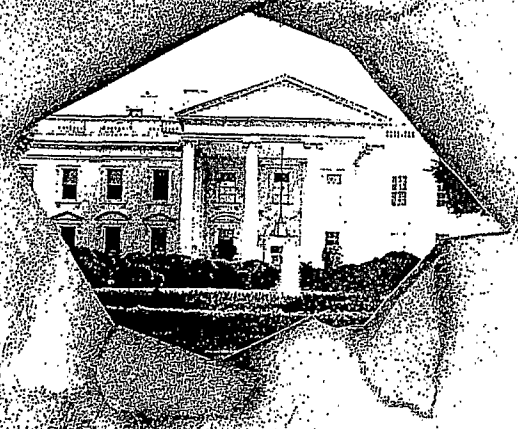
UNCOVERING CLINTON

A REPORTER'S STORY



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shake Stepp's hand and—according to Stepp—wouldn't let go. Looking intensely into her eyes, Clinton told her that "you really have to come see me" in Little Rock. Stepp lightheartedly tried to brush him off. But Clinton persisted. He repeated his invitation, looking closely at her, continuing to hold her hand even as she gently tried to remove it. "I just thought he was coming on to me," concluded Stepp. "I've shaken enough politicians' hands to know this was a little unusual." She felt unsettled enough that in the newsroom the next Monday, she mentioned it to Broder. "I was sort of pissed," Broder said later. "It was clear that whatever had happened, it was something that made her uncomfortable—and he was my guest."

As it happened, Broder had breakfasted with Clinton the morning after the Gridiron and remembered him saying that he had just spoken to Hillary and told her all about the dinner. Was Clinton trying to cover for his misstep the night before? Inside the paper, the Stepp incident made the rounds. Some thought Stepp must be exaggerating. But nobody could rule out the possibility that it was exactly as she thought—and that Bill Clinton was stupid enough to have made a pass at a *Washington Post* reporter.

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I had my own experiences with Clinton, or more precisely his operatives, that unquestionably influenced my own reaction to the Jones allegations. In early July of 1992, I had been working on a lengthy story about the use of private investigators in political campaigns. The story had been prompted by reports that Ross Perot had retained detectives to investigate the business dealings of President Bush's sons. After I completed it, though, I had gotten a tip about a similar development in the Clinton campaign: Clinton operatives, I was told, had hired a private investigator from San Francisco who was flying around the country gathering "dirt" on women who might allege romantic relationships with Clinton. The gumshoe was purportedly being paid out of campaign funds and reporting directly to Betsey Wright, Clinton's longtime chief of staff in Little Rock.

I knew Wright: she was a canny political operator who knew Clinton's vulnerabilities better than anyone. For reasons that nobody had ever been able to fathom (an extremely fierce mothering

instinct seemed as good a bet as any) she had taken it upon herself to protect Clinton from the press—in short, to make sure that his manifest weaknesses as an individual never spilled over into public view. She, like me, also clearly relished the spy-versus-spy dimension of political campaigns. And she liked matching wits with reporters.

Back in March, we had lunch in Little Rock. She was pleasant and gracious but made it clear she was keeping a close eye on me. Weeks earlier, I had ventured down to the courthouse in Arkadelphia—about an hour and half southwest of Little Rock—to check out a tip that a prominent Clinton supporter who had landed several no-bid state contracts supposedly had a drug record. My trip yielded nothing to support the allegation and I never wrote a story. I had not even called the Clinton campaign for comment. Still, Wright couldn't resist letting me know that her spies were everywhere.

"You should know," she whispered at one point, "I've finally figured out what you were doing in the Arkadelphia courthouse a few weeks ago."

Now, in July, armed with my tip about the private detective, I looked forward to the chance to retaliate. I got Wright on the phone and confronted her with my information about the private detective. Much to my surprise, she confirmed it—and proceeded to boast about it. The investigator, a renowned San Francisco detective named Jack Palladino, was needed to cope with an alarming development: claims by and about a plethora of women alleged to have had sexual affairs with Bill Clinton. There was, Wright explained, a sleazy tabloid culture that was degrading the political dialogue. Women—nineteen by her count—were being pursued by the tabloids, which offered juicy sums of up to $500,000 a pop to tell embarrassing stories about the Arkansas governor. "The gold-digger growth is enormous," Wright told me. "There is a whole industry being spawned."

The campaign needed to protect itself, Wright maintained. Palladino's assignment was to collect from the targeted women affidavits denying any romantic relationship with Clinton. If they were not so cooperative, he would take other steps, such as gathering information that would raise questions about their credibility or mental stability.

I asked Wright if she was using Palladino for research on any other topics. No, she said. "I don't think I've used him for anything except bimbo eruptions," she added. And with that utterance, a new phrase entered the political vernacular.

This, I thought, was surely a new wrinkle in American politics—a paid dirt-digger whose brief was, at least in part, to smear the reputations of women romantically linked to a presidential candidate. In one case I detailed in the article, Palladino had successfully suppressed a story about Sally Perdue—a former Miss Arkansas who claimed to have had a brief fling with Clinton in the fall of 1983—by furnishing the *National Enquirer* with signed statements from former associates and estranged relatives raising questions about her veracity. My story took no stand on whether Perdue or any of the others targeted by Palladino were actually telling the truth; indeed, I thought the story important even if they were not. The payments to Palladino came from campaign funds, which were federally subsidized. Equally important, they were being laundered: the initial payments, totaling $28,000, were made to a Denver law firm, which in turn passed the money to Palladino's agency in San Francisco. That way, only the name of the Denver law firm showed up on financial disclosure statements filed with the Federal Elections Commission. In the line where the campaign was supposed to list the purpose of the expenditure, officials had written simply "legal fees."

That little bit of subterfuge seemed the most significant part of the Palladino story: every trivial expenditure for postage and catering was routinely reported on Clinton's FEC report. But something truly worth knowing—the campaign's retention of a high-powered private detective—had been concealed. Working myself into high dudgeon, I proclaimed to anyone who would listen that this was an outrage: Didn't the name Donald Segretti mean anything to anybody around here? Didn't people have to obey the campaign disclosure laws anymore? But few of my colleagues seemed to share my passion.

Under the headline CLINTON TEAM WORKS TO DEFLECT ALLEGATIONS ON NOMINEE'S PRIVATE LIFE, the Palladino story ran on page 18 on July 26, 1992, two weeks after the Democratic convention in New York had nominated Clinton. I thought that if nothing else, it gave

an unusually revealing glimpse of a secret political war between Clinton and his enemies over rumors about his sexual peccadillos. To put Palladino's retention in perspective, Wright had pointed me *toward* the activities of Larry Case, a dubious Little Rock private detective who had taped a thirty-eight-year-old Oklahoma City woman saying she had an extended affair with Clinton in the 1980s. The moment the Clinton campaign got wind of the story, Palladino hopped aboard a plane to Oklahoma City—and persuaded the woman to sign an affidavit claiming she had been "tricked" by Case because she suffered from "multiple personality disorder" triggered by recent brain surgery.

But this was not a subject the press corps at large wanted to touch. With these sorts of characters, who could possibly figure out what was true? Besides, Clinton's nomination was assured. Questions about his sex life seemed out of bounds. Even legitimate questions about the use of campaign funds for questionable purposes seemed irrelevant. Much to my frustration, the Palladino story got no bounce.

It did result, however, in one modest achievement. After it appeared, the campaign was prodded into publicly reporting its payments to Palladino. More than a year later, after Clinton was president, I waded through hundreds of pages of campaign reports at the Federal Elections Commission. The total Clinton campaign funds disbursed to Palladino had exceeded $100,000—with a large chunk of the payments delayed until after the election, one final layer of subterfuge.

I wondered: What exactly had he done for all that money?

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Inside the *Post* newsroom, the questions about Bill Clinton's past lingered. In the fall of 1993, my colleague Sue Schmidt discovered that federal bank examiners in Kansas City had recommended that the Justice Department open a criminal investigation into Madison Guaranty Trust, a defunct Arkansas savings and loan that had been operated by James and Susan McDougal, the Clintons' colorful partners in a failed real-estate venture called the Whitewater Development Corporation. The Clintons' investment in Whitewater and