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Hillary's Bull Market

By CLAUDIA ROSETT

In New York's Senate race, Republican Rick Lazio has been too gentlemanly to remind voters of some of the murkier issues surrounding his opponent, Hillary Clinton. Mrs. Clinton's campaign is even crying foul over Mr. Lazio daring to circulate copies of our recent editorial arguing that a Senate victory, given her prominent role in scandal defense, would be an "an absolution of her husband's moral and ethical standards." So we guess it's also up to us to indelicately mention another of those flagrantly disturbing episodes in Mrs. Clinton's career: her quick profit of nearly $100,000 on a $1,000 stake in the futures markets.

The big question, still, is whether Mrs. Clinton was, as she said, just well-advised and "lucky," or whether—via the filter of the futures markets—she took a fat bribe and then coolly lied about it.

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It has become accepted wisdom that the matter was settled in 1994 when Mrs. Clinton, under public pressure, dressed herself in pink and held a press conference in the White House. Perched under a portrait of Honest Abe Lincoln, Mrs. Clinton described her astounding gains back in 1978-79 as simply "a good investment offered by somebody who knew a lot."

But "good investment" does not begin to describe Mrs. Clinton's highly unusual return of almost 10,000% over 10 months in the futures markets. Back in 1979, that big a lump of pin money came to more than the annual incomes of both Clintons combined. To achieve such gains, Mrs. Clinton—assuming she was trading honestly, not with some private understanding of guaranteed "profits"—had to put many times the family income repeatedly at risk, an odd move if the aim was, as she said, to "try to create some financial security for our family . . ."

In places like the trading pits of the Chicago Mercantile Exchange, whence emanated Mrs. Clinton's super-profits, there are pros who know plenty about how things work. "It's a mockery of the profession to say you took a thousand dollars and made a hundred thousand," says Joe Gressel, a 19-year veteran of the Merc's trading pits. "Around here," he adds, in a sentiment echoed by some of his colleagues, "we're flabbergasted that she's bamboozled the people of New York state."

The basic plot line of Mrs. Clinton's foray into the futures markets (keep your eye on two players—lawyer James Blair and broker Robert "Red" Bone) is that in October 1978, she put up $1,000 to start trading through Mr. Bone, who worked in the Arkansas office of a brokerage firm called Refco. Mrs. Clinton said she did this at the urging of a friend, Mr. Blair, who until early this year was chief in-house counsel for Arkansas-based Tyson Foods.

Hillary Clinton

Over 10 months, buying and selling futures contracts in a variety of commodities, especially cattle, Mrs. Clinton after various ups and downs had made nearly $100,000, and in July 1979 got out of the market. While this was going on, Bill Clinton had advanced from the influential position of Arkansas attorney general to the more powerful job of governor.

By Mrs. Clinton's account, she consulted Mr. Blair often during her trading days, but made actual decisions herself. "Jim would call me on a regular basis and I would make a decision whether or not I would trade, and then the trade would be placed. Often he placed it for me. There was nothing wrong with that," said Mrs. Clinton, in her pink press conference.

Maybe not. But did Mrs. Clinton's profits really come from whatever orders she gave Mr. Blair? Or—as some futures experts still wonder—did she have a helping hand at Refco, ensuring her a huge net gain by salting some big winners among otherwise legitimate ups and downs?

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By several accounts, there was a lot of latitude at Refco for something Hillary insisted she did not get—"favoritism." According to a market veteran who worked as a clerk for Refco at the time, Mrs. Clinton's version that she called the shots, trade-by-trade, on her relatively small lots of individual deals, is implausible.

The late 1970s brought a roaring and volatile cattle market, and Refco was one of the most fast-and-loose brokerage firms in the business. In the normal course of trading, futures dealers are supposed to specify which trades are done for which customers. But this former Refco clerk says business at that stage was so brisk that Refco deals were done mainly in big blocks—far bigger than Hillary's individual recorded orders. Only later would the brokers code transactions by customer and decide which trade—meaning what profit or loss—to parcel out to whom. "When Hillary came forward and said she was doing her own trades, I knew immediately that she wasn't telling the truth," says this former clerk.

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His doubts bear noting, especially because soon after Hillary cashed in her profits, the Merc accused Refco of breaking the rules and Mr. Bone, in particular, of "serious and repeated violations of record-keeping functions, order-entry procedures, margin requirements and hedge procedures." Without confirming or denying the charges, Refco Chairman Thomas Dittmer and Mr. Bone agreed to penalties imposed by the exchange. Mrs. Clinton was among the customers for whom Refco traded without requiring the normal amount of margin money needed to cover likely losses.

The issue boils down to whether Mrs. Clinton was exceptional enough to have been both one of the luckiest amateur futures traders ever as well as a customer for whom Mr. Bone and Refco, while overlooking margin requirements and a host of other rules for at least some of their customers, otherwise played it straight. Or did Mrs. Clinton let Refco fiddle her accounts to deliver huge net gain, while she herself was either too careless to notice, or too dishonest to protest?

The question becomes all the more interesting because it isn't merely a matter of history. There is room to wonder whether there were swaps of favors over the years. Mrs. Clinton's mentor of the market, Mr. Blair, numbers among the Clintons' Lincoln-bedroom guests, both from the early 1990s and the past 15 months. And Mr. Blair's longtime employer, Tyson Foods, has enjoyed boosts from Mr. Clinton since Hillary's trading days. To give a fairly recent example, in 1996 both President Clinton and Vice President Gore went to bat personally to persuade Russia's President Boris Yeltsin and Prime Minister Viktor Chernomyrdin to continue allowing the import of some $600 million a year worth of chicken, the bulk produced by Tyson Foods.

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Probably the most influential expert on futures seen to have defended Mrs. Clinton is former chairman of the Chicago Merc, Leo Melamed. At the special request of the White House, Mr. Melamed in 1994 looked through Mrs. Clinton's old trading records. He concluded that Mrs. Clinton herself had not violated any rules of the exchange—her broker did that.

But the issue is not whether Mrs. Clinton broke the rules of the Merc, which is what Mr. Melamed chose to address. Rather, it is whether—or to what extent—she knowingly let other people break the rules for her and then lied about it. Interviewed by phone this week, Mr. Melamed said he had been concerned only with the rules of the Merc. As far as any private understanding Mrs. Clinton might have had with her broker, says Mr. Melamed: "Those are not things I was looking at, nor did I give a damn."

Maybe only Messrs. Blair and Bone and Mrs. Clinton herself can say for sure whether she was just a hapless beneficiary of a generous and rule-breaking broker, hand-picked by a clever friend whose company later got some business help from the Clinton administration; or whether she took a payoff and lied about it. Given that Mrs. Clinton is now running for a job of public trust in the Senate—a place where one might want to keep bribe-takers to a minimum—it seems a question still worth asking.

Ms. Rosett is a member of the Journal's editorial board. Her column appears on OpinionJournal.com on Thursdays.