suggestion is that retention and use of senior associates who are not destined to make partner detracts from the use of underemployed partners."

Translated from upper-class legalese, this means don't use associates when you can use partners, because we can bill a lot more for partners. . . .

Regular readers will know how much I admired Mickey Kaus's attack in the May 7 *New Republic* on the Money Liberals who would solve all social problems with higher taxes and increased benefits. But these readers will also understand how troubled I was by Kaus's failure to appreciate the aid and comfort his arguments could give to another—and to me now more dangerous—group of Money Liberals, those who have grown affluent enough to share the traditional aversion of the wealthy to income and estate taxation, however worthy the cause for which the tax revenue would be spent.

My concern may prove groundless if, as I suspect, most of the tax-averse liberals don't have time to read *The New Republic* because they're so busy perusing the financial press. Their favorite publication has to be *Money* magazine, which combines moderately crusading advice to the consumer—how to keep your Jaguar dealer from overcharging—with fiscal positions that would fit comfortably into any Republican platform. For example, the "Money Update" column in the June issue warns readers about the danger of an increase in the estate tax so that "you could no longer bequeath $600,000 tax-free to your heirs." At the same time it tells you how to buy a "sinuous Donghia sofa" without having to pay the usual 33 to 40 percent markup on the $3,500 wholesale price. . . .

Two speeding police cars ran into each other at a Washington street corner last month. "The impact was horrendous," said a witness. Gasoline spewed from the cars. Smoke rose from the wreckage. Five policemen were hurt, two critically. It was a miracle others weren't injured, including pupils from two nearby schools. This sort of thing happens far more often than most people realize, and the toll is almost unbelievably high. Last year, NBC news reported that 250 people annually are killed and thousands injured as a result of these police chases. Ironically, most of them are for minor traffic infractions. The absurd tragic truth is that the chases look like so much fun in the movies that cops can't resist turning on the siren and flooring the accelerator at the slightest excuse. . . .

Although American foreign aid has enjoyed some success, as, for example, with the Marshall Plan, all too often it has been a story of large sums squandered on one corrupt tyrant after another. The latest example to come to light is the on-his-way-out president of Liberia, Samuel K. Doe, who, according to *The Washington Post*'s Blaine Harden, "presided over a decade of secret executions and public cannibalism, rigged elections, and raging egotism." Yet between 1980 and 1985, the U.S. gave Doe's government more aid per capita than it gave any other country in Africa. We were actually subsidizing a third of Doe's annual budget. Even after Doe staged a blatantly corrupt election in 1985, Chester Crocker, the assistant secretary of state for African affairs, said, "There is now the beginning, however imperfect, of a democratic experience.". . .

Remember our article on journalistic honoraria? Here's an addendum from the field of motor car magazines. David E. Davis Jr., the editor of *Automobile*, says, "If Ford or Volkswagen want me to speak to dealers at a sales convention, my fee is $5,000." He adds that he makes 20 to 25 speeches a year. Does he really think he's in demand because of his eloquence?. . .

My apologies to Toby Moffett, who, contrary to what I said last month, is not an incumbent but a former congressman, and to *Dale* Austin, whom I mistakenly called David. He's the Baltimore writer who picked the Kentucky Derby winner all the other experts didn't.

These mistakes embarrass me, each for a different reason. Getting a name wrong is always bad, but when you do it while trying to congratulate someone, it's like the time they misspelled your name on the first medal you got at camp.

In Moffett's case, my error obscured for Connecticut readers a really important point I was trying to make, namely, that one of the saddest things that's grown out of the madness of PAC money is that decent men have gotten into the game of trying to outmatcho and scare away potential opponents by exploiting their incumbency to raise campaign funds of intimidating dimension. . . .

If you are a student of why organizations go wrong, you will find illumination in the tale of General Electric's faulty refrigerator compressor. GE thought it had developed the compressor of the future and rushed it into production.

The catch is that when top managers want results fast, the message they consciously or unconsciously transmit to those down below is that they want action, not tiresome news about problems. So when test results said the compressor hadn't failed short-term tests, middle-level executives rushed the glad tidings to their superiors, soft-pedaling evidence from lower-level employees doing the testing that the windings on the motors were discolored, that bearing surfaces were worn, and that some parts had a black oily crust—all of which indicated that the compressor *would* fail over a longer period of operation. It did fail, costing GE at least $450 million.

The lesson for managers everywhere is that when you tell your organization to rush—which you often must do, given the normal bureaucratic tendency toward lethargy—you also must take special steps to make sure you hear about the problems created by the pressure to produce results fast.

Remember how the urgency to launch caused mid-level NASA and Morton Thiokol officials to suppress the concerns their subordinates felt about the defective O-rings. . . .

Michael Herr's new novel based on the life of the famous gossip columnist, Walter Winchell, reminds me that Winchell played two crucial roles in American history, one dubious, the other heroic.

The first was that he was the pioneer in placing the celebrity at the peak of American culture. This may have been slightly preferable to having Mrs. Vanderbilt at the top, but it did immense harm in causing everyone to think like a press agent.

The second was that he was one of a handful of journalists who openly supported FDR in an era when conservatism almost completely dominated the organs of opinion. And of that handful, only two—Winchell and Drew Pearson—enjoyed wide circulation. So, if you admired Roosevelt as I did, you were grateful to Winchell at least until April 12, 1945. In his later years he became an increasingly demented McCarthyite. . . .

I have long admired the care the Ohio bar devotes to its Continuing Legal Education Seminars. Recall last year's long debate as members considered whether Vail or Aspen would be more conducive to the pursuit of legal scholarship. But I was afraid they were becoming paralyzed by conscientiousness. This year, I'm happy to report, the State Bar Association quickly settled on one setting as just the place to crack the books—Acapulco.

Members will stay at the Acapulco Princess, "situated on nearly 500 acres of tropical splendor" where the amenities include five pools with "everything from waterfalls to swim-up 'wet' bars."

But I don't want lawyers outside Ohio to feel deprived. The *Queen Elizabeth 2* is offering two continuing education programs on its August 4-9 Atlantic crossing. An Ultra Deluxe outside cabin for two is available for just $10,380.

A word of caution. The QE2 people use some weasely language about tax deductibility. "In certain circumstances" and "may be partially deductible" do not inspire serene confidence that the taxpayers will be stuck with the bill. So, if you're from Ohio, I would opt for Acapulco. The brochure states without qualification, "Please note that a seminar in Mexico is considered the same as a domestic meeting for IRS purposes," and, as all good lawyers know, that means the rest of us are sure to foot most of the bill. . . .

Anyone who knows Washington knows that the idea a couple of bright Washington lobbyists came up with over lunch one day will provide them with a comfortable retirement. Over their second Evian with lime, one said to the other, "If I had a book I could pull off the shelf and look up consumer warning labels and know which congressional staffer to call about it, that would make my life easier."

The result is *The Almanac of the Unelected*, a guide to 660 congressional staff members, telling what subjects they work on and providing short biographies, even including whether they root for the Redskins or the Capitols or the Bullets so that the lobbyist can come up with the right small talk.

You will begin to see the income potential when I tell you that the book costs $199.50 and there can be many more volumes, since more than 13,000 congressional aides are not yet included.

Incidentally, the $199.50 price represents another version of that game those California State officials were playing with the Tauruses. *The Washington Post*'s Dale Russakoff explains why: "Washington offices of businesses and law firms generally don't have to check with headquarters before making purchases of under $200." . . .

—Charles Peters

Power Failure

Rural electric and telephone programs show that good government programs never die—they just get more expensive

by James Bennet

The outlook has only gotten rosier for Alltel, a telephone holding company headquartered in Ohio, since *Forbes* called it "the industry's most dramatically improved company for 1986." Sticking with a strategy of snapping up smaller, independent telephone companies, it's managed to grow and grow, expanding service to suburban communities across the country. In 1989, its stock split 3-for-2 for the second year in a row; dividends to stockholders jumped 10 percent—the 29th consecutive annual increase. And with a Moody's bond rating of "A" ("many favorable investment attributes"), Alltel's not likely to have trouble finding lenders to back its future growth. Think you might want to invest in this sure thing? Well, as a taxpayer, you already have. The catch is that you're guaranteed to lose money. For some reason, kindly old Uncle Sam, too strapped to boost funding for VISTA volunteers or school lunch programs, dug deep into his pockets over time and came up with $304 million in loans below market rates to make sure that Alltel could continue to scrape by—as it did last year, when it pulled in over a billion dollars.

A couple of decades back, the Rural Electrification Administration—the source of Alltel's loans—was perhaps the clearest example of what government at its best can do. Franklin Roosevelt created the REA at the height of the Great Depression, when the vast majority of American farmers didn't have electricity. In rural communities where private lenders and utilities had seen only the great risks and turned away, the federal government saw the urgent needs and invented a way to meet them. The REA offered advice and loans, at about the same rate of interest the government had to pay, to cooperatives that would electrify farms still relying on kerosene for light, wood for heat, and elbow grease for all their other energy needs. Fifteen years later, the REA's mission was expanded to include giving a boost to the tiny co-ops and independent companies that would offer telephone service to these isolated homes for the first time. By 1953, 90.8 percent of farms had electricity; by 1975, 90 percent of them had telephones. Mission accomplished.

In 1990, when 98.8 percent of farms have electricity and 96 percent have phones—compared with 93 percent of households overall—the REA's work somehow doesn't seem so necessary anymore. In fact, these days it's giving 25 percent of its telephone loans to five enormous holding companies like Alltel *and losing money in the bargain*. On the electric side, the REA has subsidized companies that provide pow-

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