

# DOJ puts Starr on the spot in payola scandal

by Edward Spannaus

The entire edifice of the Whitewater operation being run by independent counsel Kenneth Starr is now being seriously undermined, to the point where it may totally collapse before long. Starr has been put on the spot by the U.S. Justice Department itself, around the witness-tampering allegations concerning Starr's key witness: former Little Rock municipal judge and businessman David Hale. Those charges directly implicate Starr's close confidant, Theodore Olson, and also Starr's benefactor, the "Daddy Warbucks" of the Get-Clinton crusade, Richard Mellon Scaife.

Readers with long memories may recall that Starr's ever-expanding investigation into Filegate, Travelgate, the Vincent Foster suicide, Sexgate, etc., actually began with a bogus probe of a 1980s real estate deal known as Whitewater. Starr boasts that he has obtained 13 convictions, but the only convictions obtained by Starr in his \$40 million junket so far which relate at all to Whitewater, are those of Susan McDougal, her late ex-husband James McDougal, and former Arkansas Gov. Jim Guy Tucker.

Those convictions were obtained primarily though the perjured testimony of David Hale—a man who changed his story and lied to protect his own skin. Now, with Hale's credibility going down the drain, and Starr's credibility close behind, the whole assault on the Presidency could be stopped cold.

## The Justice Department letter

On April 9, the U.S. Justice Department advised Starr that he should investigate the allegations concerning Hale—but that first, Starr must determine if he has a conflict of interest because the payments to Hale came from Scaife.

On that day, Deputy Attorney General Eric Holder sent a letter to Starr which states that Hale "may have received cash and other gratuities from individuals seeking to discredit the President during a period when Hale was actively cooperating with your investigation." It says that, "in addition to this being possible witness-tampering," under Federal criminal statutes, Starr may also have an obligation to disclose such information to those he is prosecuting or investigating.

The real "zinger" in the letter is the following. Holder says that under the independent counsel statute, Starr's office has jurisdiction over these allegations. But, the letter concludes by saying: "There are suggestions that your office would have a conflict of interest, or the appearance of a con-

flict, in looking into this matter, because of the importance of Hale to your investigation and because the payments allegedly came from funds provided by Richard Scaife." Holder therefore advises Starr: "Should you believe that this matter would be better investigated by the Department of Justice, we would be prepared to accept a referral from you."

Now, the dilemma for Starr is: Does he deny any conflict of interest, which will get him in even deeper trouble, or, does he acknowledge the conflict, which potentially taints his entire investigation, including those convictions obtained so far?

On the same day that the Holder letter was sent to Starr, Susan McDougal's attorney, Mark Geragos, said that he will file a writ of *habeas corpus* to overturn McDougal's convictions on four felony counts, which were obtained by means of Hale's testimony. Geragos said he is now seeking FBI documents which will show that Starr knew that Hale was receiving secret payments from enemies of President Clinton. Geragos said that he has information that Hale received more than \$100,000—a far larger figure than has been revealed so far.

## Hale's deal

The background is this: Hale had come under scrutiny by Federal authorities already in the 1980s for questionable transactions involving the Small Business Administration; indeed, he later testified about almost a dozen illegal loans to himself or companies he secretly controlled during 1985-86.

On July 20, 1993, Hale's office in Little Rock was raided by the FBI. Immediately after the raid, Hale had his lawyer contact the U.S. Attorney in Little Rock, and claim that Hale could provide damaging information about the "political elite" in Arkansas. The Federal prosecutor was not interested in bargaining, so Hale then went to one of Clinton's long-standing adversaries in Arkansas, "Justice Jim" Johnson, an ardent segregationist who appears on the "Clinton Chronicles" videotape promoted by televangelist Jerry Falwell. Johnson, in turn, put Hale in touch with Floyd Brown of Citizens United—the producer of the "Slick Willie" tract in the 1992 Presidential election campaign, who maintains a massive database utilized by private and Congressional anti-Clinton writers and investigators. David Bossie, Brown's investigator who now works for the House Governmental Affairs and Oversight Committee chaired by Rep. Dan Burton (R-Ind.), had a long telephone conversation with Hale; shortly thereafter, Bossie put Hale in touch with NBC. The tale Hale was peddling, was that Bill Clinton and Jim Guy Tucker had pressured him to obtain a \$300,000 loan to the McDougals through the Small Business Administration (SBA).

Meanwhile, "Justice" Johnson also put Hale in touch with Cliff Jackson, another Clinton enemy, who by this time was already involved in something else: coordinating the publicity and money-making schemes of a number of state troopers

who had been part of Clinton's personal security detail when Clinton was Governor. Jackson was in contact with Peter W. Smith, a wealthy Chicago investment banker and a key funder of House Speaker Newt Gingrich's GOPAC; Smith put about \$80,000 into efforts to dig up dirt against Clinton, including cash payments of \$6,700 each to two of the troopers. Some of these troopers were also recipients of monies originating from Richard Mellon Scaife.

Despite Hale's efforts to arrive at a plea-bargain, he was indicted in September 1993 on charges of conspiracy and three counts of making false statements to the SBA. But Hale was more successful peddling his story to the "Get Clinton" journalist gang than to Federal prosecutors. His story, which eventually made its way into the *New York Times* and the *Washington Post*, was instrumental in the appointment of the first Whitewater independent counsel, in January 1994. Hale was able to strike a deal with the first independent counsel, Robert Fiske, agreeing to cooperate, and to plead guilty to two felonies—but not to be sentenced until later. (Later, Hale admitted that he had lied under oath to the judge in that case during his guilty plea.) Fiske was then replaced as the Whitewater independent counsel in August 1994 by Kenneth Starr.

It was during 1994 that Hale became a federally protected witness, and he was then hidden away for two years by Starr,

while Starr and his deputies built their case against the McDougals, Tucker, and Clinton. This was all based upon Hale's story that Clinton and Tucker had pressured him to make the loan to the McDougals for Whitewater—even though, in a 1989 FBI interview concerning the loan, Hale had never mentioned Clinton or Tucker!

As a protectee of the Federal Witness Protection Program, Hale never went anywhere without an FBI escort. After the indictments of the McDougals and Tucker, their attorneys were unable to locate or interview Hale—as any defense lawyer is entitled to do.

Yet, during 1994-96, Hale would regularly go from meeting with Starr's prosecutors in Little Rock, to the Hot Springs, Arkansas bait shop run by Clinton-hater Parker Dozier, and to meetings with other operatives of the "Arkansas Project"—a "Get Clinton" dirt-digging operation into which Richard Mellon Scaife sank over \$2 million.

The "Arkansas Project" money originated from "charitable" foundations controlled by Scaife; they were given to the American Spectator Educational Foundation, Inc. (ASEF), which then passed the monies to Virginia attorney Stephen Boynton, calling them "legal fees" on its tax returns. Boynton handed the money out to various private investigators and others in Arkansas. Boynton has told reporters that he became friends with Hale in 1993; he is also close to Richard Larry,

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president of the Sarah (Mellon) Scaife Foundation. Both Boynton and Larry are also close friends of David Henderson, a vice-president of ASEF, who is a longtime associate of Scaife as well.

The attorney for the American Spectator Education Foundation, and also a member of its Board of Directors, is Starr's former law partner and close personal friend, Theodore Olson. Olson is now conducting an "internal" investigation for ASEF on the use of the funds. In 1995, Hale hired Olson as his Washington lawyer.

And, as *EIR* reported in our March 13, 1998 issue, Olson and his wife Barbara (who also works for Representative Burton's investigating committee), host a regular gathering of friends at their Great Falls, Virginia home, which includes judges and lawyers, editors of the *Wall Street Journal* and the *American Spectator*—and Kenneth Starr himself.

### Hale re-emerges

Now, back to Arkansas. David Hale, the federally protected witness in Starr's custody, would spend days on end at Parker Dozhier's cabin in Hot Springs, being debriefed by Dozhier and other Scaife operatives; Dozhier would type up his notes and pass them on to the *American Spectator*. According to some accounts, Dozhier received at least \$35,000 in Scaife monies, some of which he passed on as cash payments

to Hale. Dozhier also gave Hale the use of a cabin and a car.

In the spring of 1986, the new, reburbished David Hale was put on public display, when Starr's prosecutors put the McDougals and Jim Guy Tucker on trial. Hale was put on the stand, often contradicting his own previous testimony; his credibility was so low that even Starr's deputies were forced to argue that, although Hale had once been a "crook and a liar," he was now telling the truth. But for the fact that the psychologically unstable Jim McDougal insisted on taking the witness stand in his own defense, all three defendants probably would have been acquitted.

Right before the trial, Hale was given the rather lenient sentence of two years and four months—of which he only served 20 months, and part of that in a half-way house. Last Feb. 6, at the explicit request of Starr, Hale was released from prison. Starr's top deputy, W. Hickman Ewing, told the court that Hale had given prosecutors "the big picture." In a press conference after the hearing, Starr repeated that Hale had provided "substantial assistance" and that he is continuing to do so. Besides releasing Hale, the judge waived a \$10,000 fine, and said he may also withdraw a \$2 million restitution order.

But now, all bets are off, as Hale, Starr, Scaife, and, perhaps, Olson as well, come under investigation, as part of a \$2 million "payola" scheme.

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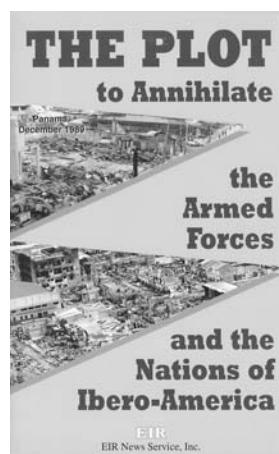
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