

Right-wing campaign against Clinton White House

McDougal trial exposes Starr-media conspiracy

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Testimony in the trial of Susan McDougal in Little Rock, Arkansas this week has dealt a blow to Independent Counsel Kenneth Starr and produced major revelations about the role of Starr's office, the media and right-wing elements in Arkansas in engineering the impeachment campaign against Bill Clinton.

Taking the witness stand for three days in her own defense against charges of criminal contempt and obstruction of justice, Susan McDougal proved to be an articulate opponent of the politically motivated Starr investigation who could not be shaken in two days of hostile cross-examination.

McDougal is on trial for refusing to answer questions before a federal grand jury convened by Starr in Little Rock to investigate Whitewater and related financial and real estate deals of Bill and Hillary Clinton and their political associates. She has already served 18 months on a civil contempt charge for refusing to testify. Starr is seeking the additional criminal charge, which carries a jail term of up to 10 years, in a vindictive effort to punish McDougal and to intimidate other targets of his ongoing inquisition.

The first action which McDougal took on the witness stand was to answer the exact questions which she had refused to answer before Starr's grand jury, read to her from the transcript of the grand jury deposition by her attorney, Mark Geragos. The purpose was to show that her refusal to answer was not a cover-up for the Clintons, but an act of defiance of the special prosecutor. She testified, under oath, that she had never discussed a \$300,000 federally backed loan with either Bill or Hillary Clinton, that they had no knowledge of the financial dealings of her late husband, savings and loan banker Jim McDougal, and that Clinton had testified truthfully in her 1996 trial, which ended in her conviction on four felony charges.

Starr's office has sought to build a case that Clinton put pressure on David Hale, the former Little Rock judge who headed the lending agency, to provide the \$300,000 loan to Ms. McDougal, with the understanding that a portion of the money would pay off his debts for the Whitewater real estate investment in which the McDougals and Clintons were partners. The case foundered because Hale, the principal witness, was a convicted con man and admitted perjurer, as was Jim McDougal.

Susan McDougal said that she had refused to answer questions put by Starr in 1996 because the special prosecutor insisted she lie in order to implicate Bill and Hillary Clinton in the loan scheme.

She said that Starr's office was determined to bring charges against Clinton and was casting about for a suitable pretext, beginning with the tangled--and profitless--web of real estate purchases and loans conducted by Whitewater Development Co.

Another possible pretext, she testified, was the president's personal life. Her late husband told her, in the summer of 1996, that Starr's top deputy in Little Rock, W. Hickman Ewing, "believes he can get Clinton on a sex charge before the election" if she would lie and say that she had had an affair with Clinton.

After her late husband agreed to become a witness for the special prosecutor, he openly discussed the various lies that he was preparing to tell, trying out the stories on her to see which seemed the most plausible. "He said this was something he had to do because he didn't want to die in jail," Susan McDougal said. Jim McDougal did, however, die in prison last year, while serving the reduced three-year term for bank fraud which was his reward for providing anti-Clinton testimony.

Ms. McDougal said that she considered agreeing to lie in return for avoiding jail, and discussed possible testimony in a conference call with deputy independent counsel W. Ray Jahn on August 15, 1996. Eventually she rejected this alternative and decided to maintain her defiance.

Starr's office sought first to prevent McDougal from making the charge of prosecutorial misconduct, and then to rebut it in advance. Two former members of Starr's staff--but not Ray Jahn--testified earlier in the trial that they had no discussions with McDougal about providing perjured testimony in return for no jail time.

Other witnesses this week have corroborated McDougal's account of the methods employed by Starr's office to manufacture a case against Clinton. Steve Smith, a Clinton aide in the early 1980s who quit the state government in opposition to Clinton's repeated cave-ins to big business, described how he was pressured by Starr's office to give false testimony against former Arkansas Governor Jim Guy Tucker.

In 1995 Smith was allowed to plead guilty to a misdemeanor charge in relation to the Whitewater investigation in exchange for his testimony. He told jurors that Starr's prosecutors presented him with a "script" to read to the grand jury based on their scenario of Whitewater events: "They asked me to implicate others in a criminal conspiracy. It was one of the most intimidating things I've

ever experienced."

Smith testified that he balked at reading the statement because it contained lies that might open him up to perjury charges. "One of the things that became clear to me," Smith said, "was that they had a story in mind, an idea of how things happened." Smith testified that prosecutors were not interested in hearing information that didn't fit their schema.

In other testimony damaging to Starr, Little Rock lawyer Richard Holiman spoke of the experiences of one of his clients, Sarah Hawkins, a former administrator at Madison Guaranty, the S&L run by Jim McDougal, who had been intimidated by Starr's office. Holiman said that Hawkins had initially agreed to testify on behalf of the McDougals at their 1996 trial, but backed out after Starr's prosecutors reopened an investigation of her that had recently been closed.

The most extraordinary revelation from Susan McDougal had nothing to do with Kenneth Starr, however, and concerned events which took place more than two years before he was installed as independent counsel in September 1994. Ms. McDougal revealed that her late husband had been paid a sizable sum by a right-wing Arkansas politician to serve as a source for the 1992 article in the *New York Times* which first raised questions about the Clintons involvement in Whitewater. Jim McDougal, who had recently been prosecuted for bank fraud, said that he felt abandoned by his former Whitewater associates and would "pay back the Clintons."

Sheffield Nelson, who ran unsuccessfully for governor of Arkansas in 1990 as Clinton's Republican opponent, paid a five-figure amount to induce McDougal to talk to Jeff Gerth, the *Times* reporter who wrote the story. (Unbeknownst to the McDougals, Gerth and Nelson were long-time allies. As far back as 1978, Gerth wrote a sympathetic account of Nelson's business activities in Arkansas.)

Nelson and other right-wing political figures in Arkansas, including many with roots in the state's segregationist forces of the 1950s and 1960s, have made a cottage industry out of supplying the national media and congressional Republicans with anti-Clinton allegations, with lurid charges ranging from his sex life to drug-running and murder.

What is new in Susan McDougal's account is that it establishes the role of the *New York Times* as a conduit, witting or unwitting, for a smear campaign fomented by racists, anti-Semites and semi-fascist elements, who now exercise major influence in the national Republican Party.

Another allegation, published in the local *Arkansas Democrat-Gazette* on Wednesday, the second day of Susan McDougal's testimony, provides an even more damning example of the role of the media in promoting the anti-Clinton campaign, this time in direct collaboration with the Office of Independent Counsel.

Columnist Gene Lyons--who has written widely, for *Harpers* magazine, the Internet journal *Salon*, and in book form, exposing the right-wing elements behind Whitewater and the Starr investigation--reveals a link between Starr's office, the *Wall Street Journal* and ABC television.

Lyons recalls that on April 23, 1998, Susan McDougal appeared before a Little Rock grand jury to answer questions about the Clintons and Whitewater. Her refusal to testify that day forms the

basis for the current trial on criminal contempt charges.

That same day an op-ed column appeared in the *Wall Street Journal* under the headline "When Susan McDougal Almost Talked," written by Chris Vlasto, a producer for ABC News. The column opened with the lead sentence, attributed to Susan McDougal: "I know where all the bodies are buried." In his account, Vlasto claimed that McDougal had insinuated to him in off the record remarks in 1994 that she had dirt on the Clintons.

McDougal has denied ever being alone with Vlasto during a meeting in New York or talking to him about "buried bodies." Her account is backed by two other witnesses. But at her grand jury interrogation last year, Starr's prosecutors presented the *Wall Street Journal* article--published that very day, through coordination between the independent counsel and the *Journal's* editorial office--as proof that McDougal was hiding important facts about Whitewater. With jurors watching they placed the article in front of McDougal, drawing attention to the headline. Prosecutors later introduced the op-ed piece as evidence.

Vlasto's personal role raises many questions. It is highly unusual, to say the least, for a network television producer to write an article in a competing medium about what a source allegedly told him in confidence. His column was not Vlasto's only effort, not merely to report on events, but to shape them. According to Jim McDougal, after his Whitewater conviction Vlasto approached him and urged him to cooperate with the special prosecutor. "You don't have to go out this way," Vlasto said. "If you walk in to see Ken Starr, he will greet you with open arms."

In his capacity as an ABC journalist Vlasto produced the reports by correspondent Jackie Judd about the semen-stained dress saved by Monica Lewinsky. Last week Judd and Vlasto were joint recipients of an award from the Radio and Television Correspondents Association in Washington for having the best "scoop" of 1998. The source of this report was undoubtedly Starr's office, which knew of the dress from the testimony and tape recordings supplied by Linda Tripp.



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