The Perils of Privatization

Politicians are hot to hand government over to private contractors. But if they ignore history—and common sense—we'll all be a lot worse off

BY JOSHUA WOLF SHENK

Monkey Island was once a very sad place. The South American Spider Monkeys who lived there had no trees, just ropes and jungle gyms. They didn't have grass or dirt, just concrete. And the whole island—an exhibit at the San Francisco Zoo—fissured after the 1989 earthquake.

Until recently, in fact, the entire zoo was in dismal shape. Maintenance, gardening, and custodial services had been cut back and a number of educational programs eliminated entirely. Then, in 1993, the city put management of the crumbling zoo in private hands.

The turnaround has been remarkable. The new management, the San Francisco Zoological Society, boosted budgets for marketing and advertising, drawing 1,500 new members and an estimated 60,000 new visitors annually. It promptly raised $12 million and renovated exhibits for otters, flamingos, and kangaroos. And Monkey Island will be replaced with an enormous South American Gateway, complete with a cloud forest aviary, an underwater viewing area, and five kinds of exotic monkeys. Handing the reins to the Zoological Society has meant "not just the zoo's salvation, but a renaissance," says David Anderson, the zoo's director.

When House Speaker Newt Gingrich, and even President Clinton, talk of privatization, they want you to think of the San Francisco Zoo. By replacing stolid government bureaucrats with vibrant entrepreneurs, they say, we'll get better service for less money. Privatization—involving the private sector in public services, or selling state assets outright—is hot in 1995. In particular, contracting out—hiring a business or non-profit to do the public's work at taxpayer expense—is the vogue, bipartisan answer to all sorts of governmental problems. The Internal Revenue Service wants private firms to hound those in debt to the government; the Bureau of Prisons wants private firms to lock up prisoners of the state; the Central Intelligence Agency wants private firms to, well, "gather intelligence."

What else is on the block for privatization? Everything from housing to air traffic control to food and drug inspection. "I've never seen anything like this," marvels Bob Poole, chairman of the libertarian Reason Foundation. "It's a contest to see who can privatize better and faster."

But neither privatization generally nor contracting specifically is a new idea. And while many politicians are hot to boast of its benefits, they seem afflicted with selective amnesia. Yes, contracting can spur efficiency. But it can also be a disaster. Remember the Pentagon's $544 spark plugs, $999 pliers, and $547,000 fax machines?

In fact, much of what commonly passes for "bad government" is actually bad contracting. Medicare is a fine example. The program is almost entirely run by private medical equipment suppliers, hospitals, insurance companies, and "fiscal intermediaries"—the people deciding who, what, and when to reimburse. They do such a poor job that recent Senate hearings found $27 billion a year in annual fraud. In one case, a Texas supplier of medical equipment billed the program for $1 million worth of custom-fit orthotic body jackets, when it actually delivered wheelchair pads worth far less.

Much of what commonly passes for "bad government" is actually bad contracting.

Politicians love to tout the efficiency of the private sector as a salve for bad government. But over the last 50 years a virtual shadow government of contractors has sucked up taxpayer money and chipped away at the legitimacy of public institutions. Without clear guidelines, good information on what contractors are doing, and the ability to fire them when they screw up, government often ends up spending much more than it would cost to do the work with its own employees.

"Steer, don't row" is the nineties mantra of public sector reform. And though private enterprise and competition have a place in government, experience shows that all hell breaks loose when we contract out and take our hands off the rudder.

And bad management costs more than money. When contractors assume the authority of elected officials and civil servants, that's when government begins to rot. As the country saw in the Iran-Contra affair—when Oliver North essentially contracted out foreign policy to arms dealers such as Richard Secord and Albert Hakim—some matters of the state shouldn't be put in private hands to begin with.

Not Always Better, or Cheaper

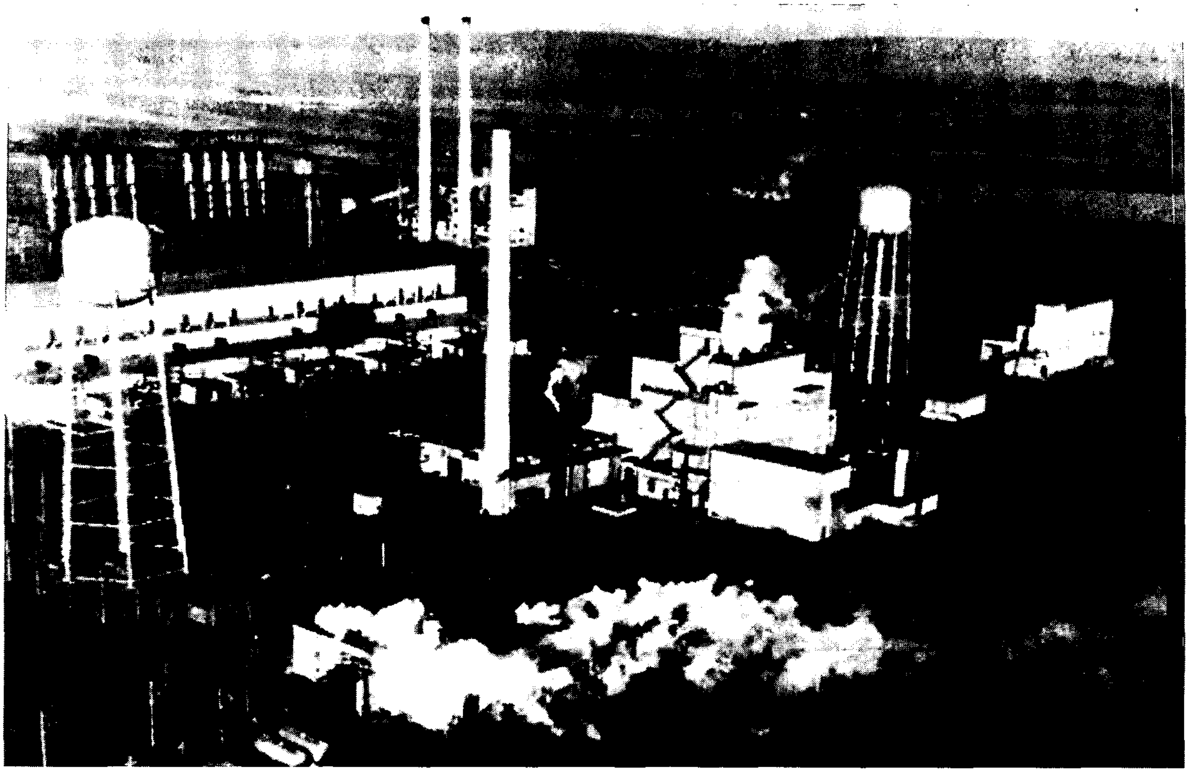
"The thread of similarity that runs through all privatization," says Rep. Scott Klug, the Wisconsin Republican who is Gingrich's point man on this issue, "is increased value to the taxpayers.... The private sector, driven by profits and regulated by market forces, performs more effectively, more efficiently, and at a lower cost."

If that were the case, the Department of Energy (DOE) would have the finest record in federal government. It relies more heavily on the private sector than any other agency, paying out 80 to 90 percent of its budget to such corporate giants as General Electric and Martin Marietta. It has only 20,000 civil servants and anywhere from 7 to 10 times that number of employees on private contract. (The precise number is in dispute.)

But DOE contractors have a miserable record.

Take the plant built in Rocky Flats, Colorado to produce plutonium triggers for hydrogen bombs. In theory, the contractor, Rockwell International, followed orders from civil servant plant managers. But while officials looked the other way, Rockwell poured toxic and radioactive waste into the ground, and stored more in leaky metal drums. It eventually left 108 separate waste dumps and toxic solvents in the earth at 1,000 times the acceptable concentration.

The problem, DOE's inspector general found in 1991, was the government's attitude: "stay out of [Rockwell's] business and let them run the show." This held true even after DOE was alerted to the trouble. In many cases it even relied on the criminals to clean up the crime scene. At Rocky Flats, DOE officials gave Rockwell $27 million to clean up five "ponds" of radioactive



Run by contractors Du Pont, General Electric, and Rockwell, this DOE plant in Hanford, Washington has been called "arguably the most polluted place in the Western world."

and hazardous waste that it had helped create. But Rockwell bungled the complicated procedure—supervisors caught their error, but not before the "cleanup" was nearly complete—and the General Accounting Office now estimates that cleaning the pond will take until 2009, at a cost exceeding $170 million. The DOE's market-driven response: From 1986 to 1988, when Rockwell's performance was dismal, it received a rating of 90 out of 100—and $26.8 million in bonuses.

Rocky Flats is hardly unusual. DOE presides over 14 major nuclear facilities and is, Donald Kettl writes, "an administrative shell over a vast empire of contractors." "Shell" is right. The department's management is so thin and the burden of oversight so heavy that there is virtually no accountability.

DOE's 560 square mile site in Hanford, Washington, run by Du Pont, General Electric and Rockwell, has been called "arguably the most polluted place in the Western world." The site has 1,400 dump sites with 440 billion gallons of high-level radioactive waste, and three billion tons of contaminated soil. "Death mile," an area adjacent to the site, has seen 50 percent of its residents die of cancer. Other contractor-run sites, notably Savannah River, South Carolina, and Fernald, Ohio, have been equally disastrous. Cleaning up this mess, estimated to cost between $230 and $350 billion, would be the largest public-works program in history.

As DOE shows, when the government contracts out, the lack of qualified managers—or sheer incompetence—often leads to a surrender of authority to the shadow government. With time, as contractors make the crucial decisions and develop expertise and authority, the government starts working for the contractor instead of the other way around. Decisions that should be the province of elected officials fall into the hands of hired guns.

Nowhere is this surrender—and its alarming consequences—clearer than with the Environmental Protection Agency's Superfund program. Superfund, designed to clean up especially noxious waste sites, is often cited as a prime example of government ineptitude. But the 1980 law

Associated Press

that established the program was a privatizer's dream: It placed a tight limit on EPA's administrative budget, forcing it to rely heavily on contractors. In theory, government would make the decisions and contractors would do the work.

In practice, though, the government has run Superfund in name only: "Nearly all the important information, the analyses and ideas come from consultants and contractors," reported the Office of Technology Assessment. For-profit contractors decided which sites to clean up, how to do so, and what constituted success. They drafted regulations, standards, and congressional testimony. Contractors even trained other contractors and evaluated their performance.

If the privatization formula worked the way advocates claim, the Department of Defense would be the model of market efficiency.

Abuse has been rampant. Many of the contractors have worked simultaneously for both the EPA and the industries that had created the waste they were cleaning up. With few of the resources needed to keep contractors honest, EPA has paid millions in bogus charges. One company, the engineering firm CH_2M Hill, billed the government for use of the firm's private jet, alcohol for employee parties, and tickets to Denver Nuggets basketball games.

Superfund and DOE are only two examples of a much larger crisis. Asked by Senator David Pryor (D-Arkansas) if other government contractors were performing "inherently governmental functions"—deciding where and how to spend taxpayer money and exercising judgment on matters of due process—a GAO report responded with a resounding yes. In just a few agencies it found dozens of examples.

That's a problem. Citizens expect their elected officials to act on their behalf and to be accountable when something goes wrong. But when government is divided up among so many for-profit subsidiaries—with virtually no oversight—that essential pact is violated. If this seems remote and theoretical, think of the millions of Americans who live near DOE nuclear facilities or Superfund sites. Or consider that the billions in taxpayer funds wasted on these debacles could have been spent on, say, schools or health care.

Often, it does come down to money. The case for contracting out depends on promises that it will save money. But the public often ends up paying exorbitant prices for inferior goods or services—not exactly the model of free-market efficiency. The Defense Department—whose annual budget of several hundred billion dollars for contract spending is the largest of any federal agency—is the epitome of this contradiction. The $65 billion B-2 bomber contract with Northrop, for example, was expected to yield 130 of the stealth fighter jets. Now, the price tag has ballooned to more than two billion dollars per plane, and the Air Force will get only 20. The A-12 attack jet program was canceled after costs reached $17 billion—triple the original estimate.

Competitive bidding is supposed to keep costs down. But multiple bidders are sometimes a luxury, particularly when weapons—like the B-2—are developed in secret. And the consolidation of arms companies—Northrop with Grumman, for example, and the recent purchase of E Systems by Raytheon—makes healthy rivalry even more scarce.

Lack of competition is why the Pentagon often countenances corruption. In 1986, when 45 of the Pentagon's top 100 contractors were under criminal investigation, a general explained to *The New York Times*, "It would be swell if I could say, 'You're a naughty boy and I'm going to cast you into oblivion.' But if I do, where am I going to buy the submarines and tanks that I need?" Competition is sometimes so scarce that the Pentagon contracts for goods it admits are unnecessary, just to keep a contractor in business. Defense Secretary William Perry, for example, ordered a third $2.3 billion Seawolf submarine because shutting down the production line and reopening it in the future would be far more costly.

This doesn't mean we should dump all contractors. But privatizers tempt us with promises of a mature marketplace—with competition, high quality, and low costs. Innovation is always rewarded in this perfect world, and inefficiencies always rooted out. You see this with personal computers—they get faster, cheaper, and more user-friendly each year. But the fact is, the government often buys things no one else wants; its markets are more like used-car lots than computer superstores: few choices, questionable quality—with a hustler for a salesman.

This applies to more than just high-tech weapons of destruction. In 1982, for example, Northrop bid to provide basic services—food, supplies, maintenance, and the like—to a base in Fort Eustis, Virginia. The Army expected to save $13.9 million per year. But Northrop had low-balled its estimate, and ended up costing the military $600,000 more than if the work had stayed in-house.

In fact, the contract—known as a "cost-plus contract"—gave Northrop an *incentive* to overcharge, since the company was paid for its expenses and then given a percentage bonus. This is like hiring a house painter and paying him a percentage of whatever his materials cost: He'll want to buy the most expensive paint possible, and maybe even hire some extra help. It's hard to believe, but this arrangement is not unusual in government contracts. And the outcome is almost always the same. At Fort Sill, Oklahoma, Northrop's cost in the first two years of a cost-plus contract exceeded its bid by $14.8 million.

In the federal government, stories like these are just about everywhere you look. In a 1989 Office of Management and Budget study, half the federal programs at "high risk" for abuse relied on contractors, and 80 percent had some tie with the private sector. In 1992, OMB "swat teams" found massive abuses by contractors, and a House committee concluded that "ineptitude, poor planning and inadequate auditing" and "venality and corruption ... cost taxpayers billions of dollars in faulty procurements each year." With 16 years of experience monitoring service contracts, Senator Pryor asserts that they're a poor bargain—often costing 25 to 50 percent more than if the government did the work itself.

State and local governments are particularly susceptible to privatization myths. Confident that the market will take care of itself, they often grow complacent—a sure recipe for disaster. When a massive fire burnt down a high-rise building next to City Hall in Philadelphia—three firefighters were killed fighting the blaze—the city found that its contractor, the Penn Sprinkler Company, hadn't made sure the valves were adjusted properly.

Of course, money can be an extraordinarily effective incentive. After the L.A. earthquake, contractor C.C. Meyers rebuilt a crucial portion of the Santa Monica freeway two months ahead of schedule for a $14.5 million bonus. And stringent oversight by state-employed engineers ensured that Meyers didn't cut corners. But just like the worst bureaucrats, many contractors see the government as a bottomless pit of money and resources. Left on their own, they will push for more and more.

When government shops for goods or services, potential pitfalls are everywhere. For example, there's the inherent threat of corruption. In states and cities, many public agencies were created in reaction to corrupt political machines, such as Tammany Hall in New York, that used municipal contracts to earn cash and political capital. With their monopoly guaranteed, contractors could ignore what the public really wanted. Recently, two of the largest waste disposal contractors, Waste Management Inc. and Browning-Ferris Industries, paid $50 million in fines to settle charges of price-fixing and rigging bids.

And corruption isn't always so overt. Public bureaucracies are often ridiculed for being so entrenched: They go on and on, even after they've outlived their usefulness. But you can bet that contractors—often dependent on government business as a primary source of revenue, if not a sole source—become entrenched as well.

If the B-2 were judged solely on a cold calculation of cost and benefit, it would be long dead. But Northrop lobbied fiercely to keep the project alive. Indeed, major defense contractors all have their own political action committees—many have more than one. When President Carter tried to kill the B-1 bomber, Rockwell launched a massive lobbying campaign to save the project. In 1986, when General Dynamics was in hot water from a criminal investigation, its PAC contributed campaign funds to 41 of the 47 members of the House Armed Services Committee. Success or failure for contractors, observes Harold Seidman, "depends more on their skill in manipulating the political system than on competing in the marketplace."

There are other pitfalls. Conflict of interest, for example, is evident among contractors hired by the Agency for International Development. The agency hired the accounting firm Deloitte & Touche to determine which services Eastern European countries needed—and Deloitte successfully recommended itself to do the work.

Indeed, non-profits don't necessarily deserve any more trust than corporations. The former chief of United Way of America, William Aramony, was convicted in April of 25 felony counts, including conspiracy, fraud, money laundering and filing false tax returns. He had spent hundreds of thousands of dollars of the charity's money on personal trips and gifts for his girlfriend, and spun off fraudulent for-profit subsidiaries. Guess who's a government contractor? That's right. United Way is the steward of a $130 million program for the Federal Emergency Management Agency.

When government is their primary (or sole) revenue source, contractors are prone to become as entrenched as the worst public bureaucracies.

Trouble Behind, Trouble Ahead

Unfortunately, politicians of both parties and of all ideological stripes won't let the problems with contracting dim their enthusiasm for increasing its scope. Clinton, for example, has proposed in his fiscal 1996 budget to turn over five recently built prisons, with 6,349 new beds, to private firms. The President would also see that all future minimum and low-security federal prisons be built, owned, and managed privately.

Set aside for a moment the visceral objection—that incarceration is an inherently public responsibility. Are private prisons a better value? It's doubtful. Companies like industry leader Corrections Corporation of America say they save the government an average of 20 percent. In some cases, those figures hold up—mostly due to cheaper labor costs. Still, private prisons are almost exclusively low-security—cheaper to operate than higher security prisons. And even within the low security system, officials tend to assign potential trouble-makers to the public prisons and leave the privately operated ones with more docile populations. Moreover, evidence from juvenile and immigrant detention—where private firms have a longer history—show long-term savings to be negligible. The cost to the Immigration and Naturalization Service is 20 percent *higher* for privately-run centers.

Private prisons are also virtual monopolies, and thus ripe for abuse and stagnation. When the Corrections Corporation of America receives stewardship of a prison, it requires, at minimum, a contract of 20 or 30 years. And in the future, they'll likely not just manage but own the facility. If an inspection found rats running the halls and guards beating the inmates, the government would have little option but to work with the contractor to improve things. So what are the advantages of bringing in a for-profit company?

The administration also wants to contract out, among others services, medical research and disaster relief. "We are looking at everything," says Elaine Kamarck, an advisor to Vice President Al Gore, "and asking: 'Does the government need to be in this business?'" That's a fair question. But the contracting option doesn't answer it "yes" or "no." When a function is contracted out, the taxpayers are still paying.

The political advantages of contracting out are obvious. The public sector has a miserable reputation among voters, while the private sector is revered. But the smoke-blowing about reducing government obscures what's really at stake: not *what* government should do, but *how*. Anyone who watches government closely could match these contractor horror stories with equally horrendous tales about the public sector. But the point isn't that we should always dismiss contractors—just that we shouldn't assume they'll do a better job.

Once the decision is made to contract out, competition is an important part of the strategy to keep good performance. Before it yielded so completely to arms manufacturers in the fifties, the military had its own labs and could make weapons for itself. And when it did ask for bids from private companies, it had a yardstick. "We can do it for this much," the government could say. "What can you do?"

The yardstick principle is what prompted the creation of the Tennessee Valley Authority, in its early days a helpful means of judging the efficacy of private utilities. Clinton did the same thing with the student loan business. It's useful to have private capital to bankroll federally-insured loans. But whereas private banks and organizations like Sallie Mae, which buys loans from banks, once had a monopoly, Clinton introduced partial direct lending, allowing us to measure the performance of both public and private loans.

"If you bring in a private contractor with a monopoly," says Indianapolis Mayor Stephen Goldsmith, "you're not going to be any better off—maybe worse." He's right. Goldsmith has pushed privatization hard, but he allows city workers to bid for contracts against private businesses on services from fixing potholes to repairing engines. In a majority of cases so far, public workers have won, and the mayor has cut $100 million in costs since he took office in 1992. The other side of the coin is Massachusetts, which has private automobile insurance, but doesn't allow competition. The result is the highest premium rates in the country.

Selling Out

Of course, contracting is not the only form of privatization. Most broadly, the term applies whenever a public function is mixed with elements of the private sector. So something as mild as structuring public agencies to mimic private businesses—the stuff of "reinventing government"—is privatization. So is selling state assets outright, as Britain has done with British Airways and British Petroleum, for example. But unlike Britain, which had nationalized much industry after World War II, the United States doesn't have much that can be sold.

But that won't stop congressional Republicans. They're positively loony, having gone so far as to ask National Park Service Director Roger Kennedy for the market value of each of the nation's 368 park units—from Lafayette Park to Yosemite. Of course, some government assets do have a tangible value. Republicans want to sell the Strategic Petroleum Reserve, for example, the government's oil stockpile created to guard against another energy crisis.

Sure, this would net a few billion dollars. And the sale would be a good selling point for deficit hawks. But the one-time influx of cash hardly offsets the damage done. It's as if the Republicans had just bought a restaurant and, alarmed by the debt, decided to sell off the fire extinguishers. We have that reserve of oil for a reason. And there's no reason to believe that the energy shocks in the seventies—and the resulting double-digit inflation—might not happen again without it.

Reserve skepticism, too, for plans to improve the Food and Drug Administration and the Federal Aviation Administration. Both are in line for privatization. Neither should be.

In a market economy, one essential function of government is to temper the extremes of private enterprise, to make up for its shortcomings. Americans believe, legitimately, that businesses can't be trusted to care for their health and safety. Yet Gingrich has suggested replacing the FDA with private "entrepreneurs." But can a company that invests millions in a product be trusted to decide whether it belongs on the shelf? Of course not. That's why the FDA was created in the first place.

The same goes for air traffic control. Everyone agrees that the air traffic control system is saddled with management trouble and out-of-date technology. Much of the computer network looks like something out of *War of the Worlds*—with tubes and fans that preceded the modern microprocessor. The prevailing wisdom is that this represents the failure of government, that air traffic control must be privatized.

Some Republicans would give air traffic control directly to the airlines. But when it comes to passenger safety, the lust for profits must have its limit. That's why government got involved in the first place.

The Clinton Administration would take the more modest step of spinning off air traffic control as a government corporation. "The billions of dollars of waste that we have seen over the last 10 years in an inefficient procurement system will be eliminated," says Transportation Secretary Federico Peña. "The corporation will be able to use the same kind of procurement rules that any private company can use, and bring on that technology much more cheaply [and] efficiently."

Peña pretends that FAA's woe stems from having to follow the rules and regulations of a government entity. But the General Accounting Office has shown repeatedly that the problem is bone-headed management—something that won't disappear with privatization. A large measure of the trouble is with Congress, which is resistant to necessary capital improvements that are expensive in the short run. And poor planning and oversight of contracts has been a big part of the agency's problem: IBM's overhaul of the FAA's computer system has been plagued by cost overruns and chronic delay.

For decades, public officials have responded to crises, like the current one at FAA, by creating quasi-governmental bodies. There are dozens of them—from Amtrak to the Federal Crop Insurance Corp. to the U.S. Postal Service.

But government corporations aren't the answer. Neither is contracting. For that matter, no amount of adjusting organizational structures eliminates the essential truth: Government won't work without oversight and accountability all the way down the line.

As politicians face the monumental task of reviving public confidence in their government, you might think they'd move to strengthen the institutions that help keep the government—no matter what its size or shape—on its toes.

But Republicans in Congress plan to do the exact opposite. Led by Phil Gramm, they've proposed eviscerating the General Accounting Office and the Office of Technology Assessment, watchdogs who tell the government what's working, what needs improvement, and what's on the brink of collapse. A Gramm aide told *The Wall Street Journal* that the GAO is mostly good for "bean counting" and that it spends "a lot of its energy in policy areas where it has ... no business."

This is nonsense. Gramm wants to cut the GAO for one reason: With a $443 million budget and no entrenched lobby on its side, the agency is an easy target. But the meager short-term savings will pale in comparison to losing one of government's few effective means of keeping tabs on its vast labyrinth of employees and programs. The OTA is an even bigger bargain. With only 143 employees, it produces incisive reports on the most complicated initiatives—from "Star Wars" to health care. And since both watchdog groups write in clear, accessible language, there's no danger their reports will be buried. Through newsletters and journalists, the information is conveyed directly to the public.

Republicans pretend that cutting GAO and OTA is part of the way to make government leaner and more effective. "How can GAO be more efficient?" asked William Roth at a Senate Governmental Affairs Committee hearing. "How can they emulate the private sector to do more with less?"

But emulating the private sector would mean beefing up the watchdog agencies, sending a message that oversight and accountability would receive top priority.

If the DOE and EPA examples aren't evidence enough that agencies need prodding, think back to the fiery explosion of the Space Shuttle Challenger. The disaster, which cost seven lives and shook the country's confidence in its space program, was traced to a faulty "O-ring" seal made by a NASA contractor, Morton Thiokol.

The contractor was aware of the O-ring's flaw—and what would happen if it failed—for years. They ignored the warnings. Tragically, so did NASA. The agency adopted a "hear-no-evil, see-no-evil" approach. As Donald J. Kutyna, a member of a presidential commission, told *The New York Times*, "No one wanted to be the one who raised a show-stopping problem. No one had the guts to ... say, 'This thing is falling apart.'" In other words, no one was willing to take responsibility.

Having made an art of free-lunch social policy, Republicans will continue to argue that the private sector holds the answer. If a public agency can't be contracted out, they'll say, then tinker around the edges to make it look more like a business.

But life gets a little more complicated when you leave Monkey Island. We have no lack of innovative public-private partnerships—a full 50 percent of federal spending already goes to grants and contracts. The problem is something different, something simpler: If you don't know who is supposed to be feeding the monkeys—and whether they're doing it right—the monkeys are bound to go hungry. □

Who's Who

Kenneth Starr has an interesting approach to moral and ethical issues in his own life. The Whitewater prosecutor has agreed to represent Brown & Williamson, a leading cigarette manufacturer, in a proceeding before Judge **David Sentelle**, the man who appointed Starr to be the Whitewater prosecutor. You know how I hate to rush to unpleasant conclusions, but is it possible that Brown & Williamson chose Starr because it knew Sentelle admired him? And could Starr be one of those lawyers who will accept any client who can pay him enough, regardless of the dope they deal?...

Speaking of lawyers and ethics, **Greta Van Susteren**, who has been the legal commentator for CNN during the Simpson trial and has often been interviewed by the media on other legal and ethical isses, was recently charged with ambulance chasing by the West Virginia State Bar. Her firm is accused, according to the *Charleston Gazette*, of "wrongly pestering the families of state residents injured or killed in accidents between 1990 and 1993."...

Several years ago **Karen Johnson** went to jail rather than testify against **Marion Barry**. At the time many wondered if she received some tangible form of gratitude. Now comes the answer. According to a recent article in *The Washington Post*, she "received money from some Barry associates ... more than $20,000."...

Christine Whitman's reputation for fiscal wizardry took another step toward oblivion when the nonpartisan Office of Legislative Services predicted in late March that New Jersey would take in $680 million less in revenue than she had projected....

EPA Director **Carol Browner** was recently stopped by guards at the White House and asked to identify herself, according to the *Los Angeles Times*, which asks if this means that environmental concerns are not really on Clinton's front-burner. "Now, two years into the administration, she's such an infrequent White House visitor that guards fail to recognize her."...

"**Mrs. Clinton** is greatly resented by most of the President's staff. Some hate her, more try to avoid her," according to columnist **Richard Reeves**. "Some," he continues, "see the President as a hostage to his wife, turning his palms up, shrugging slightly in a 'What can I do?' gesture. It happens whenever Whitewater or family finances is the subject."

What Reeves says squares with what we've seen and heard. The staff, he goes on, "still talk about the end of 1993 [when Clinton] would come downstairs yelling and sulking, obviously distracted by the reaction upstairs to a nasty article in the *American Spectator* stringing together allegations, guesses, and rumors about his sex life in Arkansas. At the White House Christmas party, the Clintons left after only five minutes. They were barely looking at each other."

Could it be that it was Clinton's guilt and embarrassment about the *Spectator* article that caused him to allow his wife to make the disastrous mistake that same December, against the advice of almost the entire White House staff, of stonewalling on Whitewater?...

Sam Donaldson has collected $99,000 in wool and mohair subsidies from the Department of Agriculture i just the last two years, according to a recent report in *The Wall Street Journal*. No, silly, it wasn't for Sam's rug, but for the sheep and goats he was raising or not raising—with those crazy farm subsidies, it's hard to b sure which—on his New Mexico ranch....

According to **James Warren** of *The Chicago Tribune*, who closely follows the speaking engagement of Sam's ABC colleague **Cokie Roberts** and her husband **Steve**, the couple collected $45,000 for an appear ance on behalf of a Chicago bank and an undisclosed sum—their usual fee is $35,000—for a meeting with Phillip Morris customers billed as "Change in Washing ton: A Media Perspective with Cokie and Steve Roberts." There is supposed to be an ABC policy again paid speaking engagements before for-profit and trade associations. This may explain why Cokie's spokesmar denied to Warren that she was involved at all. Phillip Morris told Warren that Cokie "had called to say she w sick and couldn't make it." Did Cokie accept in order t help Steve get the fee, then withdraw so as not to upset ABC? Did the couple collect the usual $35,000? Did Steve get to shoot the breeze with Kenneth Starr?...

Continuing on the who-takes-money-from-whom st ry, the Center for Responsive Politics recently documented the source of **Phil Gramm**'s campaign financing from 1987 through 1994. $1.04 million came from oil and gas interests—Gramm opposed **Bill Clinton**'s proposed energy tax. We would never be so vulgar as t allege this was tit for tat, but there are some other fasci nating coincidences. $655,999 came from health professionals—Gramm fought Clinton's health plan, ragir "This will pass over my dead body." $392,546 came from commercial banks—Gramm blocked the Fair Credit Reporting Act, which would have required banl to fix mistakes in consumers' credit reports....