

Weather

Today: Mostly sunny, mild.

High 44. Low 26.

Sunday: Partly sunny, breezy. High 48. Low 24.

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126TH YEAR No. 2 S DM VA

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HOME EDITION

Inside: Real Estate

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NEWSSTAND 35¢

HOME DELIVERY 28¢

Prices may vary in areas outside metropolitan Washington. (See box on Page A2)

Bush Ousts O'Neill and a Top Adviser

Analysis

With '04 in Mind, Bush Team Saw Economic, Political Peril

By DANA MILBANK
Washington Post Staff Writer

The first step toward recovery, it is often said, is admitting you have a problem. That's what President Bush did yesterday.

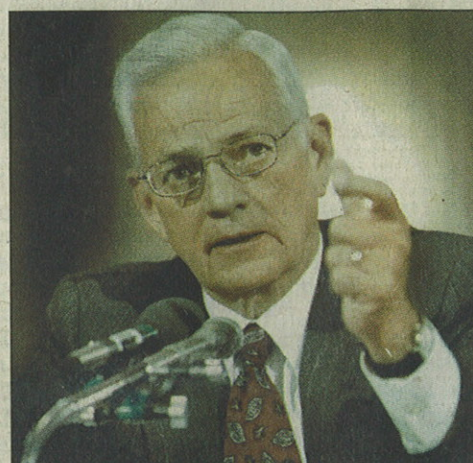
By pushing out his top two economic officials—Treasury Secretary Paul H. O'Neill and National Economic Council Director Lawrence B. Lindsey—Bush acknowledged that the U.S. economy is in trouble and that he will be blamed for it in 2004 if growth is not restored. The housecleaning signals at a minimum that Bush believes he needs fresh faces to sell his economic policies to Wall Street and Main Street, and it may also reflect a worry that the policies themselves have not been bold or

creative enough.

It was just a coincidence that the purge of O'Neill and Lindsey came on the same day a report showed that the unemployment rate unexpectedly returned to an eight-year high of 6 percent last month; the decision was made Wednesday, and O'Neill and Lindsey were advised Thursday that their resignations were expected. But the uncharacteristic move by Bush to cut loose two loyal members of his team reflects the danger a lumbering economy poses to Bush's reelection prospects.

Until now, Bush and his aides have blamed the economic malaise on terrorists, on the policies of President Bill Clinton or on Senate Demo-

See ANALYSIS, A10, Col. 1



FILE PHOTO/By RAY LUSTIG—THE WASHINGTON POST

Treasury Secretary Paul H. O'Neill became the first member of the Bush Cabinet to leave, offering a three-sentence letter of resignation.

Unemployment Rise Unexpected

An increase in the U.S. unemployment rate in November—matching April's eight-year high of 6 percent—surprises and disappoints many economists, who were expecting a smaller rise.

BUSINESS, Page E1

Treasury Chief, Key Economic Aide Resign as Jobless Rate Hits 6 Percent

By MIKE ALLEN and JONATHAN WEISMAN
Washington Post Staff Writers

President Bush forced out his Treasury secretary and his top economic adviser yesterday, an abrupt move that reflects heightened White House anxiety over the ailing economy.

Treasury Secretary Paul H. O'Neill and National Economic Council director Lawrence B. Lindsey resigned after Bush decided he needed stronger messengers to communicate with voters, investors and lawmakers as he headed into his reelection race, White House officials said. The officials said Bush plans no change in his fundamental economic policy, which will still emphasize tax cuts.

White House officials said Bush plans to announce their replacements soon, perhaps next week. The officials said the leading candidate to replace Lindsey is Stephen Friedman, a former chairman of the investment bank Goldman, Sachs & Co. O'Neill is likely to be replaced by a corporate executive and the two will be announced together in an effort to convey concern

for "both Wall Street and Main Street," a senior aide said.

O'Neill, 67, is the first member of Bush's Cabinet to depart. It is unusual for Bush to push out a top aide, especially one like O'Neill, a former corporate chieftain who shared a gruff camaraderie with the president. O'Neill angrily wrote a three-sentence resignation letter to Bush saying, "I hereby resign my position as secretary of the treasury. It has been a privilege to serve the nation during these challenging times. I thank you for that opportunity."

Bush issued a statement that was just as terse. "My economic team has worked with me to craft and implement an economic agenda that helped to lead the nation out of recession and back into a period of growth. Both are highly talented and dedicated, and they have served my administration and our nation well," he said.

Lindsey, 48, issued a page-long letter full of praise for Bush and his policies. "But the time has come for me to devote myself to other pur-

See RESIGN, A8, Col. 1

Iraqi Report: Gold Mine Or Minefield?

Today's Arms Tally Follows Years of Nuggets and Lies

By WALTER PINCUS and JOBY WARRICK
Washington Post Staff Writers

When the United Nations ordered Iraq to reveal its germ-warfare program to the world at the end of the Persian Gulf War in 1991, the result was a 30-page document that seemed to be patently false, but remarkably



Record Gift for Kennedy Center

Businesswoman Gives \$100 Million To Building Fund

By JACQUELINE TRESSCOTT

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By JACQUELINE TRESPOTT
and ROXANNE ROBERTS
Washington Post Staff Writers

Catherine B. Reynolds, the arts philanthropist who earlier this year rescinded a multimillion-dollar gift to the Smithsonian Institution, is giving \$100 million to the Kennedy Center.

It is the largest gift the performing arts center has received in its 30-year history and will go directly to the center's fund for an educational center, one of two new Kennedy Center buildings now in the planning stages.

Michael M. Kaiser, the center's president, and Reynolds, a Virginia businesswoman who made a fortune in the student loan business, are expected to officially announce the gift today.

"It is a nice round number, isn't it," Kaiser said yesterday, "and our gratitude exceeds the size of the gift because it takes courage to say, 'I am going to put a huge amount of money into a campaign that no one else has given to yet.'"

In an interview, Reynolds said she hoped the gift would underscore the center's role as a national leader in the arts and arts education. "First of all, art is a great vehicle for individual achievement," she said. "Art helps to create and define the greatness of America."

The \$100 million is the first donation to the center's plan for a major expansion over the next decade. One of the new buildings will be dedicated to educational programs and exhibitions on the performing arts; the other, to rehearsal space. Together they will be the focal point of a new plaza, a wide front yard that will extend from the center to Columbia Plaza, spanning a spaghetti loop of roads.

Under a plan approved in Sep-

Kennedy Center Gets Record \$100 Million Gift

REYNOLDS, From A1

tember, the federal government will pay \$400 million for road improvements and the plaza. The center will have to come up with private money for the buildings, which together would cost \$250 million.

Reynolds said determining the amount of the gift was easy.

"Michael asked for it," she said.

Kaiser declined to discuss the specifics of the contract with Reynolds, but he pointed out that the legislation for the project allows only interior spaces to be named for donors. He said the center's board is developing a policy for naming opportunities. Asked what Reynolds might expect as far as public recognition, he said, "We don't know yet." Major donors, he emphasized, usually "get precious little."

As for the content of the exhibitions in the educational building, Kaiser said Reynolds would have some oversight in her role as a board member. The development of the displays, he said, is the center's job. "All final decisions rest with me," he said. "We are doing the work."

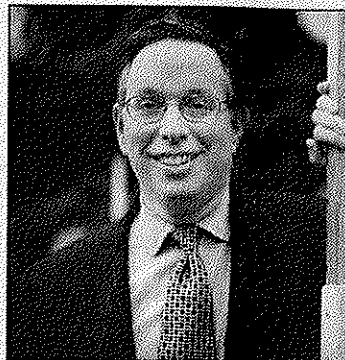
The Reynolds gift puts Washington squarely at the center of a wave of new philanthropy. Last year, two America Online executives and their wives gave \$30 million to the Corcoran Gallery of Art for its building cam-

paign. Also last year, the Kennedy Center received a \$50 million pledge from technology investor Alberto Vilar for an arts management program and appearances by the Kirov Ballet and Opera.

In recent years, the Smithsonian has been the recipient of similar largess. Stephen F. Udvar-Hazy, who made millions in the airline leasing field, gave \$65 million to the National Air and Space Museum annex at Dulles International Airport. Two Native American tribes each gave \$10 million to the National Museum of the American Indian, now under construction on the Mall.

Until today's gift, a \$100 million donation by Kenneth Behring, a California real estate developer, to the Smithsonian was the largest recent cash gift in the Washington area. Reynolds's gift, coming a few days after pharmaceutical heiress Ruth Lilly gave \$100 million to Poetry magazine, provides more evidence that the arts seem to be a thriving target for giving despite the stumbling economy and shifting priorities among individual givers, foundations and corporations.

With her previous gifts of \$10 million to the center, \$1.5 million to the National Symphony Orchestra last year, \$1 million to Ford's Theatre and the underwriting of splashy exhibitions at the National Gallery of Art, Reynolds has become the largest benefactor



FILE PHOTO/RY JUSTIN JIN FOR THE WASHINGTON POST

"It is a nice round number, isn't it," Kennedy Center President Michael M. Kaiser said of the \$100 million.

to the arts in Washington since the days of Andrew and Paul Mellon. The Mellon family's money and art collection launched the National Gallery of Art.

Reynolds's fortune comes from the sale two years ago of EduCap, a student financial services company, and Servus Financial Corp., its for-profit affiliate, to Wells Fargo. EduCap made student loans; Servus serviced them. The purchase price has never been disclosed, but half the proceeds from the Servus sale and nearly all of the proceeds from EduCap were used to set up the Catherine B. Reynolds Foundation. Today it has assets of \$400 million to \$500 million. The funds are mostly invested in U.S. Treasury bonds and not tied up in the volatile stock market, Reynolds

said. The gift is from the foundation, of which she is chairman.

Reynolds has not always had an easy time giving away money.

In May 2001, she pledged \$38 million to the National Museum of American History. Her gift came with a very specific plan for using 10,000 square feet of the museum for a Hall of Achievement, honoring important Americans. She said that young Smithsonian visitors should know the stories of Oprah Winfrey, Martha Stewart, Sam Donaldson and AOL founder Steve Case. The staff objected to a benefactor wielding that type of power, and Smithsonian officials insisted the curators should have the final say.

After nine months of discussions that were frustrating to both sides, Reynolds took back her gift, minus \$1.5 million that had already been paid. The incident prompted a heated debate throughout the museum world about private money in public institutions.

Reynolds's latest gift comes at a time of general queasiness among arts groups about the reliability of major, long-term pledges because of the economy. Vilar, for one, is behind on several of his payments to arts organizations, according to published reports. Kaiser said that is not the case with the center; Vilar is on time with his support of the Kirov and the arts management program that bears his



FILE PHOTO/RY SUSAN BIDDLE—THE WASHINGTON POST

Philanthropist Catherine B. Reynolds's gift is the first donation to the 30-year-old performing arts center's plan for two new buildings.

name.

"We are very optimistic," Kaiser said, referring to funding in general. "There is a lot of money in this society; even in a recession, there is a lot of money. What happens in a recession is that you have to compete harder, but it is still there. Therefore, it is a matter of doing good programming and marketing it well."

Reynolds said she found it easy to give money to the Kennedy Center because it would go for an important project. "I can't imagine anybody who would not get completely jazzed about being part of this. It is just that cool."

She said part of her confidence came from watching the results of her previous underwriting of appearances by the Bolshoi Ballet, which sold out, and a concert version of the opera "Carmen Jones," which also sold out. Kaiser said she didn't have any influence in the selection of those programs.

Reynolds said she has enjoyed working with Kaiser:

"He's just terrific. He's a visionary. He's an impresario. He has a true passion for the arts. And, ultimately, he's a doer—and I put that in capital letters. No doubt Michael will make this vision a reality. No doubt."