

COZY IS OK IN WEST TEXAS, WHERE YOU CAN STILL JUDGE A MAN BY HIS HANDSHAKE AND HIS DADDY'S NAME. BUT IT'S NOT OK NOW, NOT IN WASHINGTON.

free up some of the stock without, apparently, immediately doing the required paperwork. In that way, he could use it to get a \$500,000 loan from the United Bank of Midland, where Bush had served on the board, and where he still was an "advisory director."

It was all conducted in the old-fashioned west Texas way: honorable enough (Bush seems to have done the paperwork some six months later), but with friendly terms for an inside player and a laissez-faire attitude toward regulatory detail. Or, as Joe O'Neill, another Midland buddy, puts it: "We don't call in lawyers till we wrap up a deal. They'll just screw it up. You don't call a lawyer until you have to."

Well, we aren't in Midland anymore, and everybody in Washington is busy calling the lawyers. Cozy is OK in west Texas, where you can judge a man by his handshake and his daddy's name. And it worked when share prices were rising like rockets at Cape Canaveral. But not now, not in Washington. Eighty million Americans are invested in the stock market. A two-year price decline and a year of boardroom scandal changed everything. Suddenly, everyone—including President Bush—is demanding strict compliance with the letter of the laws. Many leaders—though not primarily Bush—are rushing to propose sweeping new statutes and regulatory agencies. The goal: to restore faith in corporate America—and protect Congress from the voters' wrath this fall.

Now Bush and others on his team have to reconfigure an old Republican adage.

The new version: do what we say now, not what we did then. In the case of Bush's 18-year career in business, no one has found any evidence of unethical conduct, let alone what he calls "malfee-ance." Yet some of the rules he now propounds he ignored when they applied to him, and some of the reforms he now proposes would eliminate perks he once enjoyed. White House aides don't think his history limits his ability to be a reformer. "That's like saying you couldn't be for campaign-finance reform if you took contributions," says White House communications director Dan Bartlett. "People learn from experience."

Can the first M.B.A. president crack down on the world he comes from? He filled his team with an unprecedented number of CEOs, executives and lobbyists. When the markets were up, it made sense enough to bring a profit-margin mind-set to the capital. Even now, his aides argue, Bush's business background enables him to suture the market's ethics wounds without killing the patient. But voters may wonder if this CEO White House has the interests of average investors, employees and retirees in mind. The president's widely panned Wall Street speech—tough in tone but containing few legislative specifics—was kept cautious on the advice of business-world alumni, among them Vice President Dick Cheney (late of Halliburton) and domestic-policy chief Joshua Bolten (of Goldman Sachs).

For Bush, there's a profound family question lurking in the market numbers: is he destined to repeat the pattern of his father's presidency? Like "41," this Bush is adept as commander in chief. But he has yet to prove he's more attuned than his dad to the emotional politics of the economy. He and his



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INSIDE TRACK: Bush's time on Harken

team, consumed by the Middle East and other matters, were slow to adopt a sense of urgency about corporate reform. Now, just as Dad's team a decade ago, they think they can give a new speech (there's one this week) or a new proposal (there was one last Friday) will help them vault them "ahead" of the issue. In the meantime, they're on the defensive, reacting to events rather than leading. That's evidently the view on Wall Street, where traders fear a worst-case scenario of more regulation, less inspiration.

Even Republicans think that the president could inspire the country by getting rid of Army Secretary Thomas White, who cashed out as an Enron executive with a net worth of \$100 million just before the company collapsed.



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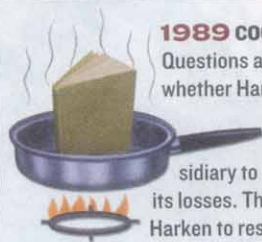
The Harken Handshake

As Bush vows to crack down on crooked corporate behavior, Democrats are focusing on whether his own conduct was always aboveboard.



1986 THE DEAL Bush sells his struggling energy company, Spectrum 7, to Harken. Bush gets more than 200,000 shares and a seat on the board.

1986, 1988 I.O.U. Bush receives two low-interest loans from Harken to acquire shares in the company. He's now calling for an end to this practice.



1989 COOKED BOOK Questions are raised about whether Harken booked improper profits on the sale of subsidiary to obscure the its losses. The SEC later forced Harken to restate its earnings.