

Whitewater Hearings: A Risk

AN INVESTIGATION of the Whitewater affair by a special counsel without ties to the Justice Department has now been authorized, but some who want answers in a faster and more public forum demand that a simultaneous investigation be undertaken by a select committee of Congress. We don't agree. The case involves complicated financial dealings among individuals who were not, at the time, federal officeholders. There is no conflict of authority here among the three branches of government. While Mr. Clinton's political opponents may want to see all the charges and countercharges hashed out on national television right now, there is no real need for legislative hearings at this point.

In fact, there is a strong argument that congressional hearings might be counterproductive. Legislators need only recall the history of the Iran-contra probe to see the pitfalls involved when a case is handled in two forums at the same time. Problems arise because Congress and prosecutors have different objectives and they often conflict. Committee hearings are designed to provide a public forum for the gathering of information, while prosecutors strive to accumulate admissible evidence leading to a conviction. All this, it should be remembered, remains wholly in the realm of the hypothetical because neither the president nor anyone else associated with the White House has been accused of any crime. But if a special investigation is to take place, it is prudent to let it play out its course without this particular conflict. This investigation, it is also wise to remember, does not concern only the president but involves many

other people who could be affected by competing inquiries. The Fifth Amendment protects a witness from being compelled to testify against himself. But if Congress wants information badly enough, it can compel self-incriminating testimony by granting immunity, which forecloses the use of that testimony at trial. It was exactly such an agreement that led to the collapse of the case against Oliver North and the reversal of the conviction of his boss, John Poindexter.

In reviewing these cases, the U.S. Court of Appeals here set a standard that will make it very difficult to use congressional immunity and still preserve a prosecutor's case. The court ruled that all the witnesses who testify before a grand jury or at trial must be examined "line-by-line and item-by-item" to determine whether they used immunized testimony "to refresh their memories or otherwise focus their thoughts, organize their testimony or alter their prior or contemporaneous statements" before giving testimony in the criminal proceedings. People who watched congressional hearings on television would find it hard to swear they had no such impact.

The court has rightly made it difficult for Congress to circumvent the Fifth Amendment by compelling testimony through immunity. If it turns out that the Whitewater matter involves criminal conduct, prosecutions could be jeopardized by aggressive congressional probes who want the whole story notwithstanding the risk to the criminal proceedings. For now, at least, the investigation should be left in the hands of the independent special counsel.

About That Ukraine Agreement

IN THE SUMMIT whirl, it was easy to overlook a few of the throwaway lines that American officials spoke about the breakthrough agreement on Ukraine's forsaking a nuclear arsenal. It is plain that President Leonid Kravchuk faces tremendous parliamentary resistance to the agreement. Nationalists cling to the hope of converting the missiles Ukraine inherited from the former Soviet Union into a Ukrainian-controlled nuclear force. Ukrainians across the political spectrum ask how else, if not by such a force, they can protect their security and independence against a nuclear-armed Russia that often shows disdain for Ukrainian statehood. Hence the American readiness to defer to President Kravchuk in the presentation of the new agreement.

But then to read in this newspaper that the Clinton administration "is not

sequence of how the warheads will be removed and how long the entire process will take. Nor will it say what U.S. incentives Ukraine has been promised beyond those made public. 'It is our position that some elements of the agreement will remain confidential,' a senior official said, adding that the agreement fixes no timetable to the confidential elements and that they could never be publicly released."

What does this mean? Surely it cannot be that President Clinton and his aides are intending to keep secret the text of the American-Ukrainian-Russian agreement that is due to be signed today. Nothing could more quickly compromise delivery on whatever undisclosed "incentives"—economic? political? military?—the American government has promised to Ukraine to help it. These are, for it, difficult terms. Clarification is badly needed.

The high cost of Whitewater scandal

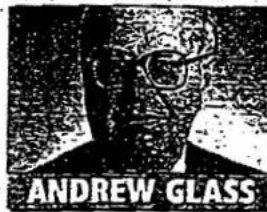
Washington — Bob Dole, the Senate Republican leader, has his own view of coming events. They occur in the Senate Caucus Room — the same ornate Senate hearing chamber where 20 years ago the late Sam Ervin of North Carolina shed light on the sleazy side of the Nixon presidency.

Back then, a young aide fresh out of Yale Law School named Hillary Rodham helped Ervin do a job that, a few years later, helped put a Democrat into the White House. Dole envisions Hillary Clinton returning this spring as a star witness in what he hopes by then will be known as the "Whitewater scandal."

Dole's vision is Bill Clinton's worst nightmare. You can be sure that the president and Mrs. Clinton will do everything in their power to avoid such an outcome. As a fallback, they may acquiesce to House hearings under the benign gavel of Rep. Henry Gonzales of Texas.

If there's only political smoke here and no real fire, as the Clintons claim, why wouldn't a full public airing serve to blow the fumes away? After all, one could argue, it's unreasonable for a final report of the special counsel in the case to be ready for a year or so. In the interim, the president will be obliged to cover his exposed ethical flanks.

Even as the stage scenery is being set, the answer seems evident: There's no way for the president and his wife to emerge from this imminent drama with a clean bill of health. Indeed, one big loss could be the health bill in which



Even as the stage is set, one answer seems evident: There's no way for the president and his wife to emerge from this imminent drama with a clean bill of health.

Mrs. Clinton has so much invested.

Any congressional hearings are apt to show that the late Vincent Foster served the Clintons in the capacity of a private lawyer on the Whitewater case while it was being probed by the U.S. Justice Department. He was working in the White House on the taxpayers' dime. That was a poor idea and, perhaps, worse.

It didn't help that Foster's boss, Bernard Nussbaum, the White House counsel, took the Whitewater file from Foster's

office after Foster took his life. To the public, Nussbaum then fudged what he had done. That served to break "the chain of evidence" that probes so prize.

Prior to moving to Washington, Mrs. Clinton and Foster were partners in an Arkansas law firm. In that role, they both were drawn into a conflict of interest with a federal agency over the failed Madison Guaranty Savings & Loan, which they had once counseled. Political loans and side business deals add further spice to the tale.

At a minimum, those events cast the Clintons in a poor light, even after one discounts the innately incestuous nature of Arkansas political life. But Clinton's critics on a hearing panel wouldn't pay much heed to the nature of the circumstances or to a lack of freshness of the material at hand.

It's possible that Mrs. Clinton will become so engaged in trying to head off such a debacle that her stewardship of the pending health reform package will suffer.

But it's even more likely that Senate Republicans will hold the health legislation hostage to the creation of such a select panel so that they can, as Dole puts it, "meet our responsibilities."

Could one of those "responsibilities" be to help Dole take on Clinton for the White House in 1996? You gotta wonder. But then, when has Congress ever played politics with an investigation?

Andrew J. Glass is Washington bureau chief for Cox Newspapers.

A 11 Editorial
AJC

Chronology of Whitewater and Interlocking Events V

Special to The New York Times

WASHINGTON, Jan. 12 — The events that prompted President Clinton to call today for the appointment of a special counsel have their roots in the political and business relationships Mr. Clinton forged more than a decade ago as a young Arkansas politician.

What follows is a chronology of how his investments and those relationships were a counterpoint to Mr. Clinton's rise as a star on the national political scene.

1978-79 The Whitewater Development Corporation is founded and buys 200 acres of land in the Ozarks with \$200,000 borrowed from banks. Partners are Bill Clinton, who is at that time Arkansas Attorney General; Hillary Rodham Clinton; James B. McDougal, a friend of Mr. Clinton from their days as aides to Senator J. William Fulbright of Arkansas, and Susan McDougal, a real estate broker who is Mr. McDougal's wife. The McDougals are corporate officers, and the Clintons are shareholders, entitled to an equal split on any profits though they wound up contributing significantly less to the venture than the McDougals. The plan is to subdivide the land and sell lots for vacation homes.

1980 Mr. Clinton is Governor, having been elected in November 1978. Mr. McDougal, an aide to him, leaves state government and buys Madison Bank and Trust in Kingston, Ark. The bank lends Mrs. Clinton \$30,000 for Whitewater business. The money is borrowed by her, not Whitewater, because banking rules make it difficult for owners of banks to lend money to themselves or their business ventures.

1982 Mr. McDougal buys Madison Guaranty Savings and Loan Association, a small institution with assets of \$3 million.

Whitewater tries to sell land but finds few takers.

1984 Federal regulators demand special review of Madison Guaranty. Federal bank records show, after learning that Mr. McDougal had shifted five bad loans from his bank to his savings and loan on the eve of an audit. Federal Home Loan Bank of Dallas, which regulates savings and loans in the southwest

region, issues a confidential report that criticizes Madison Guaranty for lack of capital and for loans to insiders; Madison Guaranty promises to comply with the law and regulations in the future.

Whitewater is permitted overdrafts on its checking account at Madison Guaranty. In 1984-85, Whitewater makes payments on a \$20,000 loan that Bill Clinton had taken at another Arkansas bank, yet the Clintons erroneously claim the payments as an interest deduction on their tax returns. They later blame their accountants for the mistake.

FALL 1984 The Clintons borrow \$50,000 from another bank, owned by an aide, to help finance Mr. Clinton's campaign for re-election as governor. They are personally liable for repayment of the loan, which is the sole debt of the 1984 campaign.

SPRING 1985 Mr. McDougal sponsors a fund-raising event to help retire the \$50,000 loan and deposits about \$35,000 in the Clintons' campaign account. Investigators now suspect that some of this money was diverted from Madison Guaranty and have formally asked the Justice Department to look further into the matter. Soon after the fund-raising event, Mrs. Clinton, acting as the lawyer for Madison Guaranty, urges state regulators to approve a novel plan for selling preferred stock. State officials approve the plan, but it is never carried out.

Sales of Whitewater lots proceed slowly, and the company trades its remaining land for an airplane valued at about \$30,000. Mr. McDougal, in turn, sells the airplane to Seth Ward, father-in-law of Webster L. Hubbell, a partner with Mrs. Clinton in the Rose law firm and now Associate Attorney General.

EARLY 1986 Federal examiners are again reviewing records at Madison Guaranty. According to David Hale, a former municipal judge in Little Rock, Ark., Mr. McDougal and Mr. Clinton press him to lend them money from his federally backed company, Capital-Management Services Inc., to "clean up" Madison Guaranty's books. Although Capital-Management's money was supposed to be for disadvantaged entrepreneurs, Mr. Hale approves a \$300,000 loan to Mrs. McDougal. Mr. Clinton and Mr. McDougal deny pressing

Mr. Hale to proceed with the loan, which was never repaid.

SUMMER-FALL 1986 Federal regulators remove Mr. McDougal from control of Madison Guaranty and issue a confidential report detailing numerous possible violations of the law by the savings and loan. Whitewater bought a \$550,000 parcel of land from the International Paper Company with a down-payment of \$110,000, apparently using some of the \$300,000 that had been lent Mrs. McDougal. Two months later, the land was transferred to another McDougal-related entity. That company failed to make the payments, and International Paper eventually foreclosed on the property.

1987 Mr. McDougal says that at Mrs. Clinton's request all records on Whitewater were delivered to the Governor's Mansion in Little Rock; the Clintons say they do not have the files.

1989 Federal regulators take control of Madison Guaranty, and Mr. McDougal is indicted for bank fraud. In trying to recover money lost in the collapse of the federally insured association, the regulators hire the Rose law firm, which had earlier represented Madison Guaranty.

1990 Mr. McDougal is acquitted on charges of bank fraud.

MARCH 1992 Mr. Clinton is running for President, and the first news account about Whitewater appears. The Clinton campaign denies that Mr. McDougal subsidized Whitewater with money from his savings and loan. A Denver lawyer and friend of the Clintons, James Lyons, is hired by the campaign to prepare a summary of Whitewater's finances. It concludes that the Clintons put in \$68,800 and the McDougals put in \$92,200. Mr. McDougal has since asserted that the Clintons lost much less than the amount report.

FALL 1992 The Resolution Trust Corporation, the Federal agency charged with disposing of the assets of failed savings institutions, asks the Justice Department to take another look at Madison Guaranty, particularly at the overdrafts it allowed Whitewater and other

McDougal-related ventures. But the department is reluctant to begin an investigation that could be seen as a political attack by the Bush Administration on Mr. Clinton.

In December, Mr. McDougal buys out the Clintons' remaining interest in Whitewater. Their lawyer is Vincent W. Foster Jr., another partner in the Rose firm.

JULY 20, 1993 Federal investigators search the Little Rock offices of David Hale in an unrelated inquiry into misuse of his lending company. The same day, Mr. Foster, now deputy White House counsel, commits suicide. White House aides remove Whitewater files from Mr. Foster's desk, a fact that did not become known until late 1993.

Mr. McDougal has said that in the weeks before Mr. Foster killed himself he telephoned Mr. Foster's office to ask for additional Whitewater documents and tax records. Some records were subsequently provided to Mr. McDougal.

FALL 1993 The Resolution Trust Corporation prepares a broader request for possible criminal inquiry into Madison Guaranty. It mentions Bill and Hillary Clinton and traces the flow of money in 1985 from Madison Guaranty to Mr. Clinton's re-election campaign account. The report is sent to the United States Attorney in Little Rock, a Clinton appointee named Paula J. Casey. Ms. Casey, a former law student of both Mr. and Mrs. Clinton, soon recuses herself from the case. She is replaced by a team of Justice Department prosecutors from Washington.

DECEMBER 1993 The Justice Department investigation into Mr. Foster's death seeks the Whitewater file that was taken from his offices. The White House publicly acknowledges for first time that documents were removed. It says they will be turned over to investigators but asks for a subpoena, which subjects anyone who discloses them to the press to possible prosecution. The White House resists calls to make Whitewater documents available to the press and the public.

JAN. 12, 1994 President Clinton asks Attorney General Janet Reno to name a special counsel to investigate Whitewater.

THE NEW YORK TIMES, THURSDAY, JANUARY 13, 1994

Nebraska Delegation Supports Call for Independent Counsel in Whitewater
foneshojjapm2

OMAHA, Neb. (AP) Nebraska's senators say they are pleased that an independent counsel will look into President Clinton's financial dealings with the Whitewater Development Corp.

Clinton adviser George Stephanopoulos said Wednesday the White House did not think an independent council was necessary, but that intense political pressure had forced the president to request the appointment of one.

Nebraska Sens. Jim Exon and Bob Kerrey, both Democrats, supported Clinton's request for a special prosecutor.

"We believe that these actions are entirely appropriate," they said in a joint statement.

The senators also said that Kansas Republican Sen. Bob Dole's suggestion of a Senate investigation is unwarranted.

Kerrey and Exon were part of a group of 10 Democratic senators who called for a special counsel to investigate the situation.

Rep. Peter Hoagland, D-Neb., said he was pleased Clinton was appointing independent counsel, but that he should go further.

"I don't think the special prosecutor is enough," Hoagland said. "I think we need to release the documents as well."

The special counsel will investigate whether Clinton improperly benefited from his business partnership with James McDougal, operator of a now-defunct Little Rock, Ark. savings and loan.

Clinton and his wife, Hillary Rodham Clinton, have denied any wrongdoing.

Clinton said he would turn over his Whitewater documents to the Justice Department, but asked that they be subpoenaed so they would not become public.

In a Jan. 3 statement, Republican Rep. Doug Bereuter said he supported Iowa Republican Rep. Jim Leach's call for a special counsel.

It is the role of the minority party to expose breaches of law or ethics of those in power, Bereuter said, adding that Attorney General Janet Reno would have a conflict of interest if she investigated the matter.

Rep. Bill Barrett, R-Neb., was on vacation and unavailable for comment. He has not commented on the Whitewater situation previously.

**** filed by:APW-(NE) on 01/13/94 at 00:15EST ****

**** printed by:WHPR(JEL) on 01/13/94 at 07:54EST ****

Events leading up to Wednesday's request for appointment of a special prosecutor to look into President Clinton's role in an Arkansas real estate venture:

1978 Bill and Hillary Clinton, along with James McDougal, who subsequently became an S&L operator, purchase 200 acres in the Ozarks in attempt to construct a resort development.

1979 Whitewater Development Corp. is formed, with the Clintons as part owners, along with McDougal and his wife Susan.

October 1986 McDougal ousted as president at Madison Guaranty Savings and Loan, though he remains as owner. Examiner's report by Federal Home Loan Bank Board conducted several months earlier faults thrift for risky investments in real estate deals, low cash reserves and shoddy record-keeping.

March 1989 Madison fails, at cost of between \$47 million and \$60 million to taxpayers.

March 1992 In response to repeated questions about Whitewater investment, Clinton's presidential campaign issues report by Denver lawyer James Lyons saying Bill and Hillary Clinton invested about \$70,000 in Whitewater, but did nothing improper in Whitewater dealing with McDougal. The report, based on an examination by a Denver accounting firm, also makes clear that incomplete or missing records makes a complete study impossible.

December 1992 Clintons sell their share in Whitewater to McDougal, and eventually claim a \$1,000 capital gain on their taxes.

July 20, 1993 Vince Foster, deputy White House counsel and former partner of Hillary Rodham Clinton at Rose Law Firm, commits suicide. Documents related to Whitewater are among those taken from his office by administration officials and turned over to Kendall.

Oct. 31, 1993 Whitewater controversy is renewed when Washington Post reports that federal regulators recommended to Justice Department that a criminal investigation be conducted into Madison's failure.

Nov. 9, 1993 Paula Casey, U.S. attorney in Little Rock, recuses herself from probe of Whitewater's ties to failed Madison Guaranty S&L, and is replaced by Justice Department prosecutor Donald Mackay. Republican lawmakers, meanwhile, begin calling on Attorney General Janet Reno to nominate a special counsel to investigate ties between McDougal's failed Madison Guaranty S&L and Whitewater.

Dec. 23, 1993 Clinton says he and his wife will turn over to Justice Department prosecutors all records relating to Whitewater, but warn that the process might take several weeks.

Jan. 5, 1994 White House reveals that subpoena has been issued for Whitewater records under terms negotiated on Dec. 23 between prosecutors and David Kendall, Clinton's personal attorney.

Jan. 9, 1994 Sen. Daniel Patrick Moynihan of New York becomes first Democrat to join a chorus of Republicans calling for either a special prosecutor or independent counsel, turning the requests for a new investigator into a bipartisan issue. Seven other Democratic lawmakers issue the same demand within the next 48 hours.

Jan. 12, 1994 Bowing to intensifying political pressure, Clinton asks that a special prosecutor be appointed to investigate his involvement in Whitewater.

PM-Foster Mystery,220

Numbers, Letters On Paper Found At Scene Of Suicide: Post

With PM-Clinton-Whitewater Bjt

WASHINGTON (AP) A cryptic note found among Vince Foster's personal effects is part of an investigation into the White House deputy counsel's suicide, The Washington Post reported today.

The note contains numbers, dates from 1980 to 1983, references to cities in Arkansas and combinations of three letters ``C,`` ``B,`` and ``H,`` the newspaper reported.

``It looks to me like a worksheet on Chelsea Clinton's assets,`` former top Clinton aide Betsey Wright told the newspaper. The numbers 1000, 100 and 50 are in a column between the city references and the letters.

The note found at the suicide scene is part of a probe by the Justice Department's Office of Professional Responsibility, said the newspaper.

The investigation focuses on whether there was any basis for Foster's allegation that the FBI lied to the attorney general in the White House travel office affair, in which the Clinton White House fired longtime staffers and encouraged the FBI to investigate the staffers.

Foster who shot himself to death last July made the accusation in a torn-up note found in the bottom of his briefcase.

**** filed by:APW-(AR) on 01/13/94 at 02:26EST ****

**** printed by:WHPR(JEL) on 01/13/94 at 07:56EST ****

CLINTON ASKS RENO TO NAME A COUNSEL ON HIS LAND DEALS

SWIFT CHANGE OF COURSE

President Bows to Pressure as He Tries to Avert Potential Inquiry by Congress

By GWEN IFILL

Special to The New York Times

WASHINGTON, Jan. 12 — Acting to ward off a potential Congressional inquiry and bowing to outside pressure, President Clinton asked Attorney General Janet Reno today to appoint a special counsel to investigate his involvement in a real estate development and its relationship to a failed Arkansas savings and loan.

The decision, relayed to White House aides by telephone as the President was traveling in the Czech Republic, was an outright reversal by Mr. Clinton and his wife, Hillary, in the matter. Until today, they had maintained that there was no need for a special investigation into their investment because they had done nothing wrong.

But Democrats in Congress began to join the calls for the appointment of a special counsel and urged Mr. Clinton to demonstrate that he had nothing to hide regarding the investment, which involved a plan to develop a retirement community in northern Arkansas. Aides said that Mr. Clinton spoke with Mrs. Clinton by telephone from Europe on Tuesday night and that she had "concurred" with the decision.

Reno's Reluctance

Ms. Reno said tonight that she would reluctantly comply with the President's request. For weeks, Ms. Reno has argued that any counsel she appointed would not appear to be entirely independent and that she would prefer to wait until Congress revived a law that would allow her to ask a court to choose a counsel. A bill to put the law back on the books is now in Congress.

"However, it is equally clear that we must do everything we can to insure public confidence in the investigation, and to separate fact from speculation as rapidly as possible," she said tonight.

She said she would begin immediately to consider whom to appoint and how broad the counsel's mandate would be.

The Clintons were partners in the Whitewater Development Corporation with James B. McDougal, the proprietor of a failed Arkansas savings and loan institution. The Justice Department is investigating whether the institution, Madison Guaranty Savings and Loan Association, improperly funneled money into Whitewater or into Mr. Clinton's 1984 re-election campaign when he was Governor of Arkansas.

White House officials said that the

Clinton Asks Reno to Name Counsel for His Land Deals

Continued From Page A1

decision to support an investigation into the development company was part of a newly aggressive White House effort to deal with the growing problem before it clouds Mr. Clinton's efforts to focus on international and domestic matters.

George Stephanopoulos, a senior adviser to the President, said today that the Clintons were seeking to counter "a barrage of innuendo, political posturing and irresponsible accusations" and hoped to bring the matter to "a speedy and credible resolution."

"We still don't think that the evidence is there to require a special counsel," Mr. Stephanopoulos said. "At the same time, we want to make sure that nothing interferes with the President's agenda. We don't want to let that happen, so we'll go to the special counsel."

Mr. Clinton refused to answer questions on the matter at a news conference in Kiev after a meeting with Leonid Kravchuk, the president of Ukraine, saying, "I'm not going to talk about that on this trip."

But later, in an interview with NBC News that Mr. Clinton cut short after two questions, he said bitterly that he had been forced into a corner.

"The only argument I can see for doing it is just to free up all the people

Trying to deal with a problem before it grows too big.

who work for me to go back to work for the taxpayers of the United States," he said.

"My thinking is this is a situation without precedent in American history," he added. "I mean, all these people say: 'We don't believe this man's done anything wrong. There's no evidence that he's done anything wrong. There's never been a credible charge by anyone that he's done anything wrong.'"

The Clintons have said that they lost \$69,000 on their investment in Whitewater. Last week, their lawyer, David Kendall, turned over five boxes of Whitewater-related documents to the Justice Department, but only after negotiating a subpoena that would protect the files from public scrutiny. White House officials said today that most of the files had been delivered to the Justice Department and would be turned over in full by Jan. 18.

Mr. Stephanopoulos said today that the special counsel would be directed to "report to the American people" on his or her findings, but he would not promise that the documents relating to the case would be made public.

He also said it is up to the special counsel to determine what constitutes the "Whitewater matter," including the ties to Madison Guaranty and the death of Vincent W. Foster Jr., a deputy White House counsel who handled some of the Clintons' personal legal work in Arkansas and Washington.

Continued Calls for Inquiry

In agreeing to the investigation, the White House hoped to head off calls for a Congressional inquiry that were beginning to come hard on the heels of the

requests for special counsel.

But Senator Bob Dole, the Republican leader, said today that the appointment of a special counsel should not preclude a Congressional investigation.

"In my view, appointment of a special counsel doesn't take care of our responsibility in the Congress," Mr. Dole said. "And it's been questioned by some, 'What's Congress doing?'"

Mr. Dole said that he and Representative Robert H. Michel of Illinois, the House Republican leader, would still introduce resolutions calling for Congressional inquiry when Congress returns to session later this month.

'Enough Is Enough'

As the President's decision circulated in Washington today, many of the Democrats who had asked the President to appoint the special counsel helped Mr. Clinton's cause today by asserting that the President's decision should rule out any need for Congress to become involved.

"Enough is enough," Senator Daniel Patrick Moynihan declared. "There is no reason for Congress to distract itself with this matter."

Other leading Democrats, including Senator George J. Mitchell, the Senate majority leader, and Representative Thomas S. Foley, the Speaker of the House, also rallied behind the White House, uniformly calling Mr. Clinton's action "appropriate" and denouncing Mr. Dole's call as politically motivated.

By coming out in force in support of the President's position and four-square against the notion of a Congressional inquiry, the Democratic leadership seemed to lessen the possibility that the Whitewater affair will escalate into a televised public hearing.

Mr. Stephanopoulos pointed to those statements of support, apparently assembled with the help of the White House, as evidence that the President is now doing the right thing. But other Democrats, including former President Jimmy Carter, wondered aloud about what took Mr. Clinton so long.

"I think that President Clinton would have been much better off had he directed the Attorney General, Janet Reno, to appoint a special investigator at the very beginning, and make all the information and data available to the public on his own initiative," he said. "They've mishandled it, I think, grossly in the White House. And now, when they do make available documents or information, it looks as though it's being extracted from them against their will."

Mr. Stephanopoulos acknowledged as much today, noting that the President was overseeing the final details of a nuclear disarmament agreement with Ukraine.

"I can certainly say that the damage control team in Washington did a worse job than the arms control team in Kiev," he said.

Mr. Clinton, in the NBC interview, complained that the news media fueled the problem by printing editorials that supported appointing a special counsel.

"Basically, the press has editorialized and pressured the politicians into saying, 'Here's a guy that as far as we know hasn't done anything wrong. Nobody's ever accused him of doing anything wrong. There's no evidence that he's done anything wrong, but we think the presumption of guilt, almost, should be on him,'" he said. "He should somehow prove his innocence." I mean, it's a bizarre circumstance."

THE NEW YORK TIMES, THURSDAY, JANUARY 13, 1994

Continued on Page A18, Column 1

Questions That Linger in the Whitewater Matter

By DAVID E. ROSENBAUM

Special to The New York Times

WASHINGTON, Jan. 12 — Nothing that is known publicly about the failed real estate venture of President Clinton and his wife, Hillary, amounts to direct evidence that they or anyone else in the Administration have done anything improper. But the Clintons' reluctance to make all their records public has allowed critics to assert that they must have something to hide.

Following are some of the questions that cannot be laid to rest until the facts become public:

Favors

The Clintons received a number of political and financial favors from James B. McDougal, their business partner in the Whitewater Development Corporation.

The central unanswered question is whether Mr. Clinton, as Governor of Arkansas, used his influence to return the favors.

Critics suggest, for example, that Mr. McDougal's savings and loan association, which was regulated by the State of Arkansas but covered by Federal deposit insurance, was allowed by state regulators to stay afloat for a long time when its eventual failure was not in doubt. The longer Mr. McDougal was allowed to stay in business with Madison Guaranty Savings and Loan Association, the more its failure was bound to cost the Federal Government. When the institution eventually went under, the Government had to pay about \$60 million to reimburse depositors.

Documents

Some of Whitewater's business records seem to be missing. Mr. McDougal has said that at Mrs. Clinton's request he sent all the records he had to the Governor's Mansion in Little Rock, Ark., in 1987. The Clintons said last year that they had no such records. Recalling that destruction of documents was a pivotal issue in the Watergate and Iran-contra inquiries, critics have suggested, without substantiation, that perhaps incriminating Whitewater documents were destroyed.

Taxes

The Clintons assert, without providing documentation, that they lost \$69,000 on the Whitewater investment. They did not claim the loss on their personal income tax returns because Whitewater was structured in such a way that only the company could take the loss.

The Clintons have acknowledged that in 1984 and 1985 they improperly took personal tax deductions for interest payments of \$2,811 and \$2,322, when the payments were actually made by the company. They never paid back taxes and apparently are no longer liable because of the three-year statute of limitations in such circumstances.

Some critics believe that other tax problems might arise from the Clintons' personal financial records. For example, if more of the money they received from Mr. McDougal, like in loan reimbursements, was construed as income, the Clintons might owe more taxes, and the statute of limitations might not apply.

Foster

Vincent W. Foster Jr. was a law partner of Mrs. Clinton who was brought to Washington to be deputy White House counsel and to handle the Clintons' personal financial matters, like their tax returns and their personal financial-disclosure statements.

On the day last July when Mr. Foster committed suicide, a file on Whitewater was removed from his office before Federal investigators could see it. Despite repeated questions, the White House did not acknowledge the existence of such a file until December.

The White House has said it will comply with a subpoena and turn the file over to the Justice Department this month. The stealthy way the file has been handled has led to speculation about what it might contain.

For Attorney General, An Abrupt Turnabout

Special to The New York Times

WASHINGTON, Jan. 12 — In agreeing to appoint an independent counsel, Attorney General Janet Reno adopted an approach she had rejected for weeks as the wrong tool to examine President Clinton's land dealings in Arkansas.

But tonight she said that she would immediately begin to consider a wide array of candidates for the counsel, including those suggested by Republicans like Bob Dole of Kansas, the Senate minority leader.

Law-enforcement officials said tonight that Ms. Reno and her aides had discussed several well-known legal figures, former members of Congress and others, but had not narrowed their discussion to a specific list.

For the Attorney General, who has projected herself as a law-enforcement official who knows her own mind, the decision seemed to represent a humbling moment. She apparently felt she had little choice but to abandon her resistance to naming an independent counsel in the face of what was, in effect, a direct order from the White House, where the President's aides seemed to have rejected the Attorney General's judgment about how to handle the case.

At a hastily assembled news conference this evening, Ms. Reno denied that the White House had ordered her to make the appointment. But the terse letter from Bernard W. Nussbaum, the White House counsel, saying that Mr. Clinton had directed him to request the independent investigator, seemed to leave little doubt that the President's aides had taken control of the issue.

THE NEW YORK TIMES, THURSDAY, JANUARY 13, 1994

Essay

WILLIAM SAFIRE

'What's the Charge?'

WASHINGTON

Vincent Foster must have been worried sick last June about his letter of Feb. 28, 1989, to the Federal Deposit Insurance Corporation.

In this nine-page letter from the Rose Law Firm of Little Rock, Ark. — probably among the many papers concealed by the Clinton subpoena collusion with Justice — Foster made a pitch for the lucrative legal business growing out of the collapse of the Madison S.&L.

But nowhere in this document, now under active investigation by the F.D.I.C., is there any mention that the

A couple, for openers.

Rose firm had represented Madison when it was open. Foster was asking the F.D.I.C. to hire the firm, in effect, to sue its previous clients — which strikes me as an egregious conflict of interest.

Foster might have realized that failure to disclose the Rose firm's conflicting representation — not to mention Hillary Clinton's investment connection in Whitewater Development with the bank's former president — placed himself, the First Lady and others in danger of prosecution under Section 1001 of the Criminal Code: making false statements to the Government, which includes covering up "a material fact."

Foster also had reason to assume that his former partner, Mrs. Clinton, might soon be subject to scrutiny for her representation of the Madison S.&L. when it was seeking fresh capital to avoid impending insolvency.

As the bank's attorney, she was an "independent contractor" under Section 3(u)(4)(C) of the Federal Deposit Insurance Act. She should have known that the insured was engaging in "unsafe or unsound practices" that ultimately cost insurers — U.S. taxpayers — \$60 million. Ignorance is her defense, but an embarrassing one for a sophisticated lawyer; as Judge Stanley Sporkin put it in his 1990 Keating decision, "Where were these professionals?"

No wonder the President's wife — apparently one of "these professionals" — is willing to subject her husband to the slings and arrows that

always follow White House furtiveness. She does not want those Whitewater and Madison papers exposed because they may show her to be not merely an inept wheeler-dealer, but an occasionally less than competent attorney whose law partner could not bear the prospect of disgrace.

What should the Attorney General do? Continue to resist all pressure to appoint an in-house "special" counsel; we've seen how the last one proved to be a patsy prosecutor, beholden to the Justice Department. Instead, prepare for the court appointment of a truly independent prosecutor when Congress passes the Independent Counsel Act next month by wrapping up the "preliminary" investigation needed to seek court-appointed counsel.

That means sending the F.B.I. to spend long hours with James McDougal, who ran Madison and says he has not yet been asked one Whitewater question by the Feds. Clintonites suggest that investigators often ask the key perpetrators last; baloney. Grill both McDougals and the lender David Hale now, get the agents to file "302" reports, then take sworn grand jury testimony and compare the stories. Then talk to the Clintons.

Meld the separate Foster and Whitewater investigations quickly (which the President's lawyer fears, as shown in his request to keep subpoena-submerged documents from Justice's lackadaisical Foster probers), and double the agent manpower.

What should Congress do? Senate leaders, after badgering in these parts, passed the Independent Counsel bill; in the House, Judiciary chairman Jack Brooks voted it out of committee but could not get the Rules Committee's attention. Speaker Tom Foley's misplaced priorities kept it from passage; now he should make it Item One when Congress reconvenes. Let the President sign it and let Ms. Reno go to court to swing two gates: Iraqgate and Whitewatergate.

Then have House Banking Committee hearings. Chairman Henry Gonzalez, hero of Iraqgate, is ducking his educational responsibility on this scandal. Liberal Republican Jim Leach is carrying the ball; Henry should make it bipartisan.

What will the President do? With Hillary's professional reputation at risk, full disclosure is not a realistic option. Expect the limited, modified hangout route. □

THE NEW YORK TIMES, THURSDAY, JANUARY 13, 1994

Dole demands 'investigation' by select congressional panel

By J. Jennings Moss
THE WASHINGTON TIMES

Senate Minority Leader Bob Dole yesterday asserted Congress' responsibility to investigate the Clintons' involvement in the Whitewater-Madison controversy and put the congressional Democratic leadership on the spot to agree.

His demand, which the White House sought to dodge with its announcement of a special counsel, capped several weeks of pressure from Mr. Dole for congressional hearings or a special counsel appointed by the attorney general.

Yesterday, Mr. Dole and House Minority Leader Robert H. Michel called for a bipartisan select committee to investigate the failure of the Madison Guaranty Savings and Loan Association and its ties to the Whitewater Development Corp.

"In my view, appointment of a special counsel doesn't take care of our responsibility in the Congress, and it's been questioned by some, 'What's Congress doing?'" Mr. Dole said at a news conference. "Well, the problem is Congress is controlled by one party."

The Kansas Republican said last night in an interview on CNN that he had not heard from the Democratic congressional leadership about his request for a special committee probe, but several Democrats on the Hill criticized the idea yesterday.

At his news conference and in the CNN interview, Mr. Dole noted his co-sponsorship of the Iran-Contra hearings, which bedeviled President Reagan's second term.

"Congress is separate from the executive branch," Mr. Dole said on CNN. "We have a responsibility. We have jurisdiction over the RTC [Resolution Trust Corp., which handles failed S&Ls]. We lost \$50 million. The Madison Savings and Loan lost \$50 million...."

"If this had been a Republican administration, we wouldn't have had to ask for hearings. There would have been half a dozen congressional hearings going on for the past several weeks."

At the news conference, Mr. Dole quoted Mr. Clinton's 1992 campaign book, "Putting People First," in which the Democratic candidate said, "Washington stood by while quick-buck artists brought down the savings and loan industry."

"So it would seem, based on that statement, that the president would want to get to the bottom of this," Mr.

Dole said. "If the president and the first lady have done nothing wrong, as they say they have, they should have nothing to hide."

Congressional Democrats, some of whom this week joined Republican demands for Attorney General Janet Reno to appoint a special counsel in the case, said hearings might interfere with future prosecutions.

Federal investigators are looking into the collapse of Madison and its financial ties to Whitewater, an Arkansas real estate venture in which the Clintons held a half-interest.

Mr. Michel said in a statement that Whitewater-Madison "has become a major national issue involving unanswered questions of ethics and propriety."

After saying select committees of the type being proposed "are not my favorite kind of congressional endeavor," he said such a panel is necessary because House Banking Committee Chairman Henry B. Gonzalez and Senate Banking Committee Chairman Donald W. Riegle Jr.

have declined GOP requests for hearings.

Mr. Riegle told reporters yesterday he sticks by his decision. He said the GOP idea for a select committee is misguided.

"The problem with the idea now of some kind of a parallel investigative effort is that these two things collide with one another. There's no one here whose memory is so short that they don't remember that happening in Iran-Contra, and that's the very problem that you run into," the Michigan Democrat said.

The number of Democrats calling for Miss Reno to appoint a special counsel grew yesterday. Mr. Riegle and Sen. Tom Harkin of Iowa brought to 10 the Democratic Senate contingent in favor of a special counsel.

No House members have joined that call. The group of Senate Democrats who want a special counsel includes two committee chairmen, two presidential primary challengers to Mr. Clinton and two freshmen.

Special panels have long history

By Paul M. Rodriguez
THE WASHINGTON TIMES

The history of special or select committees in Congress dates to the earliest days of the republic and has evolved into a powerful tool by which the House or the Senate can probe any subject matter its members wish.

In modern times, the most famous panel was the Senate Select Committee on Presidential Campaign Activities, set up Feb. 7, 1973. Better known as the Watergate committee, the seven-member panel conducted public hearings that ultimately led to the resignation of President Nixon in 1974.

First lady Hillary Rodham Clinton and Bernard Nussbaum, now White House counsel, worked for that committee.

Yesterday, Senate Minority Leader Robert Dole called for a new special committee.

"Congress has some responsibility" to look into the Whitewater-Madison controversy, said Mr. Dole, Kansas Republican, even if the Justice Department appoints a special counsel to look at President and Mrs. Clinton's ties to a failed savings and loan and the Whitewater land development project in Arkansas.

"To say that Congress doesn't have any role to play... is a real stretch," Mr. Dole said.

Congress has created special panels to investigate wrongdoing by all sorts of people and on a wide variety of issues, including:

- Reconstruction of the Senate roof and skylights and remodeling of the Senate chamber, in 1945.
- Pornographic materials or any

literature containing immoral, obscene or otherwise offensive matter that placed improper emphasis on crime, violence and corruption, in 1952.

- Sen. Joseph R. McCarthy, Wisconsin Republican, in 1954.

- Political activities, lobbying and campaign contributions to any lawmaker or candidate or any officer or employee of the executive branch, in 1956.

- U.S. involvement in Southeast Asia, in 1970, and U.S. servicemen missing in action, in 1975.

- Professional sports, in 1976.

- The assassinations of President John F. Kennedy and Martin Luther King, in 1976.

The last major probe by Congress was the Iran-Contra hearings.

Partisan politics often drive investigations on Capitol Hill, but special committees have a long history of including respected members from both political parties and running thorough investigations.

In some cases, special committees have helped propel lawmakers — especially junior members of Congress — onto the national stage without usurping the power of senior legislators in charge of standing or regular committees.

Sen. Estes Kefauver, Tennessee Democrat, garnered publicity that helped make him a presidential contender during the 1950-51 hearings by the Organized Crime in Interstate Commerce Special Committee.

Sen. John F. Kennedy, Massachusetts Democrat, and his brother, Robert F. Kennedy, the panel's chief counsel, received tremendous exposure during investigations by the Improper Activities in the Labor or Management Field Special Committee that operated between 1957 and 1960.

Special committees allow great latitude for investigators to probe accusations of wrongdoing.

The Watergate committee historically is viewed as the panel that investigated President Nixon. However, its scope was far broader; it was charged with probing improper or unethical activities by any person or organization involved with the 1972 campaign.

Hillary Clinton's Role in Whitewater Flap Poses Difficulties for Both Republicans and Democrats

By DAVID ROGERS
And JOHN HARWOOD

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—Hillary Rodham Clinton's central role in the Whitewater controversy raises awkward questions for Republicans and Democrats alike.

And because the first lady is also the president's chief advocate on health-care reform, the stakes go beyond politics to policy.

In what has become a partisan game of image-control, Republicans are wary of seeming too aggressive in commenting on Mrs. Clinton's position. Rep. Jim Leach of Iowa, the senior Republican on the House Banking Committee, has carefully avoided criticism of Mrs. Clinton even as he has pressed for a more vigorous investigation into the controversy. And Senate GOP Leader Robert Dole of Kansas



Hillary Clinton

scarcely mentioned her name in a long news conference yesterday in which he called for a select committee to investigate Whitewater.

"If there should be a lesson from 1992, it is that you're on very tenuous ground when you try to do a bumper shot [at an opponent] through somebody's family member," says GOP consultant Bill McInturff.

Democrats, meanwhile, are concerned that the controversy could hurt her effectiveness in promoting health-care reform before Congress. And within the White House, there are tensions over her role in the affair and her reported resistance to the appointment of a special counsel to investigate the matter — an appointment President Clinton finally agreed to yesterday. Amid this backbiting, Betsey Wright, a family friend and Mr. Clinton's former gubernatorial chief of staff, accuses White House aides of "fundamental sexism" for their portrayal of the first lady in comments to journalists.

"It was an act of disloyalty," Ms. Wright said in an interview yesterday. "It made Bill Clinton look like a wimp."

Given this bloodletting among the Dem-

ocrats — and agreeing with Mr. McInturff that attacks on Mrs. Clinton backfired in the presidential campaign — most Republicans are biding their time. But given the political stakes, including health care, others are clearly tempted.

"We're probably being overly prudent in following the dictum, 'Don't attack a lady,'" says Fred Steeper, George Bush's pollster in 1992. Citing recent focus groups of rank-and-file voters, Vince Breglio, a Republican pollster, says Mrs. Clinton is too much a part of the policy apparatus of the administration to be ignored.

'Mr. Outside, Ms. Inside'

"When people look at that couple, what they see is Mr. Outside and Ms. Inside," Mr. Breglio says. "That's the role they've defined for themselves. If there's a problem of this magnitude, you simply can't turn your back because she's the president's wife."

As an Arkansas attorney, Mrs. Clinton was both a partner in the Whitewater Development Co. real-estate investment and represented now-defunct Madison Guaranty Savings & Loan before state authorities while her husband was governor. A member of the Rose Law Firm in Little Rock, she and another Rose attorney acted as Madison's counsel in 1985 when the troubled thrift was struggling to meet federal net-worth requirements. And in a letter to the Arkansas Securities Department, Mrs. Clinton argued that Madison should be allowed to pursue an unusual recapitalization plan relying on the issuance of preferred stock in the S&L.

"This is not primarily about Bill Clinton. It is primarily about Hillary Clinton,"

says Vin Weber, a Republican commentator and former congressman who now leads the conservative advocacy group Empower America. "The biggest implication of all of this is health care."

Hillary the Message-Carrier

"One way or another, it will affect the health-care debate," says Frank Luntz, a conservative consultant and former pollster for Ross Perot. "She's the main carrier of the message, and if the carrier gets damaged, the message becomes a lot less credible."

The timing is all the more awkward since the administration was hoping these weeks would help it regain lost momentum on the health-care issue. Harold Ickes, who was recently brought into the White House to help coordinate the administration's health-care campaign with Mrs. Clinton, has instead been increasingly drawn into the Whitewater maneuvering. And to the extent that Mrs. Clinton is distracted, it could strengthen the hand of those arguing for further compromise on the goals set out in her reform package.

"If it turns out badly for her, sure, the health-care push is damaged, and you end up being Cooperized," says GOP theoretician Kevin Phillips, referring to an alternative reform bill backed by Democratic Rep. Jim Cooper of Tennessee. "The stakes are enormous."

The Democrats' stake in health care was, in fact, a driving force in the decision yesterday to appoint a special counsel. And the White House hopes to clear the decks and return to a legislative agenda that it believes is ultimately critical to the president's own political credibility. "Health care is about him and he will be about health care," said one official later. "She will get credit, but it isn't about her."

Matched against her critics too is Mrs. Clinton's considerable popularity. "If you attack Hillary Clinton, you're attacking uphill," says Democratic pollster Mark

Mellman. And in their calculated restraint thus far, Republicans risk being seen as patronizing in their attitude toward women.

"The change she has brought about to evaluating the wife of the president . . . is that she is accountable for herself," says Harriett Woods, who heads the National

Women's Political Caucus. "We [women] seek the glory, but we also have to take the consequences when we make mistakes. I don't know if she has made mistakes, but if she has I hope she would be equally accountable."

—James M. Perry contributed to this article.

Clinton Seeks Special Counsel On Whitewater

President Is Backing Down In an Effort to Protect The Rest of His Agenda

By JEFFREY H. BIRNBAUM

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — President Clinton, buckling under intense bipartisan pressure, called for the appointment of a special counsel to look into his controversial investment in Whitewater Development Co.

White House aides said the president's turnabout was a political judgment: If something weren't done to quiet the clamor over Whitewater, none of the president's other priorities would be heard. In recent days, even Democratic lawmakers were asking the president to open his failed real-estate investment to more scrutiny.

"We still know the Clintons didn't do anything wrong," asserted White House aide George Stephanopoulos, adding that the president's call for Attorney General Janet Reno to appoint a special counsel was "rewarding irresponsible allegations." But at a news briefing where the president's decision was announced, he added, "This controversy is becoming too much of a distraction."

Confronted with the president's request, Ms. Reno reversed her opposition to such a move, saying: "Sometimes we have



Bill Clinton

Awkward Situation

Hillary Rodham Clinton's central role in the Whitewater controversy raises questions for Republicans and Democrats alike. Article on page A20.

to go beyond what is generally appropriate simply to assure people that we have gone the extra mile."

Ms. Reno added that she hadn't talked to anyone in the White House yesterday about the president's request. A department spokesman said she read the letter in which the White House asked her to name a special counsel only five or 10 minutes before it was made public.

The attorney general said the special counsel would be appointed "as soon as possible," but didn't say whom she would choose. The special counsel will report to Ms. Reno but operate independently of the Justice Department. The counsel will have the power to issue subpoenas and, if

Please Turn to Page A20, Column 1

Clinton Calls for Special Counsel To Probe His Ties to Whitewater

Continued From Page A3

necessary, convene a grand jury.

But even as the administration was moving toward calling for a special counsel, a step Mr. Clinton resisted for weeks, Republicans on Capitol Hill said they wanted more. GOP leaders in the House and Senate said they would seek to create special committees that would plumb the many mysteries that still swirl around the failed Arkansas real-estate company.

"In my view, appointment of a special counsel doesn't take away our responsibility in Congress," said Senate Minority Leader Robert Dole of Kansas. "We need to determine the answers to all the questions that have been raised. We must meet our responsibility, [just] as the executive branch must meet its responsibility."

The issue won't die with the president's announcement. While the White House said Mr. Clinton would turn over his Whitewater files to a special counsel, he still doesn't intend to give them to any congressional committee or to the public at large. "Gosh no," Mr. Stephanopoulos said in the interview. The special counsel's report, he said, would be the vehicle to clear the air on the matter.

The president had previously agreed to turn over his Whitewater documents to the Justice Department, which is looking into the Arkansas company as part of a broader inquiry into Madison Guaranty Savings & Loan, a failed Little Rock, Ark., thrift owned by James McDougal. Mr. McDougal was a business partner of Bill and Hillary Rodham Clinton in Whitewater in the 1980s and was a political supporter of Mr. Clinton when he was Arkansas governor.

Ms. Reno wouldn't define the scope of the independent counsel's investigation. The existing probes by department officials will continue until the appointment of the special counsel, who will decide whether to use the current investigators, the department spokesman said.

A variety of accusations and suspicions have arisen about the dealings of Mr. McDougal and the Clintons, including questions about tax payments and interference in bank regulation. Mr. Clinton has steadfastly denied any wrongdoing. "The most important thing to me and the most important thing to the American people is I'm completely relaxed about this, because I didn't do anything wrong except I made a bad business deal," Mr. Clinton said Tuesday in an interview with CBS News.

Specifically, the Justice Department is looking into whether Mr. McDougal used Madison Guaranty to divert money into Whitewater improperly. There also have

been allegations that in the mid-1980s Madison paid certain campaign and other debts of the Clintons, which is a questionable practice. The thrift has been declared insolvent, and federal taxpayers have had to pick up an estimated tab of \$50 million to protect depositors.

Some members of Congress have criticized the president for arranging to have the Justice Department issue a subpoena that would protect the Whitewater documents from public dissemination. The White House also has been slow in disclosing the whereabouts and disposition of the documents, some of which were quietly removed from the office of Deputy White House Counsel Vincent Foster after his suicide in July.

The White House staff was divided over how to handle the issue. Privately, Mr. Stephanopoulos and White House Chief of Staff Thomas McLarty argued for broad disclosure and the appointment of a special counsel in order to silence critics. But senior aide Bruce Lindsey, with the backing of Mrs. Clinton, maintained for a long time that the issue was private and that the Clintons hadn't done anything wrong. Disclosure would create more, not fewer, political headaches, they believed.

But with Democrats such as Senate Finance Committee Chairman Daniel Moynihan of New York joining in calls for a change of policy, the White House bowed to the inevitable. Adding to the pressure, congressional Democrat leaders told the White House this week that the Democrats simply had no convincing reply to Mr. Dole's public call for a special prosecutor.

Separately, the Federal Deposit Insurance Corp. is investigating whether Mrs. Clinton's former law firm misled the agency regarding the firm's dealings with Madison Guaranty, the Associated Press reported.

In 1989, the Rose Law Firm was paid \$400,000 by the FDIC to sue the auditors of Madison Guaranty. Rose had earlier represented Madison in an effort to win approval from Arkansas regulators for a recapitalization effort.

Federal conflict-of-interest regulations generally prohibit contractors from representing the government in thrift-failure cases where the same law or accounting firm represents or once represented the failed S&L. The FDIC probe, which is separate from the Justice Department's criminal inquiry, seeks to learn whether the Rose Law Firm was forthcoming about its ties to Madison, the AP reported.

—Joe Davidson contributed to this article.

Clinton Yields to Calls For Land Deal Probe

Reno Pledges Independent Investigator A1

By Dan Balz and Michael Isikoff
Washington Post Staff Writers

President Clinton yielded to mounting political pressure yesterday and called for the appointment of a special counsel to investigate his partnership in an Arkansas land development company. Attorney General Janet Reno, who, like Clinton, previously opposed such a move, agreed to do so.

Reno said she did not know who she would name to head the investigation, but promised it would be someone who is "ruggedly independent."

The rapid reversal of position on appointing a special counsel came after White House officials reluctantly concluded that the president's ambitious domestic agenda was threatened by continuing controversy and questions about the president's and Hillary Rodham Clinton's involvement in the Whitewater Development Corp.

"In view of the gravity of the president's responsibilities and the need for a speedy and credible resolution here, the president requests that this investigation be conducted as expeditiously as possible," senior adviser George Stephanopoulos said at a late afternoon briefing.

But in grudgingly accepting demands for an independent investigation, White House officials said they still believed the move was not justified by the facts in the case and repeated their assertion that the Clintons had done nothing wrong in their financial affairs.

"Despite their total and voluntary cooperation with the current investigation, the Clintons have been

WHITewater, From A1

subjected to a barrage of innuendo, political posturing and irresponsible accusations," Stephanopoulos said.

Traveling in Europe, an irritated Clinton refused to answer questions about the issue. During a news conference with Ukraine President Leonid Kravchuk, he was asked about the growing number of Democrats calling for appointment of a special counsel. "I have nothing to say about that on this trip," he said.

As recently as yesterday, Justice Department officials were arguing that appointing a special counsel now would only disrupt the ongoing investigation by career lawyers at the department.

But yesterday Reno said there were overriding factors, including

public confidence in the judicial system and the fact that the president "must be able to focus on the problems that face America."

In a news conference held minutes after the White House briefing ended, Reno said, "Sometimes we have to go beyond what is generally appropriate simply to assure people that we have gone the extra mile."

She said she would begin immediately to consider possible candidates.

The special counsel presumably will have the responsibility to investigate the Clintons' partnership in the Whitewater corporation and the development firm's links to Madison Guaranty, a failed savings and loan that was owned by their business partner, James McDougal.

But Reno declined to say how broad the scope will be and whether the special counsel will have authority to investigate whether there are any links between Whitewater and last summer's suicide by White House deputy counsel Vincent Foster Jr., who was a law partner of Hillary Clinton's in Little Rock and served as the Clintons' personal lawyer. Reno said she would consult department officials and the special counsel.

The White House decision buoyed Democrats on Capitol Hill whose calls for a special counsel helped force Clinton's hand. But it did little to quell Republican demands for even more aggressive action.

Even as word was circulating that Clinton would ask for appointment of a special counsel, Senate and House Republican leaders called for prompt action by Congress to create select committees in both chambers to investigate the issue.

"It's becoming increasingly clear that neither Democrats nor Republicans will tolerate any perception of a whitewash of the Whitewater-Madison controversy," Senate Minority Leader Robert J. Dole (R-Kan.) said. "It's also becoming increasingly clear that the White House and the attorney general appear to be working together to deal with this issue."

Stephanopoulos brushed off Dole's remarks and read from a statement made by Dole a week ago in which he pledged "no second-guessing" if the administration named a special counsel in the case.

Democrats on Capitol Hill, in what appeared to be a move coordinated with the White House, rushed to praise Clinton and denounce Dole.

Senate Majority Leader George J. Mitchell (D-Maine) issued a statement calling Clinton's decision "appropriate" and labeling Dole's call politically motivated.

Mitchell and other Democrats, recalling the Iran-contra investigation by Congress during the Reagan administration, said a select committee could complicate the special

counsel's work. "When the special counsel is named, he or she should have full freedom to conduct a thorough, detailed and fair inquiry," Mitchell said.

In his briefing, Stephanopoulos released a copy of a letter from White House counsel Bernard Nussbaum to Reno, which said, "The president has directed me to request you to appoint as special counsel a respected, impartial and qualified attorney, who is not a member of the Justice Department or an employee of the federal government, to conduct an appropriate independent investigation of the Whitewater matter and report to the American people."

For weeks, Reno had contended that anybody she named under such an appointment would never be seen as "truly independent" because that person would still be accountable to her and could be dismissed at any time. Instead, she said, the Congress should pass legislation re-enacting an independent counsel law under which a panel of three federal judges would make the selection.

Justice Department officials pointed out yesterday that, unlike a court-appointed independent counsel, the regulation that Reno intends to use to make the appointment stipulates that the special counsel can be removed by the attorney general for "good cause."

Stephanopoulos also offered a pointed defense of the Clintons, claiming that they had lost money on their Whitewater investment, repaid all bank loans taken by the corporation, were not directly involved in the company's operations and did not have access to Whitewater's records until the late stages of the corporation.

"We still don't think that the evidence is there to require a special counsel," Stephanopoulos said. "At the same time, we want to make sure that nothing interferes with the president's agenda."

Asked about reports that Hillary Clinton was among those most resistant to naming a special counsel, Stephanopoulos said, "I think that there is a general reluctance throughout the White House."

The decision was made early yesterday morning after discussions between White House officials here and those traveling with Clinton in Europe. One aide said the president's advisers agreed Tuesday that the move was necessary but that Clinton "wanted to sleep on it" before going ahead.

Staff writer Helen Dewar contributed to this report.

List Found With Foster Is Under Scrutiny

Apparent Record of Financial Transactions Was Recovered at Scene of Aide's Suicide

By Michael Isikoff
Washington Post Staff Writer

When U.S. Park Police investigators examined the personal effects of White House deputy counsel Vincent Foster found at the scene of his suicide last summer, they found a piece of paper that appeared to list financial transactions in Arkansas in the early 1980s.

The apparently unfinished list, identified as written in Foster's hand, was divided into four columns. One listed three dates: "2/80" and "3/80," both listed twice, and "12/83." Another had different combinations of three capital letters: "C or H," "C or B," "C or B or H." In the third and fourth columns, across from the 2/80 and 3/80 dates, were the numbers "1000," "100" or "50," and apparent references to cities in Arkansas: "LR," "N," "Bentonville" and "Hot Spr."

Although the jottings intrigued investigators, some of whom thought they might be some sort of code, they ultimately were unable to come up with any explanation for what the letters, dates and numbers meant.

But today, nearly six months after the top White House aide shot himself in a Virginia park overlooking the Potomac River, the piece of paper is among a number of things that are getting new attention from Justice Department investigators as they pursue a broadening inquiry into the circumstances surrounding Foster's July 20, 1993, suicide.

James Hamilton, a lawyer representing the Foster family who was given the note along with other personal effects, declined to comment on the note this week.

A senior White House official who has worked closely on matters relating to Foster also offered no explanation, saying he had never heard of the note and had no idea what it was.

Betsey Wright, a former top Clinton aide when he was governor, said after being shown the note

by a reporter that she believed the "C" in the note is Chelsea Clinton, the president's daughter, noting that "2/80" is when she was born. Given that Foster was known to be working on placing the Clintons' assets in a blind trust at the time of his death, Wright said, "it looks to me like a worksheet on Chelsea Clinton's assets."

The overall inquiry, being conducted by the Justice Department's Office of Professional Responsibility (OPR), began last August with a relatively narrow focus: Was there any basis to Foster's allegation, in a torn-up note found in the bottom of one of his briefcases, that the FBI "lied" to the attorney general about the White House travel office affair?

But in recent weeks, the heightened controversy over the investment of President Clinton and his wife in the Whitewater Development Corp., combined with a series of puzzling coincidences and unexplored leads discovered in Park Police files, has prompted OPR to widen the focus of its investigation, sources said.

Concerned that top White House aides may have hindered the U.S. Park Police from obtaining key evidence, department investigators and FBI agents have begun retracing the original handling of the Foster probe in a search for evidence that would shed light on his state of mind at the time of his death, according to knowledgeable sources.

That inquiry has touched a raw nerve at the White House, sources said. When Clinton's personal lawyer, David Kendall, began discussions last month with a Justice Department lawyer about turning over Whitewater documents that had been removed from Foster's office, he specifically asked that the material not be shared with the OPR lawyers and investigators conducting the Foster probe—a request that was turned down by Justice, the sources said.

Sources familiar with the investigation say there is no evidence that proves whether White-

water was on Foster's mind in the days before his death. But those sources also said that federal law enforcement officials have become increasingly dissatisfied with the way in which the initial Park Police investigation was conducted.

The Park Police concluded that, although Foster had sought treatment for depression in his final days, there appeared to be no single event that precipitated his decision to take his life.

In addition to the list, investigators are continuing to seek access to a diary that was briefly examined by Park Police investigators in Hamilton's office. Investigators said they recalled the diary involved matters prior to Clinton's January 1993 inauguration. But they took no notes and Park Police officials said they had no reason to focus on any possible references to Whitewater last summer since the real estate firm was not then a matter of controversy.

"We didn't know Whitewater from anything else. It probably wouldn't have meant anything to us," said Robert Hines, a spokesman for the Park Police.

The investigators also are examining White House telephone logs showing that, in the hours before his death, Foster received calls from a former colleague in the Rose law firm and from Denver lawyer James Lyons. Lyons prepared a key report on Whitewater for the Clinton campaign when it first arose as an issue during the 1992 primaries.

According to the logs, Lyons called Foster about two hours before the deputy counsel left his office for the last time. Lyons told investigators that he was calling to confirm a dinner appointment in Washington to discuss both personal and "business" matters, but that he never reached Foster that day.

Lyons consistently has refused to tell reporters what the business was, but he has told The Washington Post it had nothing to do with Whitewater.

Two Arkansas State Troopers To Be Investigated for Fraud

Associated Press

LITTLE ROCK, Ark., Jan. 12—Arkansas State Police will investigate allegations of insurance fraud against two troopers who accused President Clinton of misusing his security detail while he was governor, the police agency's director said today.

Col. Tommy Goodwin, who has served as state police director during the tenure of several Arkansas governors, including Clinton, said he saw no evidence that Clinton had violated the law and so will not investigate the troopers' allegations that Clinton used his bodyguards to help arrange extramarital trysts. Clinton has denied the stories.

Goodwin said that troopers Larry Patterson and Roger Perry would not be investigated until after the trial of a suit Columbia Mutual Insurance Co. filed against Perry and Patterson. Columbia Mutual accused Patterson and Perry of colluding to collect an insurance payment from a policy on Patterson's private vehicle for a crash that occurred while Patterson was driving a state police car.

bc-whitewater-fbi - a1750
(ATTN: National editors) (Includes optional trims)
FBI Gathers Records for Whitewater Reconstruction (Yellville, Ark.)
By Michael J. Goodman and Douglas Frantz= (c) 1994, Los Angeles Times=

YELLVILLE, Ark. FBI agents are sweeping up land records that could provide authorities with the first complete financial portrait of a controversial real estate partnership between President Clinton, first lady Hillary Rodham Clinton and the owner of a failed savings and loan.

County officials here said Wednesday that FBI agents had taken copies of deeds and other records of a project of the Whitewater Development Corp., the partnership at the center of the controversy.

By reconstructing the sale of 44 parcels of land in Whitewater's 200-acre development here, the FBI could get the first complete picture of how much money flowed into and out of a deal that the Clintons say cost them nearly \$69,000 in losses.

The records also will augment a report on Whitewater prepared for the Clinton campaign to rebut questions about the project that were first raised during the 1992 presidential race. Some experts contend that the campaign report does not represent a clear financial picture of the venture's profitability.

Clinton, calling the Whitewater issue "ancient history," said earlier this week that it had been thoroughly investigated. However, only in recent weeks has the FBI collected hundreds of documents on the project from county offices in Arkansas and begun to compile the project's financial history.

Officials in the Marion County clerk's and assessor's offices said that FBI agents had visited them several times recently, examining and copying Whitewater documents.

"They come in, flash their badges and start going through records," said Mary Jo Layton, the clerk of this rural county in the Ozark Mountains of northern Arkansas. "They are pulling all the deeds for Whitewater."

The project was intended to create a resort community on the banks of the White River when it was started in 1978 by the Clintons and James B. McDougal, a Clinton political confidant who later acquired Madison Guaranty Savings & Loan.

Today, only a handful of houses have been built on the site and the deal has become the focus of questions about the relationship between the Clintons and McDougal, whose savings and loan failed in 1989 at a cost to taxpayers of \$47 million. The White House Wednesday asked Attorney General Janet Reno to appoint a special counsel to investigate Whitewater.

Republican critics of Clinton have claimed that the White House has not released documents that provide an accurate picture of Whitewater's finances. Some of the Clintons' personal Whitewater documents were in the office of Vincent Foster, the deputy White House counsel, when he committed suicide in July. Only recently have they been turned over to the Justice Department, which had subpoenaed them.

So far, the only financial picture of the Clintons' involvement in the ill-fated project has come from the 1992 report prepared for the presidential campaign. But independent experts have raised questions about the accuracy and thoroughness of that document.

(Optional Add End)

"The report is rife with gaps and inconsistencies," said Bert Ely, a financial consultant in Alexandria, Va., who has been involved in many financial reconstructions. "The fact is that the numbers don't add up."

The report shows that the Clintons lost \$68,900 on their investment in Whitewater. They sold their interest to McDougal for the nominal amount of \$1,000 in December 1992.

James Lyons, the Denver attorney and Clinton friend who commissioned the

report in 1992, defended the document's findings in an interview Wednesday.
"I feel absolutely confident that it is a credible and reliable document," Lyons said. "It was the best we were able to do with the information we had at hand."

**** filed by:LAWP(--) on 01/13/94 at 02:23EST ****
**** printed by:WHPR(JEL) on 01/13/94 at 07:56EST ****

Clintons yield on Whitewater inquiry

Reno vows to appoint fair counsel

By Frank J. Murray
THE WASHINGTON TIMES

President and Mrs. Clinton surrendered yesterday to clamorous bipartisan demands that a special counsel be named to investigate "the Whitewater matter," and minutes later Attorney General Janet Reno said she would appoint someone ruggedly independent.

"This is not a matter we go into lightly or eagerly. We don't think it is necessary," senior adviser George Stephanopoulos said in announcing the president's reversal on a probe that also will undertake the unprecedented investigation of a first lady.

"This controversy is becoming too much of a distraction," said Mr. Stephanopoulos, who contended Tuesday that the "standard" for appointment of a special counsel had not been met.

The decision was reached Tuesday night, but the announcement was postponed until yesterday in order to inform congressional allies and allow Miss Reno time to prepare a response, a White House official said. She reportedly had 24 hours' notice.

The counsel will make a public report to the American people on tangled financial dealings by Mr. Clinton and Hillary Rodham Clinton involving two Arkansas enterprises — Whitewater Development Corp. and the failed Madison Guaranty Savings and Loan Association.

Republicans, led by Senate Minority Leader Bob Dole and Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, have been calling for a special counsel for weeks. The Clintons had steadfastly opposed such a probe but yielded after 11 Democratic senators joined the Republicans since Sunday.

Miss Reno repeated her contention that no one she chooses will be seen as truly independent, but she argued: "It is important that public confidence be preserved and that the public knows we are doing everything we can..."

"People have submitted a number of lists, but we will consider everybody possible to make sure that we select the person who can be fair, impartial, and who has a reputation for integrity and skill."

The Justice Department has been conducting an investigation in Arkansas into financial transactions involving Whitewater and Madison, the thrift owned by a Clinton partner in Whitewater that cost taxpayers more than \$50 million when it was seized by federal regulators in 1987.

The Clintons' request for a special counsel after a week of denial and debate did not satisfy Mr. Dole, who said a separate investigation should be undertaken by specially appointed congressional committees.

The Kansas Republican denied

THE CASE SO FAR

■ **March 1992:** The New York Times reports on the collapse of the Madison Guaranty Savings and Loan Association of Little Rock, Ark., owned by James B. McDougal, a business partner with the Clintons in the Whitewater Development Corp.

■ **October 1993:** The Washington Post reports the Resolution Trust Corp. had asked the Justice Department for a criminal investigation of Madison, Whitewater and McDougal.

■ **Nov. 4:** The Washington Times reports the Clintons were active in Whitewater's management and that Mrs. Clinton had sought power of attorney over the venture. The Clintons had said they were only passive partners in the deal.

■ **Dec. 20:** The Washington Times reports White House officials removed records on Whitewater from the office of Vincent W. Foster Jr. after the deputy presidential counsel's suicide.

■ **Sunday:** Sen. Daniel Patrick Moynihan, New York Democrat, calls for a special counsel in the Whitewater-Madison case. He was the first Democrat to make such a call, soon to be followed by others.

■ **Yesterday:** Senate Minority Leader Bob Dole of Kansas calls for a special congressional investigative committee to look into questions surrounding Whitewater-Madison. Attorney General Janet Reno announces a special counsel will be appointed.

that he intended to keep Congress out of the case when he promised Miss Reno last week no "second-guessing" if she named a credible counsel.

No Democrats joined Mr. Dole's call for a special-purpose "select committee" — or a related initiative in the House by Minority Leader Robert H. Michel of Illinois — but two more Democratic senators joined the nine Democrats and countless Republicans calling for a non-government lawyer to investigate and report on what is found.

"I think a lot of them thought that they were giving the president good advice, and the president is taking that advice," Mr. Stephanopoulos said of a brief letter sent to the Justice Department by White House Counsel Bernard Nussbaum requesting the special counsel.

House Speaker Thomas S. Foley applauded the decision and said the Clintons should be given credit for "going well beyond the traditional standard in the White House effort to lay to rest current speculation."

Two Democratic senators who yesterday joined nine party colleagues asking for an independent counsel were Sen. John Breaux of Louisiana and Sen. Donald W. Riegle of Michigan, the Senate Banking Committee chairman, who had refused to hold hearings on the matter.

Mr. Breaux said appointing a counsel would keep the case out of congressional politics.

"The questions that have been

SPECIAL COUNSEL POSSIBILITIES

Some of the names floated on Capitol Hill as candidates for the special counsel Attorney General Janet Reno will name to investigate the Clintons' role in the Whitewater-Madison controversy.

■ Former Attorney General Griffin Bell

■ Former Attorney General Benjamin Civiletti

■ Former Attorney General Dick Thornburgh

■ Former U.S. Attorney Michael Baylson

■ Former U.S. Attorney Anton Valukas

■ Former U.S. Attorney Dan Webb

■ A.B. Culvahouse, counsel to President Reagan

The Washington Times

raised ... fully require a process now in which that can be done, where everybody can have confidence in the outcome," said Mr. Riegle, one of the so-called Keating Five whose role in the larger savings and loan collapse was probed by the Senate Ethics Committee.

The request for a special counsel was announced at a White House news conference by Mr. Stephanopoulos late yesterday afternoon, some two hours after Mr. Clinton rebuffed a question about his intentions on the case during a news conference in Kiev.

When told that former President Jimmy Carter had said the White House "mishandled it grossly" and joined the call for a special counsel, Mr. Clinton said those asking for a probe did not know about facts that he said are already in the public record.

"I have nothing else to say about it," he declared.

Mrs. Clinton was to leave Washington at noon today to join her husband in Moscow for the Russia portion of his European visit, as has been planned for weeks. The president, who has been in Eastern Europe, conferred with his wife by telephone on the issues before approving yesterday's action, and she oversaw discussions with the "damage-control team" at the White House.

"In view of the gravity of the president's responsibilities and the need for a speedy and credible resolution here, the president requests that this investigation be conducted as expeditiously as possible," Mr.

2/2

Stephanopoulos said at the White House.

"We believe that it will show what we believe, that the Clintons did nothing wrong," he said.

Mr. Stephanopoulos conceded the couple had access to corporate records of Whitewater since the "later stages" of its existence. That had never been admitted.

When reports about Whitewater surfaced in March 1992, the Clintons said they did not have any documents. When their former business partners, James B. and Susan McDougal, said they had been delivered, the Clintons issued a statement saying they were missing.

The White House disclosed Dec. 20 that Whitewater records had been taken from the office of Deputy White House Counsel Vincent W. Foster Jr. after his suicide in July and had been turned over to the Clin-

tons' personal attorney, David Kendall, in Washington. Mr. Kendall then negotiated a subpoena with the Justice Department that would keep the files secret.

The new investigation will not halt the special grand jury probe in Little Rock of Madison and financial transactions involving the Clintons and Whitewater.

At least four large cartons of Whitewater records have been submitted to the grand jury under the subpoena, and the rest are to be delivered by Jan. 18.

The White House says those records have been compiled at great cost and effort, implying that most were not in the Clintons' control or custody until now.

Miss Reno will set any boundaries on the investigation in authorizing papers once she selects a lawyer to take the job. Names mentioned so

far range from former Democratic Attorney General Griffin Bell to former Republican Attorney General Dick Thornburgh.

Miss Reno said she had not discussed the Whitewater matter with the president or his staff.

White House officials said they would not interfere, either privately or indirectly through public statements.

"I haven't gotten any direction from the White House," she said. "I will do everything I can to make sure that the person is as independent as I can possibly ensure."

When asked if the White House had handled the case well, Mr. Stephanopoulos said, "I can certainly say that the damage-control team in Washington did a worse job than the arms-control team in Kiev."

• J. Jennings Moss contributed to this report.

ROSE Law Firm's S&L ties p'obed

ASSOCIATED PRESS

Federal regulators have launched a formal investigation into whether the former law firm of Hillary Rodham Clinton and a top Justice Department official misled them about the firm's dealings with a failed Arkansas thrift.

"Our legal division is looking into whether we were misled by the Rose Law Firm back in 1989," Federal Deposit Insurance Corp. spokesman David Barr said yesterday. "We're

looking into all aspects of our dealings with Rose, and nothing has been resolved yet."

In 1989, the Rose firm, of which Mrs. Clinton was a partner, was paid \$400,000 by the FDIC to sue the auditors of the failed Madison Guaranty Savings and Loan Association.

But Rose had earlier represented Madison in an effort to win approval from Arkansas regulators for a recapitalization effort.

The FDIC probe was first re-

ported by the Los Angeles Times in yesterday's editions.

The Washington Times first reported the Rose Law Firm's unusual activities both for and against Madison S&L in November.

Federal conflict-of-interest regulations generally prohibit contractors from representing the government in thrift-failure cases where the same law or accounting firm represents or once represented the failed S&L.

An official familiar with the investigation said that so far FDIC officials have uncovered no documents indicating that the Rose firm ever revealed its previous relationship with Madison.

The probe began several weeks ago, the official said.

Lawyers in the Rose firm have agreed that it would be improper to comment during the probe, said a

see PROBE, page A12

PROBE

From page A1

member of the firm who asked not to be identified.

The White House yesterday bowed to bipartisan demands for an independent probe of President Clinton's ties to James McDougal, the owner of the failed thrift and a co-investor with the Clintons in Whitewater Development Corp.

Federal investigators have been trying to learn whether thrift funds were diverted either to Whitewater or to retire Mr. Clinton's 1984 gubernatorial campaign debt. The White House asked that Attorney General Janet Reno name a special counsel to investigate "the Whitewater matter."

The FDIC probe, which is separate from the ongoing criminal inquiry, seeks to learn whether the Rose firm was forthcoming about its ties to Madison.

When Rose was seeking the contract to represent the FDIC in 1989, Vincent W. Foster Jr., then a partner in the Rose firm, wrote FDIC officials that "the firm does not represent any savings and loan associations in state or federal regulatory matters," using the present tense. Mr. Foster later became deputy White House counsel to Mr. Clinton and committed suicide last year.

As the probe into Madison's failure and its ties to Whitewater widen, the roll of the Rose firm, and some of its members, is coming under additional scrutiny.

In November, The Washington Times reported that Rose's por-



"It is important that public confidence be preserved and that the public knows we are doing everything we can," Attorney General Janet Reno said yesterday in announcing that she will appoint a special counsel.

trayal of Madison's financial prospects contrasted sharply with Federal Home Loan Bank Board reports prepared in 1984 and 1986. Those reports raised concerns about the thrift's solvency and criticized its reliance on high-risk development deals, low cash reserves, problem loans to insiders and poor record-keeping.

In arguing that the recapitalization plan should be implemented, Rose attorneys predicted that Madison's financial health was about to improve and would be boosted by the stock sale plan. The 1986 bank examination report noted, however, that Madison did not meet regulators' requirements for minimum cash reserves for any period from the be-

ginning of 1985 through mid-1986.

The Washington Times also reported that Seth Ward, the father-in-law of Webster L. Hubbell, formerly a Rose partner and now associate attorney general, was an official with one of Madison's subsidiaries and had extensive loans from the thrift.

In one instance, the Associated

Press reported in a subsequent story, Mr. Ward took out a \$1.15 million loan to purchase property in Little Rock in a deal where a Madison subsidiary contributed \$600,000 needed to close the deal.

Mr. Ward, who also was paid by the thrift to help sell subdivided pieces of the parcel, was approached because the purchase price for the original property exceeded the amount banking regulations allowed a thrift to pay, Mr. Ward's attorney said.

Through a Justice Department spokesman, Mr. Hubbell said he told the FDIC in 1989 about Mr. Ward's relationship to the thrift and was told that the situation presented no conflict. Mr. Hubbell did not reveal in the statement last week exactly what he knew about his father-in-law's ties to Madison.

An FDIC official said no written record of Mr. Hubbell's exchange with the agency has been found.

Mr. Barr, the FDIC spokesman, said that it is possible no such record exists. Currently, prospective contractors are required to fill out a form covering a broad range of potential conflicts before being approved for government work. That requirement, Mr. Barr said, was not always enforced in 1989.

"Back in early 1989, you could have an FDIC attorney conduct an interview," he said. "We're trying to find out what we have in black and white."

If FDIC officials find that Rose misled them, the law firm could be barred from doing additional work either for the FDIC or its sister agency, the Resolution Trust Corp., according to guidelines of the regulatory agencies.

The Washington Times THURSDAY, JANUARY 13, 1994

891

Clinton Calls for Special Counsel to Probe Land Deal

■ **Presidency:** Aides say request for Reno to name investigator is designed to end 'barrage of innuendo' that may threaten agenda. First Family denies wrongdoing.

By JOHN M. BRODER and DAVID LAUTER, TIMES STAFF WRITERS

WASHINGTON—President Clinton, grudgingly capitulating to intense political pressure, asked Atty. Gen. Janet Reno on Wednesday to name a special counsel to investigate the tangled Whitewater real estate and banking affair.

In a letter to Reno from White House Counsel Bernard Nussbaum, Clinton called for appointment of a "respected, impartial and qualified attorney, who is not a member of the Department of Justice or an employee of the federal government, to conduct an appropriate independent investigation of the Whitewater matter and report to the American people." The investigation should be done "as expeditiously as possible," the letter said.

Reno said she had begun compiling a list of candidates for the position and intended to name the special counsel "as soon as possible."

Although she declared that the appointee would be granted substantial authority and should be "ruggedly independent," she left vague the parameters of the forthcoming investigation. She said she would "make sure that the scope of the investigation was sufficient to achieve the purpose that we're trying to secure by seeking an appointment."

The move, designed to end a political nightmare that has consumed vast amounts of White House time and energy, comes after three weeks of public pounding during which Clinton and his wife, Hillary Rodham Clinton, have insisted on their innocence and staunchly resisted an independent inquiry.

White House aides said the Clintons gradually found their position politically untenable. The impression of White House stonewalling "could end up interfering with the President's agenda," senior adviser George Stephanopoulos said in an-

FBI Collects Whitewater Documents

By MICHAEL J. GOODMAN
and DOUGLAS FRANTZ
SPECIAL TO THE TIMES

YELLVILLE, Ark.—FBI agents are sweeping up land records that could provide authorities with the first complete financial portrait of a controversial real estate partnership between President Clinton, First Lady Hillary Rodham Clinton and the owner of a failed savings and loan.

County officials here said Wednesday that FBI agents had taken copies of deeds and other records of a project of the Whitewater Development Corp., the partnership at the center of the controversy.

By reconstructing the sale of 44 parcels of land in Whitewater's 200-acre de-

Please see FBI, A6

nouncing the decision. "We did not want that."

He said the Clintons reluctantly agreed to the naming of a special counsel in hopes of putting an end to what he called "a barrage of

Please see CLINTON, A6

1/2

CLINTON: First Family OKs Call for Probe

Continued from A1
innuendo, political posturing and irresponsible accusations."

The White House announcement came hours after Senate Minority Leader Bob Dole (R-Kan.) demanded a congressional investigation of Whitewater events. White House aides, asserting that their decision would thwart such a step, pointed to Dole's own declaration in a letter to Reno last week that if she appointed a special counsel, "there would be no second-guessing" of the investigation.

Under congressional rules, the Republican minority cannot conduct an investigation on its own, and Democratic leaders seem unlikely to permit such an investigation to start now.

"Calls for a select congressional committee are unnecessary and are clearly an attempt to politicize this matter," Senate Majority Leader George J. Mitchell (D-Me.) said in a statement. "As previous experience has shown, an immediate congressional inquiry will complicate and could even undermine the efforts of the special counsel."

For Clinton, this week was supposed to be dominated by high-profile meetings in Europe. But senior White House aides here and in Europe found themselves spending hours on transatlantic phone lines over the last three days and nights, devising a strategy for handling the messy affair involving the Clintons' dealings with an Arkansas real estate investor and savings and loan operator.

Even as he was appearing with Ukrainian President Leonid Kravchuk on Wednesday to announce an agreement for the nuclear disarmament of Ukraine, Clinton was dogged by questions about his Arkansas business dealings.

"I have nothing to say about that on this trip," the President said. "I have nothing else to say about it."

BACKGROUND

■ The major difference between the special counsel who will conduct the Whitewater inquiry and the independent counsels who looked into such recent Washington scandals as the Iran-Contra affair is who appoints them. A special counsel is authorized by Justice Department regulations and is appointed by the attorney general. An independent counsel, authorized by a provision of the 1978 Ethics in Government Act that expired at the end of 1992, was named by a special three-judge court appointed by the chief justice, usually acting on a request by the attorney general. The special counsel, like the independent counsel, can be fired "only for good cause, physical disability, mental incapacity or any other condition that substantially impairs the performance" of the counsel's duties, according to Justice Department regulations. Despite that, Atty. Gen. Janet Reno had repeatedly argued in the Whitewater case that the naming of a special counsel should wait until Congress restored the independent-counsel provision of the 1978 law. She said an independent counsel named by a court would automatically appear more independent of the Clinton Administration than anyone she selected.

After a day full of meetings on Tuesday, the Clintons and their aides concluded that the appointment of a special counsel, however unpalatable it might be in the short run, would quickly remove Whitewater from the front pages of the nation's newspapers. A key factor in the decision, officials said, was Hillary Clinton's agreement that only the naming of a special counsel could control the political damage caused by the Whitewater story.

Whitewater Development Corp. was an Ozark Mountains vacation resort in which the Clintons invested with a friend, James B. McDougal, and his wife, Susan, in 1978. McDougal owned Madison Guaranty Savings & Loan, which was seized by federal regulators in 1989 at a cost to taxpayers of at least \$47.6 million. The real estate deal went sour as well, with the Clintons, by their account, losing \$68,900.

Republican members of Congress and government investigators have raised questions about

whether money from the thrift may have found its way into Whitewater's coffers or into Clinton's 1984 campaign for governor. They have also asked whether the thrift may have received favorable treatment from Arkansas authorities while Clinton was governor.

The White House judgment that naming a special counsel will quickly reduce the political pain of the affair is probably correct, said Marlin Fitzwater, who was press secretary to Ronald Reagan and George Bush during several independent investigations, including one involving the covert sale of arms to Iran and the diversion of profits to Nicaragua's Contras.

While presidents and their aides frequently resist such investigations, they actually serve the interests of the White House in the long run, Fitzwater said.

The independent investigation "was crucial for us during Iran-Contra," Fitzwater said. "Although there was some initial to-ing and fro-ing over who knew what when, essentially the White House

was able to take the position from that point on that this was all being investigated by the independent counsel, which relieved them from the obligation of answering any questions. It's an enormous asset."

Clinton White House officials made it clear Wednesday that they intend to adopt exactly the same tactic. "Absolutely," a senior White House aide said. "There may be a few questions we can answer, but on the whole it will be inappropriate to comment" from now on about all matters related to Whitewater.

Despite the utility of an independent investigation, the Clintons and their aides resisted it for several weeks. They made clear that their acquiescence was grudging.

"We still think it's wrong," Stephanopoulos said. "But the political reality developed, and we didn't want to be distracted from our work any more. We're still against it."

Paul Begala, a political adviser to the White House, added: "It's a recognition of the reality of the way the political culture works that people who haven't done anything wrong have to call for a special investigation of themselves. You can make me accept it, but you can't make me like it."

Asked why the Clintons resisted an independent inquiry, for so many weeks, Begala said: "The instinct to fight back when you're accused is very strong. Some of us who were trying to help may have hurt" by encouraging the Clintons to fight what was seen as a partisan vendetta.

Other Administration officials noted that in addition to that motivation, White House aides who have been counseling the Clintons do not know precisely what happened in the Whitewater affair or what the Clintons' files on the matter may contain.

Inquiry Request

The text of a letter, dated Jan. 12, from White House Counsel Bernard Nussbaum to Atty. Gen. Janet Reno.

Dear Madam Attorney General:

The President has directed me to request you to appoint as special counsel a respected, impartial, and qualified attorney, who is not a member of the Department of Justice or an employee of the federal government, to conduct an appropriate independent investigation of the Whitewater matter and report to the American people.

In view of the gravity of the President's responsibilities and the need for a prompt resolution, I respectfully request that this investigation be conducted as expeditiously as possible.

Very truly yours,
Bernard W. Nussbaum
Counsel to the President

Only a few people other than the Clintons' personal lawyer, David E. Kendall, have seen the files, and no one on the White House staff has fully investigated the matter.

Clinton aides insisted that they believe that the President has done no wrong. On the other hand, several have bitter memories from early in the presidential campaign when Clinton assured them that there was nothing in the history of his dealings with the military draft that required an investigation.

Those sorts of doubts always nag at White House aides, Fitzwater said. "In Iran-Contra, nobody knew what happened," he said. "When you don't know all the facts, it's very frightening to ask for an outside investigation."

Times staff writer Ronald J. Ostrow contributed to this story.

212 FBI: Agents Collect Records on Whitewater Development

Continued from A1

velopment here, the FBI could get the first complete picture of how much money flowed into and out of a deal that the Clintons say cost them nearly \$69,000 in losses.

The records also will augment a report on Whitewater prepared for the Clinton campaign to rebut questions about the project that were first raised during the 1992 presidential race. Some experts contend the campaign report does not represent a clear financial picture of the venture's profitability.

Clinton, calling the Whitewater issue "ancient history," said earlier this week that it had been thoroughly investigated. However, only in recent weeks has the FBI collected hundreds of documents on the project from county offices in Arkansas and begun to compile the project's financial history.

Officials in the Marion County clerk's and assessor's offices said that FBI agents had visited them several times recently, examining and copying Whitewater documents.

"They come in, flash their badges and start going through records," said Mary Jo Layton, the clerk of this rural county in the Ozark Mountains of northern Arkansas. "They are pulling all the deeds for Whitewater."

The project was intended to create a resort community on the banks of the White River when it was started in 1978 by the Clintons and James B. McDougal, a Clinton political confidant who later acquired Madison Guaranty Savings & Loan.

Today, only a handful of houses have been built on the site, and the deal has become the focus of questions about the relationship between the Clintons and McDougal, whose savings and loan failed in 1989 at a cost to taxpayers of \$47 million.

The White House asked Atty. Gen. Janet Reno on Wednesday to appoint a special counsel to investigate Whitewater.

Republican critics of Clinton have claimed that the White House has not released documents that provide an accurate picture of Whitewater's finances. Some of the Clin-

tons' personal Whitewater documents were in the office of Vincent Foster, the deputy White House counsel, when he committed suicide in July. Only recently have they been turned over to the Justice Department, which had requested that a grand jury subpoena them.

So far, the only financial picture of the Clintons' involvement in the ill-fated project has come from the 1992 report prepared for the presidential campaign. But independent experts have raised questions about the accuracy and thoroughness of that document.

"The report is rife with gaps and inconsistencies," said Bert Ely, a financial consultant in Alexandria, Va., who has been involved in many financial reconstructions. "The fact is that the numbers don't add up."

The report shows that the Clintons lost \$68,900 on their investment in Whitewater. They sold their interest to McDougal for the nominal amount of \$1,000 in December, 1992.

James Lyons, the Denver attorney and

Clinton friend who commissioned the report in 1992, defended the document's findings in an interview Wednesday.

"I feel absolutely confident that it is a credible and reliable document," said Lyons. "It was the best we were able to do with the information we had at hand."

Some records of the partnership were missing and Lyons had the report prepared by a forensic accounting firm in Denver that specializes in financial reconstructions in difficult cases.

Among the missing documents, he said, were records of a \$550,000 land purchase involving Whitewater in the fall of 1986.

The White House has said that the purchase was undertaken by McDougal and his wife, Susan, without the Clintons' knowledge.

Lyons said the working papers that he and the accounting firm used to prepare the report had been subpoenaed by the FBI and would be turned over next week.

Goodman is a special correspondent, Frantz a Times staff writer.

A LOOK AT THE PROBE AND WHO MAY BE CONDUCTING IT

The counsel: A look at the investigators

The terms special counsel and independent counsel have been used as if they are synonymous. They are not.

Q: What is a special counsel?

A. A special counsel — sometimes referred to as a special prosecutor — is appointed by and serves at the pleasure of the attorney general to investigate a single incident.

Q: How is that different from an independent counsel?

A. Independent counsels were created under a 1978 law that Congress allowed to expire in 1992. Under that law an independent counsel could be appointed by a three-judge federal appeals court, but only after there was some showing or reason to believe a specific law had been violated.

Q: What's the key difference?

A. While they both have powers to subpoena records and conduct a grand jury investigation, a special counsel works for the Justice Department while an independent counsel as the title suggests, is independent from political tethers.



COX

Q: What was the purpose of the independent counsel law?

A. The law was meant to insulate the counsel looking into allegations of wrongdoing by a sitting president or members of his administration.

It was enacted in the wake of the Watergate investigations, when President Nixon ordered special counsel Archibald Cox fired and, but for public outrage, might have blocked the probe.

Q: What's an independent counsel's authority?

A. An independent counsel, under the expired law, answered only to the three-judge panel in Washington that makes the appointment. The court could narrowly define the nature of the investigation and oversee the counsel's progress. Funds were provided by Congress.

Q: So, why did Congress let the law lapse?

A. There's a strong feeling — particularly among Republicans who felt the brunt of independent counsel investigations during 12 years of the Reagan and Bush administrations — that some counsels were too independent and carried on their investigations well beyond reason. In particular, Lawrence Walsh, the Iran-contra independent counsel who investigated the Reagan administration for six years at a cost of \$37 million, has been ridiculed as conducting a fishing expedition.

Q: Might the independent counsel law be re-authorized?

A. Yes. Democrats are expected to seek re-authorization of the statute. As a result of the Whitewater controversy it's considered more likely that it will win approval in this Congress.



RENO

USA TODAY

Q: Why was Attorney General Janet Reno reluctant to appoint a special counsel?

A. Reno claims that a special counsel has little actual independence from her. She has said she would seek appointment of an independent counsel if Congress, after it returns Jan. 25, re-authorizes the law.

Q: Who's been looking into the Whitewater case up to now?

A. Justice Department lawyer Donald MacKay is investigating the Clintons' relationship with Whitewater and Madison. MacKay, who served in the the Nixon and Bush Justice Departments as a political appointee, is now a career member of the department.

Reputation, ties key to appointment

Attorney General Janet Reno's pledge to appoint a "ruggedly independent" special counsel to investigate Whitewater will be tricky to fulfill.

The person picked will need enough stature to be recognized within the legal community, but not readily identified as a political partisan.

Some possible names that circulated in Washington Wednesday night:

► Retired Supreme Court Justice Byron White. Appointed by John F. Kennedy, White has Democratic ties, but has a straight-as-an-arrow reputation.

► Former American Bar Association presidents Talbot D'Alemberte and John Curtin. Past special prosecutors Leon Jaworski and Lawrence Walsh were drawn from ABA ranks.

► Former Republican attorney general Elliot Richardson and Democratic attorneys general Griffin Bell and Benjamin Civiletti.

Despite partisan appointments, all three enjoy reputations of high ethical standards.

► Former solicitors general Kenneth Starr — now in private practice — and Rex Lee, now president of Brigham Young University.

Written by Tony Mauro



WHITE

AP

Dole demands a congressional inquiry

By Leslie Phillips
USA TODAY

Senate Minority Leader Robert Dole demanded Wednesday a congressional inquiry into President Clinton's entanglement in an Arkansas real estate venture.

Democrats dismissed him as a "mean-spirited" partisan for making the demand as the White House prepared to call for a special counsel.

Dole, of Kansas, called for a select bipartisan committee to look at the links between Clinton and wife Hillary Rodham Clinton, the Whitewater Development Corp., and an Arkansas savings and loan whose failure has cost taxpayers at least \$47 million.

House Minority Leader Robert Mitchell, R-Ill., introduced the proposal in the House but didn't appear with Dole.

Dole wants a committee similar to those that investigated the Watergate

scandal and the Iran-contra affair, both involving Republican presidents.

"Congress has some responsibility," Dole said. "It's almost unprecedented to have so many serious questions without at least one congressional committee looking into it."

The proposal would have to be approved by the House and Senate — an unlikely event since both are controlled by Democrats.

While Dole said he hoped the committee would receive bipartisan support, he failed to notify Majority Leader George Mitchell, D-Maine, or any other Democrat, before going public.

"This obviously has no justification except pure, mean-spirited partisanship," said Rep. Barney Frank, D-Mass. "This is the mean, angry Bob Dole that



FRANK: Dole move "mean-spirited."

sometimes seeps out."

Added Sen. John Breaux, D-La.: "Politicians investigating other politicians produces political results."

Dole's call for a select committee is "clearly an attempt to politicize this matter," said Mitchell. "Indeed, as previous experience has shown, an immediate congressional inquiry will complicate, and could even undermine, the efforts of the special counsel."

Mitchell was referring to the reversed convictions of Iran-contra figures Oliver North and John Poindexter, who received congressional immunity for testifying before a select committee.

Dole's proposal may be little more than pressure for leaders to call House and Senate banking committee hearings. The chairmen of those committees

have rejected the idea.

"I decided the hearing route is the route to take to get the answers in way that would sustain conviction. If comes to that," said Senate committee chairman Sen. Donald Riegle, D-Mich.

Democrats said the White House concession to a special counsel will erode both Clinton and Congress to cooperate on policy issues like health care reform.

"There is no reason for Congress to distract itself with this matter," Sen. Daniel Patrick Moynihan, D-N.Y.

"We know how to legislate; lawyers know how to investigate. We have a mammoth legislative agenda before us and we must get on with it."

And the public isn't clamoring, Frank said. He has received no inquiries from constituents on Whitewater. And a recent USA TODAY/CNN/Gallup Poll found that only 17% were following the issue closely.

Tracking the Whitewater deal

1979: Clinton becomes governor, appoints political pal James McDougal an economic development adviser. Bill and Hillary Rodham Clinton join McDougal and his wife, Susan, to form Whitewater Development Corp. to subdivide a rocky 230-acre site on the White River in north Arkansas into 44 vacation-home sites. The partners pay \$203,000; they borrow the \$20,000 down payment, then get a separate \$183,000 loan.

1982: McDougal buys Madison Guaranty Savings & Loan and expands it rapidly over the next several years. Meanwhile, Whitewater takes in almost \$300,000 from land sales. Hillary Clinton borrows \$30,000 from a McDougal bank to pay for a Whitewater model home.

1983: Arkansas banking commissioner Marlin Jackson warns Madison to stop making risky loans; he says now that he warned Clinton about McDougal's questionable practices. The S&L's assets have grown from \$6 million to more than \$100 million.

1984: Resolution Trust Corp. investigators say they believe that McDougal was operating a check-kiting scheme when thousands of dollars of checks moved through Whitewater's account at Madison Guaranty. RTC says there's no evidence the Clintons knew about it. McDougal puts Hillary Clinton on \$2,000-a-month retainer, saying it was at Gov. Clinton's request.

1985: On April 11, McDougal hosts a fund-raiser to help Clinton retire a gubernatorial campaign debt, days after McDougal learned Madison was being scrutinized by federal regulators. Fund-raiser nets \$35,000; investigators later question the source of some donations. On April 30, Hillary Clinton — whose Rose law firm represents Madison — writes to State Securities Commission seeking approval for the S&L to sell preferred stock to boost its capital and remain solvent. Beverly Bassett Schaffer, the securities commissioner appointed by Gov. Clinton, does not object to the proposal, but it is never carried out. McDougal learns federal regulators are to do 1986 audit of Madison.

1986: Banking regulators remove McDougal as chief of Madison. Their report alleges faulty record-keeping and diversion of funds to his family.

1987: McDougal claims he sent all Whitewater records to Hillary Rodham Clinton at the governor's mansion. The Clintons say they received incomplete records.

1988: Hillary Clinton writes to McDougal, asking that he assign her power of attorney over Whitewater so she can sell remaining land and end the partnership. It's unclear if she ever got power of attorney.

1989: Federal regulators liquidate Madison. Estimated cost to taxpayers: \$47 million to \$60 million.

1990: McDougal is acquitted of bank-fraud charges.

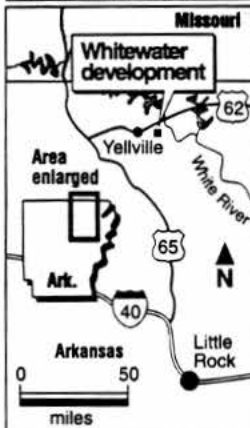
1991: Whitewater Development Corp. tax returns filed by Little Rock lawyer Vincent Foster, later a top White House aide, show \$27,000

THE BANKER



By Laurie Tedford, AP

THE DEVELOPMENT



THE INVESTORS



THE BEGINNINGS: James McDougal, top left, a friend of Bill and Hillary Clinton (shown above in 1983), brought them into a real estate development called Whitewater while Bill was governor. The project was on the White River in northern Arkansas.

THE FAILED S&L



worth of remaining land, \$42,000 in deferred profits, \$90,000 in notes receivable.

1992: The Clintons, plagued by presidential campaign queries about Whitewater, ask Denver lawyer James Lyons to audit their investment. He says they received no return through May 1991. The Clintons say now they eventually lost at least \$68,900. But they claimed no losses on their income tax returns. Resolution Trust Corp. notifies Justice Department that Whitewater may have benefited from Madison check-kiting scheme. The Clintons in December sell their interest in Whitewater to McDougal for \$1,000.

THE LAWYER



THE ENDINGS: McDougal's failed savings and loan, left, called attention to the Whitewater situation. Lawyer Vincent Foster, above, handled the paperwork for the Clintons before his suicide.

Representing them in the transaction: Vincent Foster.

1993: Lyons talks by phone with Foster several times before the White House lawyer's July suicide. Lyons says they did not discuss Whitewater. After Foster's death, White House Counsel Bernard Nussbaum removes files from Foster's office, including Whitewater documents. In December, the Clintons decide to give all their Whitewater files to Justice Department.

1994: Clintons say they plan to turn over Whitewater records under subpoena, keeping them from public view.

Source: USA TODAY research

USA TODAY

Clinton's about-face

After weeks of self-destructive delay, President Clinton finally has acknowledged political reality and called for the appointment of a special counsel to investigate the Clintons' Arkansas business dealings.

The about-face amounts to an implicit admission that administration officials' previous excuses for opposing such an appointment were, at best, specious. Attorney General Janet Reno's reputation for candor and independence, already compromised by other recent examples of her susceptibility to political influence, has been particularly damaged. Prior to the president's directive, Reno claimed that the appointment of a special counsel was unwise, and perhaps even beyond her authority, until Congress revives the Independent Counsel Act.

She voiced those concerns repeatedly, even though other attorneys general took similar action before the Independent Counsel Act ever existed. Does Reno not remember that a Republican attorney general appointed a special prosecutor in the Watergate scandal? Now that the president has changed his position, Reno's reservations have magically disappeared.

The president's sudden change of heart also was an acknowledgment that not all of the calls for an independent investigation could be dismissed as mere partisanship. That characterization was unfair to Rep. Jim Leach, R-Iowa, and other Republicans who have raised reasonable and well-documented concerns about the Clintons' failure to come clean about their business relationships. Once New York's Daniel Moynihan told several Democratic members of Congress in joining the call for a special counsel, the administration had little choice but to give in.

So far, the administration's clumsy efforts to head off an independent investigation have been much more damaging than the original allegations themselves. No one has offered any hard evidence that either President or Mrs. Clinton broke any law in the course of their association with a failed savings and loan and an unsuccessful development company.

However, many uncomfortable questions remain unanswered: What happened to all the paperwork that presumably would document the financial details of the Clintons' partnership with Arkansas wheel-dealer James McDougal and his ex-wife? Did Hillary Clinton's Arkansas law firm create a conflict of interest for itself by representing McDougal's savings and loan while it was being regulated by then-Gov. Clinton's administration? Did McDougal's savings and loan receive preferential treatment from Clinton — whose top regulator was a former McDougal employee? Why were White House officials so anxious to remove documents related to this case from the office of deputy White House counsel Vince Foster in the hours after he committed suicide — and why have they been so slow to release those documents to the proper authorities?

If the answers to those and other questions ultimately bring only embarrassment, rather than indictments, the president and his administration could emerge from under this cloud relatively quickly.

One concern is likely to linger, though: How could the president and other top administration officials have responded so ineptly and so offensively — to an issue that might otherwise have evaporated quickly in the light of full disclosure?

Clearing the way for safer skies

The Clinton administration, concerned about lagging safety improvements plagued by huge cost overruns in the nation's air-traffic control system, wants to carve that responsibility out of the Federal Aviation Administration and put it in the hands of a quasi-government corporation, much as Amtrak runs the nation's passenger rail system. It's a sound proposal that hasn't found support in Congress in past years but should be considered seriously this time.

Deregulation, now almost 20 years old, led airlines to create hub-and-spoke flight patterns that cut direct flights, greatly expanding the number of takeoffs and landings and putting increasing pressure on outmoded air-traffic control equipment and the people who use it. An upgrading plan the FAA proposed 10 years ago still isn't in place, but it's \$1.2-billion over budget.

"The FAA has done a terrible job of modernizing the air-traffic control system," said Leo Janssens, president of the Aviation Safety Institute, an independent watchdog group not given to hysterics or hyperbole. "It's time for the government to get out of the air-traffic control business because they've proven themselves so inefficient at it for the last 20 years."

Janssens and others are not ready to embrace the Clinton administration proposal without reservation, however. "I've heard concerns that the private corporation might not view safety as job No. 1, and

those concerns are valid," Janssens said. "What happens to ATC (air-traffic control) facilities at smaller airports that might not turn a profit? Will they be closed? And what happens to the \$16-billion Aviation Trust Fund that's supposed to be spent on safety? It should move with ATC to the private sector, but it's been held hostage so long as a way of making the deficit look smaller that there will probably be pressure to allow it to revert to general revenue."

While many concerns need resolution, privatization would have immediate benefits. The new agency could issue long-term bonds to finance new equipment, eliminating the plodding government procurement system. And the agency itself would be financed by aviation fees, allowing it to bypass the federal budget, although this measure would add significantly to costs for airlines and general aviation.

The administration plans to submit legislation in April. It would be wise to invite Janssens and others to take part in the drafting process. Since they would bring hands-on experience to the table, they could anticipate and resolve in advance some of the issues likely to generate opposition to the proposal. Given the immensity of the legislative program Congress faces, the administration should make privatization of the air-traffic control system a proposal that's easy and quick to swallow.

002

ST. PETE TIMES - COPY SERVICES

00:52

01/13/94

EDITORIALS

Clinton agrees to special counsel on Whitewater

Reno to name land-deal investigator

By Carl P. Leubsdorf

Washington Bureau of The Dallas Morning News

WASHINGTON — Bowing to escalating political pressure, President Clinton agreed Wednesday to the appointment of a special counsel to investigate his role in the complex Whitewater land deal in Arkansas.

Mr. Clinton directed his counsel to ask Attorney General Janet Reno to name "a respected, impartial and qualified attorney" to investigate the Whitewater Development Corp. matter and report to the American people "as expeditiously as possible," White House adviser George Stephanopoulos said.

Ms. Reno promptly announced that she would name an independent counsel "as soon as possible." She previously had echoed the steadfast White House rejection of Republican demands to supersede an investigation by career prosecutors in the Justice Department.

"It is important that public confidence be preserved and that the

■ The 'Indignation defense.' 18A

■ Responses to allegations. 18A

■ Editorial. 20A

public knows we are doing everything we can," she said, vowing to choose a person who "is going to be ruggedly independent, who isn't afraid to tell the attorney general that this is the way . . . to conduct the investigation."

She said she was reviewing lists of prospective appointees and would discuss the scope of the inquiry once a lawyer is selected.

The White House reversal occurred hours after Senate and House Republican leaders called for creation of a special investigating panel such as those that studied the Watergate and Iran-contra scandals. Democratic leaders dismissed the suggestion.

In making the announcement at the White House, Mr. Stephanopoulos said.

Please see SPECIAL on Page 18A

Continued from Page 1A.

los acknowledged that Mr. Clinton and his top White House advisers believed that the matter could be handled by the career prosecutors at the Justice Department.

But he said, "It became clear over several days that this issue could end up interfering with the president's agenda . . . and we don't want this to happen."

At the same time, he reiterated that "there have been no credible allegations of wrongdoing by the Clintons in this matter." He charged that they "have been subjected to a barrage of innuendo, political posturing and irresponsible accusations."

Since the controversy first erupted during the 1992 campaign, Mr. Clinton has repeatedly denied that he or his wife, Hillary Rodham Clinton, did anything wrong — except lose \$69,000 — in the Whitewater deal.

He has also said they had nothing to do with the collapse of the Madison Guaranty Savings and Loan. Investigators are trying to determine whether any of its funds were transferred to Whitewater or used to help pay off debts from Mr. Clinton's 1984 gubernatorial campaign.

In a related development Wednesday, The Associated Press reported that federal regulators have launched a formal inquiry into whether Mrs. Clinton's former law firm had misled them about its dealings with Madison.

"Our legal division is looking into whether we were misled by the Rose Law Firm back in 1989," Federal Deposit Insurance Corp. spokesman David Barr said. "We're looking into all aspects of our dealings with Rose, and nothing has been resolved yet."

The White House decision for the appointment of a special counsel came after a number of prominent Democratic senators joined the outcry, and GOP leaders demanded creation of a special investigating panel.

"In my view, appointment of a special counsel doesn't take care of our responsibility in Congress," Senate Minority Leader Bob Dole of Kansas said.

But top Democrats said that Mr.

Clinton's decision to seek a special counsel made that unnecessary.

"Calls for a select congressional committee are unnecessary and are clearly an attempt to politicize this matter," said Senate Majority Leader George Mitchell of Maine.

Other Democrats who had called for a special counsel praised the president's step.

But Mr. Dole said he believed that separate congressional inquiries were needed, citing his support of Democratic efforts during the Reagan administration to investigate the Iran-contra affair.

He declined to accuse the Clintons of any wrongdoing. But he told Cable News Network, "Somebody did something wrong. There are a lot of allegations out there that ought to be addressed."

Independent analysts said that the White House decision should help to ease the growing political furor.

"As long as a special prosecutor is appointed in whom the Republicans have confidence, it certainly slows the frenzy," said Stuart Rothenberg, a commentator who edits a political newsletter. "It takes the wind out of their sails and stops the Democratic defections."

But he added, "You have to wonder why the White House was so slow, given the politics of the matter."

Analyst Charles Cook said the decision "helps the White House getting pinned as covering up their problems. But the problems are still there and have to be resolved."

He cited two polls this week showing the controversy had not damaged Mr. Clinton's public approval.

"This is a story that clearly is not resonating among real voters," he said. "But it's simmering in Washington and, if there's anything there, it's going to start contaminating outside the Beltway."

Mr. Clinton allowed aides to make the formal announcements. But he conceded earlier Wednesday that it might be best to yield to the rising clamor for an independent inquiry.

Staff writer Steve McGonigle contributed to this report.

✓ Special Counsel—Here It Comes

Whitewater heat rages as White House moves toward outside investigator

Politics does not always make for great public policy. The so-called Whitewater affair is a case in point.

The ideal would be: When Congress returns to work later this month, the House of Representatives quickly passes legislation renewing the now expired special prosecutor law, as the Senate already has done. Passage then allows Atty. Gen. Janet Reno to ask a panel of judges to select a special, outside prosecutor to carry forth the probe, which she does. That takes the case away from the Clinton Justice Department—and out of Reno's hands. Then the special prosecutor conducts an investigation of Bill and Hillary

Rodham Clinton's involvement in the Whitewater real estate project. Many months—and surely millions of dollars—later, the country, presumably, knows the answer to such questions as: Did the Clintons, when Bill Clinton was governor, improperly help an Arkansas co-investor and supporter who was in trouble with regulators over his failing savings and loan institution?

The White House denies that Clintons did anything wrong; no formal charges have been filed. A special prosecutor might find something, or nothing.

Inside the infamous Beltway this case has become a

full-scale brouhaha, and so enter hardball politics and exit optimal public policy.

Many Republican members of Congress—joined of late by some Democrats—have been insisting that Reno not wait for Congress to reauthorize the special prosecutor law but instead designate an outside superlawyer to launch an independent investigation now. Late Wednesday, that is what Reno, with the approval of the White House, said she will do.

Precisely how having Reno pick the lawyer gets around the objection that her fingerprints would be on the operation is beyond us. But that is now a moot point. Just call it politics.

White House Reality forces a decision takes a gamble

By Adam Nagourney
USA TODAY

When White House officials announced Wednesday that President Clinton had reluctantly agreed to an independent probe of Whitewater, they portrayed it as a capitulation to carping from Republicans and pressure from the media.

But Clinton's decision reflected what the White House had privately come to see was an unchangeable reality in Washington: Interest in Clinton's role in the Whitewater land development deal in Arkansas had gone beyond Republicans, was raising questions about the president and the first lady's ethics, and was creating questions about the White House's ability to deal with any problem.

What's more, the situation was distracting from what Clinton aides viewed as a successful overseas trip — and seemed positioned to overwhelm him as he welcomes Congress back to Washington with a substantial State of the Union speech in two weeks.

By the time Clinton awoke in Prague Wednesday and informed aides of his decision, he was falling into step with what had become the dominant line of thinking in the White House: that the smartest gamble was an independent investigation, in the belief that it would turn up nothing and that the story would finally just wither away.

That said, this decision was reached after intense debate and not a small amount of indignation.

"It's simple: We think it's wrong," senior adviser George Stephanopoulos said Wednesday afternoon as he worked on preparing the announcement.

"We think there's no evidence. We think it's irresponsible to have to prove that they've done nothing wrong. But that's the upside-down world of Washington for you."

Added political adviser James Carville: "I thought it was a dumb idea a week ago. I think that it's still a dumb idea. But it's a dumb idea that we had to go along with because it was interfering with what we were trying to do."

Their protests aside, though, the fact remains that the pressure was not coming solely from partisan enemies.

Powerful Democratic lawmakers began lining up over the weekend in favor of a spe-

cial counsel, a sure sign that any hope the White House had of resisting it was baseless.

Even as Stephanopoulos was drafting his announcement, he was interrupted by news that Senate Minority Leader Robert Dole, R-Kan., had called for a bipartisan congressional investigation of Whitewater.

While it was highly unlikely the Democratic-controlled Congress would ever go along with that, it was a real reminder that the Republicans were going to be able to keep the issue alive.

A number of questions now remain, not the least of which is whether White House officials are correct that the probe will turn up nothing particularly embarrassing.

Stephanopoulos and Attorney General Janet Reno — who will appoint the counsel despite strong opposition to the idea — were unable to suggest the scope of the probe or how long it might take. That will probably become clear only when Reno makes her choice.

It's also an open question whether Clinton's delay in tak-

ing this action will cause him any political damage.

White House aides said the process had been disrupted because it was played out in a White House atmosphere charged with the death of the president's mother, the preparation for a foreign trip and a new round of stories about Clinton's sex life.

Nonetheless, it fed the impression, fairly or not, that the Clintons had something to hide about the deal.

Whatever the merits of the probe itself, even Stephanopoulos acknowledged that the reaction to it over the past few weeks was not one of the administration's better moments.

"I can certainly say that the damage-control team in Washington did a worse job than the arms-control team in Kiev."

► Changing course, 1A

THURSDAY, JANUARY 13, 1994 • USA TODAY

The first lady's role also is at issue

First lady Hillary Rodham Clinton's role in the Whitewater land deal is looming at least as large as President Clinton's involvement.

Investigators are looking at questions about the deal during Clinton's tenure as governor of Arkansas, including:

► **Did Hillary Clinton have a conflict of interest in dealing with state bank regulators?** Hillary Clinton was on a \$2,000-a-month retainer from James McDougal, owner of Madison Guaranty Savings and Loan and the Clintons' partner in Whitewater. In April 1985, when Madison badly needed cash, Hillary Clinton wrote the state's securities regulator just appointed by Gov. Clinton, Beverly Basset Schaffer, to seek approval of a deal to sell S&L stock. Schaffer approved in a "Dear Hillary" letter. Federal regulators balked, saying it was too risky; the stock wasn't sold.

► **Did Clinton do anything to help keep Madison afloat?** Investigators hope to determine whether Clinton intervened on behalf

of the S&L or whether his connection to its owner was enough to keep federal examiners at bay after they found suspicious loans to McDougal family members.

► **Were funds diverted from Madison to Clinton's gubernatorial campaign fund?** McDougal held a fund-raiser, reportedly netting \$35,000, to pay off a Clinton campaign debt; investigators say many donations were in the form of cashier's checks on Madison.

► **Did the Clintons get a sweetheart deal in Whitewater?** That's an underlying question. An auditor hired by Clinton in 1992 says the president lost \$68,900. But \$58,900 was in a loan from Madison.

► **What did Vincent Foster, a colleague of Hillary Clinton's at her law firm and later a White House lawyer, know?** After Foster's suicide last year, the White House emptied his office files, including Whitewater papers. The White House says Foster's files will go to the Justice Department.

Clinton gives in on land probe

By Adam Nagourney
and William Welch
USA TODAY

President Clinton, under growing pressure from members of his own party, reversed course Wednesday and asked for a special counsel to investigate his involvement in a failed Arkansas land deal.

White House officials — while berating questions about his role in the Whitewater deal as groundless — said Clinton bowed to the demands because the issue was threatening to overwhelm him.

"The Clintons have been subject to a barrage of innuendo, political posturing and irresponsible accusations," said senior adviser George Stephanopoulos.

White House counsel Bernard Nussbaum asked Attorney General Janet Reno to appoint a "respected, impartial and qualified attorney" to investigate and "report to the American people."

Reno, who had earlier resisted the investigation, immediately agreed to the president's request and said she would appoint someone "ruggedly independent" to report to her.

Neither Reno nor the White House would say how long the probe would take or its scope.

The questions surround Clinton and wife Hillary Rodham Clinton's roles in the land deal and failure of an Arkansas savings and loan that cost taxpayers at least \$47 million.

Asked about the developments during a stop in Kiev, Ukraine, Clinton said tersely: "I have nothing to say about that on this trip."

White House aides were openly disdainful of the need for any investigation. They said it was driven by Republican operatives and the media.

"This is all Washington b—s—," said political adviser James Carville. "They'll come back in five, six months and say nothing was there."

"The nation's news media wanted this," he said. "And if it was up to me, I would send them all a bill for this."

Clinton made the decision Wednesday after learning that at least 10 Democratic lawmakers had joined the push.

Stephanopoulos said the decision was not motivated by Senate Minority Leader Robert Dole's call for a bipartisan congressional investigation.

► Tracking the deal, 5A

Ukraine arms deal
faces opposition, 6A



Agence France-Presse
CLINTON: Visits Old Jewish Cemetery in Prague

Rates may fall again this year

By Bill Montague
USA TODAY

Last year's rock-bottom interest rates could reappear later in 1994, economists say.

An early sign: Favorable news on inflation Wednesday drove bond yields lower.

Wholesale prices fell 0.1% in December, the Labor Department said. For '93, prices were almost flat, rising only 0.2%.

Result: The yield on the 30-year Treasury bond fell to 6.18% from 6.23% Tuesday.

Investors are willing to accept lower bond yields if they think inflation won't be there to eat into the interest bonds pay.

That's good news for mortgage shoppers. Mortgage rates usually track bond yields.

The average rate on a 30-year fix mortgage last week: 7.23%, according to the Federal Home Loan Mortgage Corp. That could fall to 7% when the average is updated today.

Bond yields have fallen in recent days because of signs the economy will grow more slowly early this year. Faster growth can fuel inflation.

But rates are still above last fall's lows. The average mortgage rate hit 6.74% in October.

Borrowers who missed out may get another chance, says William Reynolds, of Dean Witter: "We'll retest the autumn lows later in the year."

More news today: Consumer prices for December are out.

► Stability accomplished, 1B

Taking crime seriously in the black community

By Deroy Murdock

Guess who uttered these words late last year: "There is nothing more painful to me . . . than to walk down the street and hear footsteps and start thinking about robbery — then look around and see somebody white and feel relieved."

Jesse Helms?

No. Jesse Jackson.

Black-on-black crime has grown so severe that even America's chief "black leader" is quaking in his loafers. His Rainbow Coalition just concluded a three-day conference in Washington on this lethal problem. Mr. Jackson recently has garnered well-deserved praise for promoting a student anti-violence pledge. He told Harlem high-schoolers last fall that in New York alone 362 black minors were killed by other blacks from January to October 1993 — "more than all those [blacks] who were lynched this century."

Jesse Jackson's campaign and the mounting public fury over random violence have dragged the great unmentionable factor of the U.S. crime epidemic into the spotlight. At last, Americans are discussing the fact that blacks play a disproportionate role in crime, both as perpetrators and victims.

While blacks comprise only 12 percent of the U.S. population, they constituted 61 percent of robbery and 55 percent of murder arrests in 1992, according to FBI figures. In 1991, 49 percent of convicts admitted to prison were black. Meanwhile, blacks are

more likely to fall victim to violence. The roughly 8,000 black murders committed in 1992 represent some 47 percent of that year's slayings. About 95 percent of these blacks were killed by other blacks.

While Mr. Jackson and other traditional "black leaders" finally have recognized a social crisis that has smoldered for years, the prescriptions they offer, namely increased youth recreational programs, are almost touchingly naive given the numbers of young blacks killed in public parks and playgrounds. A number of steps should be taken both by prominent blacks and society at large to begin curing black-on-black crime and the broader disease of destructive lawlessness.

First, end the excuses. Many black Americans still face hardship, but that hardly justifies turning despair into mayhem, as some black liberals suggest. Amsterdam News publisher Wilbert Tatum did just this when he observed that accused Long Island Rail Road gunman Colin Ferguson, "lived near Crown Heights," a tough New York neighborhood. "Who knows what he has seen, what terror has been visited upon him?" Mr. Tatum asked.

The same communities haunted by busted street lights, broken homes and shattered dreams somehow manage to produce preachers, gospel singers and the unsung Americans who ride buses and subways to work each morning. If they can survive, and even prosper, without icing fellow blacks, why can't the "gangstas" who delight in maiming and killing others?

Second, stop lionizing black criminals. Some black folks, like Los Angeles activist Paul Parker, virtually would erect statues of Henry Watson and Damian Williams, the two men who beat L.A. trucker Reginald Denny within a cat's whisker of his life. "I feel them to be heroes," Mr. Parker told NBC's "Dateline." "They

stood up for black people." Asked if he felt any empathy for Mr. Denny, Mr. Parker replied: "No. I saw the white race being bloodied and beaten." Outrage, revulsion and rejection — and not applause — should be the proper responses to the handiwork of thugs, be they black, white or albino.

Third, claims that fighting crime is racist should be rejected as illogical. Is the criminal justice system sexist because 94.3 percent of the prison population is male?

Fourth, carrots should be part of this anti-crime formula. Enterprise zones, educational choice and private ownership of public housing would offer some hope and legitimate opportunity to the underclass, the social niche most criminals call home. Also, welfare reform soon may discourage illegitimate births and entice young fathers to stay home and help raise their kids. Fathers provide discipline and role models to young men who need such influences. Dads themselves usually stay off the streets and out of trouble, too.

Last, and most important, hard and heavy sticks should be swung at those who don't bite at the carrots: The death penalty for capital crimes; "three strikes, you're out" legislation (which would require life imprisonment without parole upon a third violent felony conviction); and ending early releases for good behavior would help keep criminals segregated from the neighborhoods they terrorize.

Guns obviously are part of this equation and should not be sold to minors. Private entrepreneurs should work with police at all levels to develop an instant background check for gun buyers much like what exists for credit card purchase authorization. Finally, those who use a gun while committing a crime should have 20 years added to their normal sentences.

As the population most under fire, blacks should lead all Americans in denouncing the hoods in the hood — and elsewhere. So too must they demand that government stop dickering in areas in which it has no business and instead carry out its most fundamental constitutionally mandated duty: to insure domestic tranquility.

Deroy Murdock is a New York writer and president of Loud & Clear Communications, a marketing and media consultancy. A longer version of this piece will appear in the February 1994 issue of National Minority Politics.

White House Whitewater white-out

What we have seen this week in the Whitewater affair is a rapidly spreading realization that this matter — whatever it amounts to in the end — is not going away any time soon. White House efforts to paint calls for an independent inquiry as partisan collapsed when Democrats and liberals joined Republicans and other political opponents of the administration.

The White House has come under fire for its poor handling of the affair. But at the core of the criticism is not the quality of the handling but the *fact* of the handling. What has become perfectly clear is that *no one* in the administration can speak authoritatively on Whitewater — with the exception of the president and first lady themselves (and their expensive counsel at Williams and Connally). They aren't talking. But that hasn't prevented numerous other White House officials from stepping forward and presenting themselves as speaking authoritatively — only to founder with non-answers to basic questions about the affair or to have their pronouncements shot down by subsequent disclosures.

For example, on ABC on Jan. 2, in the thick of the period of White House stonewalling that partially ended yesterday with the announcement that the White House would accept an independent counsel, there was George Stephanopoulos confidently assuring America that all relevant documents had been turned over to the Justice Department. In fact, nothing had yet been turned over to the Justice Department, and what would be turned over was governed by a previously unpublicized subpoena worked out between Mr. Clinton's lawyer and Justice Department officials.

Now, some people think Mr. Stephanopoulos was

brazenly lying, but that seems unlikely in light of the subsequent flak the White House took when it corrected him the next day. Why set yourself up for that? More likely is that Mr. Stephanopoulos simply assumed he knew what was going on when he didn't. Perhaps it taught him a lesson. Gwen Ifill of the New York Times described a remarkable scene with him in Tuesday's edition:

"Sitting in his office with a reporter one afternoon last week, [Mr. Stephanopoulos] watched David R. Gergen, counselor to the President, acknowledge to CNN that he did not know the answers to all the questions on the matter. And even though he denied that the Clintons have been less than forthcoming, Mr. Stephanopoulos was soon echoing Mr. Gergen's frustration."

"There are examples, such as in this case, where there is incomplete documentation," Mr. Stephanopoulos said as he tried to answer why the Clintons never claimed as a loss on their income tax returns the \$69,000 they have said the Whitewater deal cost them.

"We're answering as best as we can," he said. "We're getting all the documents we can. We're trying to reconstruct something that happened a long time ago."

Who is "we"? Or, put another way, why is this so hard? Can't Mr. Stephanopoulos and Mr. Gergen and other would-be "damage controllers" just have Mr. and Mrs. Clinton tell them what happened?

It seems they can't. (It likewise seems that some of them are not happy about it.) For all the White House's tirelessly repeated assurances that the Clintons "have done nothing wrong," the fact is that no one at the White House knows seems to know what the Clintons have done at all.

06

That 'affidavit' again

In fact, the so-called "affidavit" was not a sworn statement by Mr. Ferguson — as it was portrayed — but rather was a signed claim by Mr. Ferguson's attorney. The lawyer, Robert Barton, stated that Mr. Ferguson had told him that no federal job was offered as a quid pro quo for silence. In other words, Mr. Ferguson has not sworn to anything.

Betty Wright, the Clinton team damage control expert who put the screws to Mr. Ferguson, had wanted him to sign an affidavit himself, but he refused. Why? For one, because Mr. Ferguson believed, as he told the Los Angeles Times before and afterward, that jobs had been offered to him and to another trooper. Perhaps he was uncomfortable putting himself on the legal line over the fine distinction of whether the job offer was explicitly in exchange for staying mum.

Mr. Peters should set the record straight in his next Monthly column.

Eager to see the sex scandal charges made against Bill Clinton slip under the dark waters and sink, many of the president's friends in the media have accepted and publicized the White House spin that there is a signed affidavit by Arkansas State Trooper Danny Ferguson denying that the president ever offered the troopers federal jobs in exchange for silence about his sexual indiscretions. Some otherwise sophisticated observers have fallen prey to this bit of received wisdom. In fact, no such affidavit by Trooper Ferguson exists.

The most recent example came yesterday in an Op-Ed piece in the New York Times by Washington Monthly editor Charles Peters. Mr. Peters begins, "When Danny Ferguson denied in an affidavit that President Clinton had offered him and other Arkansas troopers federal jobs for covering up trysts that occurred when he was Governor," Mr. Peters writes, "most of us were relieved."

BEN WATTENBERG

There are times when the right man is in the right job and an American wins. Consider Daniel Patrick Moynihan, scholar, raconteur, polymath, policy wonk, ambassador, eccentric in the finest sense, senator from New York, Congress' leading authority on welfare — and, ah yes, chairman of the Senate Finance Committee.

Interesting place, the Senate Finance Committee. Because it handles Social Security, it ends up, in tangled fashion, with jurisdiction over a large part of two great issues: health and welfare. And, as with many Senate committees, the chairman exercises vast power. A chairman, for example, can usually see to it that legislation he doesn't like languishes in darkness for a very long time.

Now, as it happens, there is turmoil within the White House, concerning those issues of health and welfare. President and Mrs. Clinton have determined that "health care" is a "crisis."

They believe a comprehensive remedy for such a crisis must be legislated during this session of Congress. The president campaigned on health care reform, albeit mostly unspecified. And he has given birth to a massive proposal, albeit one opposed by many in Congress.

Hostage crisis on the Hill

But the president also campaigned on welfare reform. He said he would "end welfare as we know it." Almost a year has gone by and although the president has appointed a task force, there is no official proposal yet.

Some vibrations from the White House indicate that there is a plan afoot to do little on welfare reform for this



Patrick Moynihan

session. It is said the Congress can't deal with both health care and welfare at the same time. Further, many congressional liberals do not like the idea of tough welfare reform, and it is said liberals would hold support for health care legislation "hostage" unless welfare reform is delayed.

Enter Mr. Moynihan. He says, "There is no health care crisis in America; there is a welfare crisis in America." And further, he says, that while Mr. Clinton himself is sincere about ending welfare as we know it,

many members of his task force "have no intention of doing it."

Mr. Moynihan also understands the hostage game: "I might just hold health care hostage to welfare reform" he says, wearing his chairman's helmet.

Mr. Moynihan is right on both substance and tactics.

You don't hear people saying, "We have the best welfare system in the world, but let's fix what's wrong with it." Yet that is what is said about health care. Regarding welfare, we may have the worst system anywhere. Through a perverse system of incentives we are, literally, buying illegitimate babies. And as Mr. Moynihan points out, "that is a terrible thing to do to a child."

He is also right about the Clinton task force. They are mostly old-guard welfare experts in massive federal agencies who are prepared to tinker — typically via job training and public service jobs — with a wholly failed system. They seem to miss what the voters heard in the call to end welfare as we know it. Strangely, voters believed that "ending" meant ending. It is an issue, like crime, ready to erupt.

Douglas Besharov, the American Enterprise Institute welfare scholar, says of the Clinton task force: "They

are mostly Old Democrats commissioned to come up with a New Democrat plan.

"They don't get Clinton's idea of 'tough love.'" Mr. Besharov also maintains that the task force has still not done the cost-modeling necessary for any serious plan.

Of course, Mr. Moynihan acting alone can't make tough welfare reform happen. But the Republicans have already issued a proposal that focuses more clearly on ending welfare — as in ending the cash part of welfare for teen-age mothers of out-of-wedlock children. And Democrats like Rep. Dave McCurdy of Oklahoma and Sen. Joe Lieberman of Connecticut are lining up support for other tough-minded welfare plans. The result may well be a plan closer to the Republican model than to a Tinker Toy model.

With that kind of help, Mr. Moynihan, the right man in the right job, can push Mr. Clinton to do what Mr. Clinton promised, what Mr. Clinton wants, what the country wants, and what it needs.

Ben J. Wattenberg, a senior fellow at the American Enterprise Institute, is a nationally syndicated columnist.

Mayor Sharon Pratt Kelly asked a question last week following the execution-style murder of a D.C. police officer: "What could we have done to have such a world like this that on a daily basis we see beautiful young people like (police officer Jason White) lost to the violence?"

Mrs. Kelly's question ought not to be considered rhetorical, because those of her liberal political persuasion have done a great deal to create the climate in which crime is rapidly becoming the No. 1 concern of everyone.

Liberals have offered excuses for crime, ignoring the need to redeem the soul of the criminal. They often think that improving a criminal's living conditions will make him less likely to break the law.

Conservatives, on the other hand, aren't much better at crime busting. They've locked up more criminals but have not reduced their number. Nor has the number of crimes de-

Crime and punishment that works

clined in proportion to the number of people going to prison.

There are three times as many people in prison today as there were in the 1960s, but violent crime has also increased 560 percent, according to Justice Department figures. Will building more prisons and sentencing violent offenders to longer terms reduce crime? No more than sex education taught without values has reduced unwanted pregnancies, abortions and sexually transmitted diseases.

Despite evidence that programs and posturing of the past by both left and right have not gotten to the root of crime, we're hearing more of the same voices we've heard before. After a meeting organized by Jesse Jackson that discussed black-on-

black crime, many participants, including those associated with the Congressional Black Caucus, trotted out the old canard that poverty is the major cause of crime. If that were true, everyone who is poor would be a criminal. But most poor people, black and white, are law-abiding.

Some conservatives are suggesting tougher and longer sentences. But the threat of punishment has been a poor deterrent. Most people in prison thought they would not get caught. It seems the more criminals we take off the streets and put in prison, the more there are to replace them. America has the highest per capita incarceration rate in the world, so prison clearly is not the answer, even if we make sure violent offenders serve more than the often-

shortened sentences they are now serving. That simply raises the prison population and the cost and delays the new crimes many will commit when they are released from institutions that do little to rehabilitate.

Because the root cause of crime is a matter of attitude and the spirit, solutions must first be tried there. Volunteer organizations like Prison Fellowship have demonstrated a high success rate in transforming the lives of prisoners. Convicts involved with the organization have a recidivism rate in single digits, compared to the 70 percent-and-above recidivism rate for most government programs that fail to transform lives for the better. Government should encourage more groups

like this instead of looking for new ways to fail.

Prison Fellowship's Charles Colson thinks penal policy should require inmates to attend school, undergo drug treatment and work in prison-based industry that would give them the opportunity to produce something instead of preying on others.

Most important, we need to approach nonviolent criminals differently from violent ones. Why do we lock up check forgers, petty thieves and low-level drug offenders at great cost to the taxpayers? Often the non-violent, nondangerous offenders become violent and dangerous as a result of the prison "training ground." Requiring restitution is the answer for this category of criminal. It pro-

vides double relief to society.

First, restitution doesn't burden the taxpayers by warehousing people who are not dangerous. Second, the victim is repaid, something that often does not occur when a criminal is locked up. We forget that most crimes are not against the state but against people. The state seeks to satisfy itself, but the victim rarely gets relief.

If conservatives and liberals, Congress and the president are interested in truly taking a bite out of crime, they will resist the predictable and failed ideas and rhetoric of the past and do what works. But in an election year when demagoguery often makes it difficult for men and women of principle to be heard, it will take considerable courage to propose programs like this and even more courage to vote for them.

Cal Thomas is a nationally syndicated columnist.

MONA CHAREN ✓

The subject of the Clintons' involvement in the Whitewater development project first came to public attention during the 1992 presidential primaries when Jerry Brown raised the matter. Bill Clinton's response to the allegation of impropriety was interesting. He didn't deny it. He didn't admit it. He just didn't answer it at all. Instead, he wagged a finger at Mr. Brown, and warned him to stop "jumping all over my wife."

In point of fact, Mr. Brown was not attacking Hillary (as Bill Clinton certainly knew), he was attacking the governor for possible misuse of office. But the episode was covered as an Outrageous Husband Defends Wife's Honor story. The Clintons released a statement saying Whitewater had been a losing investment for them, and that was that.

For a while.

In the past few weeks, it has been confirmed that White House Counsel Bernard Nussbaum entered White House aide Vince Foster's office just hours after Mr. Foster committed suicide and removed files related to Whitewater (files that the Clintons had denied existed). There were also reports that the White House interfered with the investiga-

Getting the drift of Whitewater

tion of Mr. Foster's death.

Under mounting pressure to release the documents, White House officials at first declared they had already been turned over to the Justice Department and then revised this to say, no, the documents hadn't been released because they were being "catalogued." After Dec. 24, the White House revealed that the documents were being handed over to Justice in compliance with a subpoena — but the subpoena had been requested by White House lawyer David Kendall in order to prevent the material from being released to the public.

What are President and Mrs. Clinton so eager to hide?

The Whitewater Development project was a land scheme the Clintons invested in with partner James McDougal. Mr. McDougal also was the owner of Madison Guaranty Savings and Loan, a thrift that was

closed down by the Resolution Trust Corp. at a cost of about \$60 million to the taxpayers.

Mr. McDougal invested more than \$90,000 in Whitewater, yet the McDougals and Clintons were to share any profits equally. Why? The Clintons have claimed that they lost \$60,000 of their \$68,900 investment. But they have no records to support this, nor did they deduct the loss on their income tax forms (there is conflicting information on whether the law would permit such a deduction).

They did illegally deduct interest payments that had been made by the Whitewater corporation from their personal returns. McDougal, interviewed recently by the Associated Press, said he thought the Clintons had lost much less than they claim, perhaps \$9,000. In any case, the Clintons say they have no business records related to Whitewater — this, from people who painstakingly re-



corded every piece of clothing and underwear donated to charity in order to deduct the contributions from their income at tax time.

The plot thickens. Gov. Clinton handpicked the state regulator who had oversight over Madison Guar-

anty, and Hillary Clinton served as Madison Guaranty's attorney, at a cost of \$2,000 a month, to appear before that very regulator. At the same time, Madison executives held fundraisers to retire Gov. Clinton's campaign debt, and Madison was mak-

ing loans to close associates and friends of the Clintons, including Seth Ward, the father-in-law of Webster Hubbell, now associate attorney general, and Gov. Jim Guy Tucker, Mr. Clinton's successor.

The conflicts of interest alone form a veritable maze.

There is smoke aplenty here, strongly suggesting fire. But more galling than the possible violations of law and ethics is the stench of hypocrisy.

Bill Clinton ran for president decrying the "greed" of the 1980s and laying blame for it all at the feet of Republicans. The truth about the savings and loan crisis is that greed and illegal profiteering had little to do with the losses eventually dumped on taxpayers. But it now does seem that Bill Clinton may have been one of the few miscreants who actually did misuse his office and influence to profit from a dubious land deal and a high-flying S&L.

He ought not to be permitted, in the old Watergate phrase, a "modified, limited hangout." Let's have the truth.

Mona Charen is a nationally syndicated columnist.

Whitewater probe follows 120-year-old precedent

By Michael Hedges
THE WASHINGTON TIMES

The Clinton administration's reluctant embrace of a special counsel to review Whitewater questions was forced by pressure from the media and Congress to use authority granted under the Constitution, legal experts said.

"[Attorney General] Janet Reno clearly didn't want to do this, but under the law it is just as clear she could appoint someone at any time," a congressional lawyer said.

The Clinton administration's first use of the special counsel provision could stop congressional calls for another type of special investigator, the independent counsel, while giving the attorney general control over selection of the counsel.

"Reno will choose, but it will be a

choice that must appear to be completely nonpartisan," said a congressional expert on the special counsel law. "I'd bet she is going to pick a former Republican U.S. attorney or a retired judge appointed by a Republican president."

The Justice Department has a preliminary investigation of the Whitewater Development Corp., a real estate venture in which President Clinton and his wife, Hillary, invested when he was governor of Arkansas. One of the objections Miss Reno had cited to appointing a special counsel was that it would set back the work done.

But Republicans, including Senate Minority Leader Bob Dole, said the Justice Department's probe is moving too slowly and apparently is in the hands of inexperienced lawyers.

Mr. Dole noted yesterday that the Justice Department has not interviewed key witnesses, including Whitewater partner James B. McDougal, who owned the Madison Guaranty Savings and Loan Association.

Mr. McDougal's S&L failed at a cost to the government of \$50 million. It had financial ties to Mr. Clinton's gubernatorial campaigns.

Legal experts yesterday said the law requires a special counsel to take any work done by investigators and permits the inclusion of Justice Department lawyers on the team of investigators.

"I don't think much time should be lost at all," said a congressional staff member who has analyzed the law.

The authority of an attorney general or president to appoint a special counsel to investigate charges

against an administration has been recognized since the 19th century.

Ulysses S. Grant appointed the first special counsel in 1875, and Theodore Roosevelt, Calvin Coolidge and Harry Truman appointed outsiders for politically sensitive cases. Watergate prosecutors Archibald Cox and Leon Jaworski were appointed under the special counsel law.

Special counsels are often confused with independent counsels, a group of free-standing prosecutor created by a 1978 federal law.

The best-known independent counsel in recent years was Lawrence Walsh, the retired judge who ran the seven-year, \$40 million probe of the Iran-Contra scandal. His investigation produced contempt for the independent counsel law among Republicans.

An independent counsel is requested by Congress or other groups outside the administration. The attorney general then has 15 days to determine if the information calling for an independent counsel is "specific and comes from a credible source."

If so, a preliminary investigation of up to 90 days can be undertaken to determine if the case warrants an independent counsel.

A three-judge administrative panel decides if an independent counsel is needed and appoints the counsel.

The independent counsel law expired in December 1992. The law had expired every five years since it was first passed.

The reauthorization of the law passed the Senate in November and is expected to pass the House in Feb-

ruary. But Republicans, citing what they call Mr. Walsh's abuses, have sought to alter the law before it is reauthorized.

The changes they seek include provisions to limit the time of an investigation, to set a ceiling on spending and to have Congress as well as the administration covered by the law. Republicans, citing an incident in which Walsh staffers lost a briefcase of secret documents, have also proposed constraints on how classified documents are handled.

"One thing about Reno's move to appoint a special counsel: It takes the pressure off the rush ahead with the independent counsel law so we can push our case for some changes," a Republican congressional staff member working on the law said.

U.S. officials debate renewing China's trade status

By Warren Strobel
THE WASHINGTON TIMES

The prospect that China will fail to meet U.S. human rights tests needed to preserve its trading privileges has sparked a major policy debate within the Clinton administration.

In a sign of the urgency with which officials view this issue, State Department officials said yesterday that Secretary of State Warren Christopher will hold talks with his Chinese counterpart at the end of the month — even if he has to make a separate trip to meet him in a European capital.

The talks are expected to cover many disputes between the two na-

tions but will focus on China's human rights record.

U.S. officials said yesterday that China has failed to take many of the steps that President Clinton has said he will require before renewing China's most-favored-nation (MFN) status.

That status allows billions of dollars in Chinese goods to enter the United States with low tariffs. Its revocation would sharply raise the tariffs, but also likely harm U.S. business interests in China's rapidly growing economy.

While the Clinton administration has been warning for months that Beijing must make improvements on human rights, officials said the issue has reached a critical stage be-

cause time is running short for China to do so.

Mr. Christopher has until June to make a recommendation on MFN to Mr. Clinton; but he has repeatedly warned that last-minute, cosmetic concessions from China will be ignored.

"What they do in May won't make a shred of difference," a U.S. official said yesterday.

Annual renewal of the trade privileges is necessary because the law prohibits such trade treatment of communist states except through waiver.

Last May, Mr. Clinton issued such a waiver but said further renewal would hinge on China's making "overall, significant progress" on

specific U.S. human rights concerns.

A draft of the State Department's annual human rights report says China has largely failed to improve its performance, the New York Times reported yesterday.

The report, due on Capitol Hill in early February, is likely to be used as ammunition by those who oppose renewing China's trading status.

Behind the urgency is the dilemma Mr. Clinton will face if he is presented with a formal finding that China has not improved its human rights record significantly.

During the 1992 presidential campaign, the Democratic nominee criticized President Bush for "coddling" Beijing.

But if he revokes its most-favored-

nation status, Mr. Clinton risks a major breach with an increasingly powerful China and undermining of U.S. business interests in its rapidly expanding economy.

U.S. investment in China skyrocketed to more than \$3 billion in 1992, roughly six times its 1991 level. Two-way trade has also climbed rapidly, along with a U.S. trade deficit with China. U.S. imports were about \$33 billion last year, compared to about \$9 billion in exports.

Some U.S. officials have suggested that tying the U.S.-Chinese trading relations only to human rights is a simplistic approach to a much more complex issue.

The U.S. ambassador to China, Stapleton Roy, told the New York

Times last month that paramount leader Deng Xiaoping's reforms have resulted in "dramatic" strides toward a more liberal society. This economic and social transformation should not be ignored, he said.

But officials in Washington said that Mr. Roy's comments had set back the administration's efforts to convince Beijing that its threats on MFN are not hollow.

The five specific areas where Mr. Clinton said he wanted progress are China's adhering to the Universal Declaration on Human Rights; releasing political prisoners; allowing outside access to its prisons; protecting Tibet's culture and religion; and permitting international broadcasts into China.

About-Face on a Special Counsel

PRESIDENT CLINTON'S acquiescence to calls for an independent probe of his and Mrs. Clinton's roles in the failed Whitewater and Madison ventures in Arkansas was inevitable. With demands for a special counsel mushrooming in Congress, and notably within his own party, Mr. Clinton had little choice but to relent. An investigation directed by anyone within the administration's chain of command would have lacked standing with the public. Yesterday's White House announcement that Attorney General Janet Reno has been asked to appoint a special counsel—"a respected, impartial and qualified attorney who is not a member of the Department of Justice or an employee of the federal government" to probe the Whitewater affair was a welcome change of mind.

It was also overdue. The delay only fueled suspicions about the Clintons' reasons for resisting an independent look at their Arkansas affairs. It also added to the growing clamor for an independent investigator and public disclosure of all the details surrounding Whitewater and Madison. The White House complaint that "innuendo, political posturing and irresponsible accusations" drove the president to yesterday's decision doesn't hold much water. The more credible answer may have to do with the need to address the host of unanswered questions that flow from the Clintons' links to James and Susan McDougal,

their co-ownership of the failed Whitewater Development Corp. and the ties of both couples to the Madison Guaranty Savings and Loan failure.

There is a good deal about the way in which the White House has responded to these inquiries that is disturbing. The plotted indignation by White House damage control spinners aimed at attacking opponents rather than getting out the facts was tired old stuff that raised more suspicion than it could ever allay. The disclosure that the president's personal lawyer had negotiated an arrangement with the Justice Department to keep information out of the public domain didn't add to the idea of a president wanting to clear the air of suspicion.

The White House does raise a legitimate concern. The special counsel's probe shouldn't be a meandering fishing expedition. A speedy investigation, one that doesn't cut corners but also doesn't chase shadows, serves everyone's interest. There have been examples of special investigations of this kind that went far afield and engaged the ego and vanity of the prosecutors. There have been more examples, however, of the kind that did the job and did it efficiently and well. We hope the latter will be the precedent for whoever is chosen for this job. The president can do his part by being up front with the facts—and sharing relevant information with the American people without waiting for the special counsel's report.

Next Step on BCCI

WITH THE acquittal of Robert A. Altman last summer in the BCCI case, a very large question was left dangling unanswered. Exactly how did the thoroughly corrupt BCCI—the Bank of Credit and Commerce International—manage to gain control of four American banks? Mr. Altman had been charged with helping to engineer it by deceiving the bank regulators. But the jury found Mr. Altman not guilty, not least because of evidence that the regulators had known about at least some of these illegal arrangements.

That evidence, an internal memo from a Federal Reserve official, has obvious implications. You might think that it would have set off the usual noisy inquiry. Instead, there's been a huge silence.

But now the BCCI investigation has moved forward again. American authorities have worked out a deal with the sheik of Abu Dhabi, the principal owner of BCCI. He will extradite to the United States one Swaleh Naqvi, the most knowledgeable of the bank's executives, and give the Americans access to a mountain of the bank's records. That may provide more light on these events. In return the trustee of one of the

illegally owned banks will drop a suit against the sheik.

The BCCI affair has been peculiar from the beginning. It is, first of all, the largest fraud in the history of finance. Worldwide, something on the order of \$12 billion is missing. The bank was notorious for laundering drug money long before it was shut down in 1991. But the federal agencies have been at best intermittent in their pursuit of the many violations of American law. Most of the energy and push in the investigation has come from a local prosecutor, Robert M. Morgenthau, a New York district attorney. A congressional investigation would be well warranted, but the House Banking Committee has shown only limited interest and the Senate committee none at all.

Why this remarkable reluctance to find out what happened and how a renegade bank so easily circumvented the law? Speculation offers many possibilities. But speculation unsupported by evidence is useless. At this point, whether people go to jail is secondary. The more urgent interest is to discover what went wrong in order to prevent a repetition and to protect the integrity of the American financial system.

Down the Whitewater Rapids

The McDougals Were On a Wild Ride. Then They Hit the Rocks.

By Howard Schneider
Washington Post Staff Writer

A lifetime ago, James and Susan McDougal owned a pipsqueak Arkansas savings and loan, and liked to hobnob with local politicians. He styled himself a highbrow populist, railing against banks that were too stingy with credit, as he drove around town in a baby blue Bentley. She posed as the starlet entrepreneur, producing—and casting herself in—television commercials for their land development business. Together, they were Little Rock's answer to Donald and Ivana—a 90 percent rayon copy, perhaps, but flashy and well-heeled enough to cause a stir in mid-1980s Arkansas.

"We were considered golden boys," James McDougal said in an interview last fall, for taking a stagnant, rural S&L later called Madison Guaranty and rolling it into Little Rock on a path of exponential growth. "We felt we were going to be congratulated for turning it around. I could see us making enormous profits."

Instead, they have gone underground, moved across country, turned off the answering machine, and left friends, relatives and lawyers to deflect the press. The S&L is long defunct, closed after federal officials concluded that instead of lending to the little man, McDougal was spending the cash on himself, his family and the friends in his political circle. He won a criminal fraud trial, but was debilitated by manic depression and financially bankrupt; she split to California, filed for divorce and is now facing her own criminal case for allegedly embezzling nearly \$200,000 from an employer in Los Angeles—a charge she denies. They would just as soon forget their high-roller days, and blend back into the southern landscape. He likes the potato soup at Shoney's. She has been working as a temp in Nashville.

But far from escaping the past, the McDougals are condemned to relive it, shadowed by their membership once upon a time in Little Rock's clubby world of politics and finance. It has made them grist for the talk shows, and kicked off a federal investigation of issues they thought were long buried. Some old friends now live in the White House, and that fact follows them everywhere: *Jim and Susan McDougal, partners with Bill and Hillary Clinton in the Whitewater Development Corp.*...

"She's trying to put her life back together," said lawyer Leonard B. Levine, who is defending Susan McDougal against charges that she forged 300 checks while working as a personal bookkeeper to symphony conductor Zubir Mehta. "I think she would like to put all that behind her, but I guess that is not going to happen."

McDOUGALS, From C1

Far from it: The uproar over Clinton's ties to McDougal have in recent days reached critical mass, feeding off its own momentum and beyond the ability of the White House to control. The White House acknowledged as much yesterday by announcing its willingness to let an independent prosecutor investigate the entire matter.

It began as a complicated tale of regulators unraveling McDougal's finances, and suggesting that Clinton and the Whitewater land company may have benefited from funds improperly diverted from Madison's treasury. The thrift's collapse cost taxpayers \$47 million. It grew to include a subpoena of White House records that prompted a spin control effort that raised charges of a cover-up.

As the controversy widened, Sam Heuer, McDougal's lawyer, said his advice to his client was to leave town and never speak to another journalist. He initially met with Washington Post reporters in October for several hours at the Shoney's near Arkadelphia, Ark., but has not responded to requests for follow-up interviews. Local Little Rock reporters tried to find him several weeks ago, and staked out one of his favorite restaurants until a waitress said she thought he was in New Orleans. He resurfaced in Texas last week, tracked down by television reporters from "A Current Affair."

Speaking outside a shopping center, he leaned against his Mercedes station wagon—1981, 165,000 miles and, as he told the television crew, not a "Rolls-Royce"—and defied anyone to pinpoint where he or Bill Clinton did anything wrong, particularly congressional Republicans like Rep. Jim Leach (R-Iowa) who have called for a special prosecutor. McDougal, a lifelong Democrat, long has blamed his legal troubles on Republican-appointed bank regulators trying to pay him back for a 1982 congressional bid against a friend of then-President Reagan's.

"I've known him [Clinton] since he was a boy—I should say, since we were boys," said McDougal, dressed in a black cowboy hat and blue jeans. "You won't find anything incriminating on either the president or me. ... I think I can take care of Jim Leach. We'll look at his life, mine—and see which one is the cleanest. ... I hate Republicans."

Did he, as investigators are trying to determine, divert funds from Madison to help Clinton pay off debts from the 1984 Arkansas governor's race?

"No," said McDougal, in a bit of doublespeak. "Why should I 'divert' it when I owned the controlling interest [in Madison] and I could merely have walked back and said to one of the bookkeepers to write me a check and mark it 'bonus.' " Improper bonuses paid to McDougal were among the concerns federal regulators raised in early reviews of Madison.

Susan McDougal gave two brief telephone interviews last fall, but after that made herself unavailable. She also attributed their troubles more to the interference of federal bureaucrats than to any wrongdoing.

"We had a ton of debt. We had the federal government about to stomp on us," McDougal said.

If only their friends hadn't done so well.

It is the story of Dorian Gray, broadened to a foursome. Two couples—the politician Clintons, the entrepreneur McDougals—expand on a friendship begun when the two men worked together for Arkansas Sen. J. William Fulbright in the 1960s. McDougal was the wily mentor, Clinton the ambitious charge. McDougal saw his future in banking and land, Clinton in electoral politics. Both married similarly ambitious women, and their lives became entwined financially, socially and politically.

But where one pair succeeds beyond expectations, the other degenerates. For every step the Clintons took upward on their path to Washington, the McDougals sank a little further. Today they are mirror images who shared a past, but now share only a reflection.

Clinton, ruddy-faced and vigorous, waves from Air Force One as he flies to Brussels. McDougal, just six years older than the president but far more worn, dwells on how he had some arteries rooted out to unblock the flow of blood to his brain.

Hillary oversees the redecoration of the White House and the reform of the nation's health care system. Susan earns a bedraggled police mugshot in Newsweek magazine after turning herself in for a December arraignment on the forgery charge. She pleaded not guilty.

"We were under a cloud, like Linus," said Susan, when federal officials forced them from the S&L in 1986. "Jim really went from a man who had everything to an invalid. ... He lost all of his contacts."

That the four remained close so long is remarkable in itself. One of Clinton's own state appointees said he told the governor as early as 1982 that McDougal was playing close to the edge in his management of another small bank. By 1984, federal authorities were writing critical reports that would have come to the attention of state officials.

Yet throughout those years, the two families—one with a state regulated business, the other in charge of the regulators—traded favors.

In 1978, they purchased the 230 acres of Ozark Mountain property that became known as Whitewater Estates. It was McDougal's gift to his younger friends—cutting them

THURSDAY, JANUARY 13, 1994 THE WASHINGTON POST

112

c11

in on a sure-fire deal where they could borrow the entire purchase price, flip the land for vacation lots, and walk away with a profit to help the Clintons solidify their family finances.

"I wanted to make them some money," McDougal said. "I knew if they were going to build anything, they needed to make some."

Clinton appointed McDougal to his first cabinet as director of economic development. McDougal raised money for Clinton. Clinton's administration leased one of McDougal's buildings for a state office. McDougal hired Hillary Clinton's law firm to represent the savings and loan.

"They had an incredible relationship" until the thrift collapsed, said Susan McDougal.

Like many Southern states, the governing elite in Arkansas is small, and the ties often close among the heavy hitters of finance, politics and law. McDougal's vision for his savings and loan was particularly grand, and his thrift often lobbied state officials for leeway to raise capital or restructure debt in unorthodox ways. His investments weren't limited to Arkansas either. He pumped millions into a project on Campobello Island in Canada, where Franklin Delano Roosevelt used to vacation. He thought Arkansians might like to spend summers there too.

Still, with McDougal's business practices increasingly under fire—unknown to Clinton, he even began a new project for Whitewater that eventually landed the company in court—the old friends did not part ways until the late 1980s, when McDougal was headed for a criminal trial and Clinton's national ambitions were coming into focus. The Clintons have never been asked to explain their relationship to the McDougals.

It was then the Clintons began trying to extricate themselves from Whitewater. They ultimately sold their stock in the company back to McDougal in late 1992, declaring an end to an investment they say was nothing more than a money-losing nuisance. What was left behind—a confusing morass of paper, mysterious checks and missing records—will now be the subject of the special prosecutor's inquiries. For their part, the Clintons insist there was no wrongdoing. But one thing is certain: Whatever happened with Whitewater is inextricably bound to Jim and Susan McDougal's operation of the Madison Savings and Loan.

"We were the worst paper organizers in America," Susan McDougal says of herself and her husband. There was "no reason, no rhyme" to many of their business practices.

That is the simple explanation. Audits and federal bank reports fill in some of the blanks: Madison was run without some of the most basic

banking precautions. Cash was loosely controlled, property bought without appraisals, bonuses and commissions advanced on prospective sales. Susan McDougal's marketing company, in charge of television and print advertising for the thrift, on its own was paid more than \$1.5 million between 1983 and 1986. Her brothers received hundreds of thousands of dollars in commissions, as did her current boyfriend, a former Madison real estate agent who is preparing for the Tennessee bar exam.

Jim and Susan met at Ouachita Baptist College. It was his alma mater, and he went back there to teach political science after Fulbright lost the 1974 Senate election. She was in his class. They married in 1976, and quickly established a clean division of labor: He found the deals, she glitzed them up for the open market. The promotional brochure she prepared for Whitewater is a cross between Andy Griffith corn and John Denver sentimentality, playing off the rustic charms of a development where the roads never seemed to get finished: "Reckin a feller could live off the land here if he was of a mind to . . . just 10 percent down and seven years to pay it off."

What neither of them had a head for, they say, was the nitty-gritty of running a business.

What neither of them remember much about, they say, are the details of what happened.

Or, well, maybe Jim did, says Susan.

Or maybe Susan did, says Jim. "I was very young," said Susan McDougal in a telephone interview. "I don't really remember being involved in all of it."

"I was out of the loop." "Jim handled our money. . . . It was the classic case of a wife being caught with ten million things she knew nothing about."

"I bought clothes basically. . . . I had enough clout to buy a new dress."

She later called back to retract the last quote, saying it was only an example of how Southerners speak in hyperbole.

He, however, says she was the "rabid feminist" who tried to rescue their family finances by buying half a million dollars in land from the International Paper Co. He, at the time, had suffered a stroke, was blacking out from an arterial blockage in his brain, and lapsing into what a psychiatric exam would dub a "florid manic episode."

"I was mentally incompetent to do anything at that point," he said.

"Anything I was doing at that point was in a state of shame and mental confusion."

"I assured [International Paper] that Susan would find a way" to pay for the land.

Her marketing company did, in fact, borrow \$300,000, some of which was used to buy the land from

the paper company in Whitewater's name. Ultimately, however, the project—the McDougals' last grasp at fortune—went bust, and International Paper sued to repossess the property.

That was in 1988. A year later Jim McDougal was indicted on charges of bank fraud. He was acquitted along with two of Susan's brothers.

She debarked for California, and slowly worked her way into the celebrity food chain. She worked for about a year as a secretary to Michael Hammer, a grandson of Armand Hammer and then a vice president with Occidental Petroleum.

With the Hammer name on her résumé, she was next hired by Nancy Mehta, the renowned conductor's wife, to become their personal bookkeeper. The job required intimate contact with the family, and she became a jack of all trades who would run errands to the grocery as well as manage the couple's rental property.

But she did not have authority to write checks, said G. Grant Gifford, the Mehtas' lawyer, which made it seem peculiar when the Mehtas were in Italy and checks started arriving at their bank bearing Nancy Mehta's signature. They began asking questions, and fired Susan in the summer of 1992, suspecting that she embezzled as much as \$188,000 through forged checks, Gifford said.

She has denied the allegation.

Gifford said both he and the family were saddened over the incident. Gifford said they all regarded Susan as a friend—bright, charming and extremely competent at her job. And besides, she was a self-professed FOB—indeed one who namedropped about her continuing phone calls from the future president. As it was relayed to Gifford, they would chat about the campaign, what the press was writing, or whether issues like the Gennifer Flowers sex accusations would damage his candidacy.

"She asserted Clinton would call her on the telephone and I reacted the way most people would—I was polite but I did not believe it," Gifford said. "She said the next time he is in Los Angeles, I will arrange to have lunch. . . . I have yet to have the lunch."

McDougal, told by a reporter in October that Nancy Mehta was suing her, said she was saddened herself.

"She wouldn't do that," McDougal said, adding that the two were "like mother and daughter," but that Mehta was notorious for falling out with her domestic help.

"The butler told me the first day I wouldn't last," she said, and attributed her troubles again to youthful inexperience.

"I was just a kid in Los Angeles just trying to keep everything floating."

She will be 39 in June.

A 'War Room' Waterloo

White House Counterattack Strategy Crumbles

By Dan Balz
Washington Post Staff Writer

AT

POLITICS, From A1

V

Bill Clinton's presidential campaign advisers prided themselves on rapid response and aggressive counterattacks. As Clinton political strategist James Carville puts it, when someone attacks the president, "I view it as my role not just to defend but to counterattack."

NEWS
ANALYSIS

But when it came to allegations about Clinton's investments in the Whitewater Development Corp., the strategy backfired. Before President Clinton and First Lady Hillary Rodham Clinton finally agreed to what had become an inevitable independent investigation of the Whitewater affair, the president's advisers mounted an aggressive counterattack that only served to undermine the administration's position. The president's team only dug the hole deeper.

In part that was because those advisers do not know all the facts surrounding the Clintons' partnership in the Whitewater firm or its links to Madison Guaranty Savings & Loan, whose failure cost taxpayers an estimated \$47 million to \$60 million.

Clinton advisers who marched boldly onto television talk shows to defend the president and attack Republicans for staging what they called a partisan attack on Clinton came up short when pressed for specific answers to the many tangled questions about the financial dealings in Arkansas real estate and the Clintons' tax returns.

Even Vice President Gore was forced to admit last Sunday on CBS's "Face the Nation" that he did not know the details of the matter, even though he was said to be itching to speak out in defense of the Clintons. Asked about why the Clintons did not fully deduct losses from Whitewater—said to be

See POLITICS, A9, Col. 5

\$69,000—on their tax returns, he said, "Frankly, I don't know those details."

This is not the first time that's happened. Two years ago, when Clinton was confronted with questions about his draft record, his response was that he had done nothing wrong. His advisers mounted a fierce counterattack—without knowing the full story, which took months to come out.

This time both Clintons have used the same defense, and that was enough to put the president's advisers into campaign mode, as they like to call it, and rush the barricades. But their defense this week crumbled in the face of defections among Democratic senators, who saw this not as a campaign issue to be dealt with but as a legal matter that could affect confidence in the presidency.

One by one, beginning with Sen. Daniel Patrick Moynihan (D-N.Y.),

Clinton's advisers argue that in six months no one will remember the reversal on a special counsel.

they joined the call for a special counsel, wiping away White House arguments that the whole thing was a nasty ploy by Republicans to use diversionary issues to attack a president whose popularity was again on the rise and whose political successes at the end of last year had helped him rebound from a mistake-plagued beginning of his administration.

Clinton's advisers argue that in six months no one will remember the reversal on a special counsel or the delay in doing so, and they say were it not for the death of Clinton's mother and his trip to Europe, the turnaround would have come sooner.

Perhaps that is the case. But this



VICE PRESIDENT GORE

... at a loss for Whitewater details

is a White House enamored of the techniques that helped Clinton win the presidency. The celebrated "war room" of Arkansas, now the focus of a commercial campaign documentary, has been recreated regularly in the White House, first for the budget fight, then for the North American Free Trade Agreement and now for health care.

It is a technique that increasingly is being called into question by some Clinton advisers and supporters who say it has outlived its usefulness, that it fails to distinguish between campaigning and governing. Some Clinton advisers say one flows from the other. But in this case the difference between real financial and legal questions and partisan politics—though both are involved in the Whitewater matter—was more clear to the president's Democratic allies in Congress than to the White House.

That is why in the Whitewater case, the old methods did not serve the president well—and even some of Clinton's most vigorous spinners admit it. Said Paul Begala, Carville's partner and one of those who led the attacks against Republicans on television this week, "If you want to write that we probably hurt, I won't call and complain."

NATO's Bosnia Sideshow

Bosnia's warring armies are not taking NATO's latest warning of air strikes very seriously, and neither should anybody else. What really went on at the Brussels summit meeting this week was 99 parts maneuver to one part substance, having much more to do with inter-alliance politics than with the ongoing Bosnian tragedy.

But give the Clinton Administration the credit it deserves. Not only did it successfully press its proposals on NATO's possible expansion into Eastern Europe and the former Soviet Union. In addition, having learned something from last year's Bosnia stumbles, it neatly sidestepped the diplomatic traps set for it by mischievous French Gaullists and cynical British promoters of unenforceable peace agreements. Instead, it held fast to Washington's more prudent and more principled approach.

It's hard to cut through all the diplomatic smoke. But it appears that France's last-minute drive to add Bosnia to the summit agenda was designed mainly to embarrass the United States. Anticipating a lack of American enthusiasm for even talking about Bosnia again, France's Gaullist Government, more nationalist than its Socialist predecessor, thought Paris might thereby demonstrate to the Germans and others that the U.S. could not be counted on in Europe. Therefore, as France sees it, Europeans should build their own independent defense structures.

The British, who very much want to keep American troops involved in any European defense structure, may have hoped that by signing on to this French initiative, London might hoodwink an unsure Clinton Administration into giving the explicit

American backing to European Union proposals for partitioning Bosnia that Washington has so far wisely withheld.

Mr. Clinton parried the French by declaring that the U.S. remains as ready as ever to join the Europeans in a carefully drawn plan of NATO air strikes designed to protect civilians and encourage a negotiated peace. But he rightly insisted, once again, that American forces would be introduced only as part of a multilateral effort, only for humanitarian purposes and only in the form of air power. And the President wisely continued to keep some distance from European diplomatic efforts, which have been inconsistently principled and consistently ineffective.

The plan the NATO leaders unanimously endorsed requires that any air strikes first be requested by U.N. military commanders in Bosnia, and then be approved by U.N. headquarters in New York, possibly through a Security Council vote. Given continued British ambivalence toward bombing Serbian artillery positions, potential Russian hostility in the Security Council and the sluggish logistics of the U.N. Secretariat, actual air strikes appear extremely unlikely.

For besieged Sarajevans, nothing much has changed. There is still little prospect of outside relief. But it should be increasingly clear to all that the main reason for Europe's dithering response to the Bosnian tragedy is European gamesmanship, not American unreliability.

If Europe ever manages to resolve its own divisions on the issue and come up with a constructive and realistic policy, President Clinton made plain, the U.S. will do its part. For Mr. Clinton, it was a sure-footed performance on slippery terrain.

The White House Bows to Reality

President Clinton's belated decision to ask Attorney General Janet Reno to name a special prosecutor to investigate his involvement in an Arkansas land deal is a capitulation to bipartisan political pressures. It also represents a concession by his advisers that months of defensive stonewalling had created an impression of Presidential wrongdoing where none may turn out to exist.

Assuming that Ms. Reno acts quickly, Republicans who have been calling for Congressional inquiries — chiefly Senator Bob Dole and Representative Jim Leach — would be wise to set aside their requests. Parallel inquiries would only clutter up the investigative landscape; they can begin down the line should the special prosecutor falter.

Mr. Clinton's decision followed the ignominious collapse this week of what had been the White House's main line of defense — that the whole story was a concoction of the media and of Republicans eager to embarrass the President.

The Presidential aide George Stephanopoulos clung to that line today when he announced the President's change of heart, saying that "political posturing and irresponsible accusations" had left Mr. Clinton little choice. He appears not to have noticed that nine Democrats — including Senators Bill Bradley, Joseph Lieberman and John Kerry — have now joined Senator Daniel Patrick Moynihan's earlier call for a special prosecutor.

A dawdling team of career officials in the

Justice Department is already examining allegations surrounding James McDougal, a friend of the Clintons and their partner in the Whitewater Development Corporation, an Arkansas real estate firm that eventually went broke. They and the new prosecutor want to know whether Madison Guaranty, a failed savings and loan controlled by Mr. McDougal, illegally diverted depositor funds to shore up Whitewater and to help repay debts from Mr. Clinton's 1984 gubernatorial campaign.

The investigators also have to determine whether Mr. Clinton's relationship with Mr. McDougal may have led him to give Madison favorable regulatory treatment, allowing the savings and loan to survive longer than it should have and ultimately increasing the bailout costs to taxpayers.

The President has steadfastly denied any impropriety, and until today the White House has asked Congress and the public to accept on blind faith Mr. Clinton's assertions that those questions did not need to be answered or even examined. Mr. Clinton called for a similar act of faith that investigators from a Justice Department clearly operating under tight White House control would blow the whistle if they found anything.

Save for Mr. Stephanopoulos' caterwauling against the Republicans, the White House has now dropped its pretenses. The next step is for Ms. Reno to appoint a special prosecutor of acknowledged fairness, probity and absolute independence.

Clinton feels pressure from Whitewater case

By HELEN THOMAS=

MOSCOW (UPI) A spokeswoman said Thursday that U.S. President Bill Clinton, apparently feeling the political pressure from the Whitewater issue, decided the appointment of a special counsel to lead an investigation is "the best course."

White House Press Secretary Dee Dee Myers, traveling with the president during his nine-day European trip, told reporters that Clinton sought the advice of his staff Tuesday evening.

Clinton also conferred with his wife Hillary, who was the lawyer for the Madison Guaranty Savings & Loan before it went bankrupt.

Referring to the independent counsel, which the White House had at first resisted, Myers said: "He thought that's the best course."

Previously, the White House turned over the matter to Attorney General Janet Reno, who put the inquiry into the hands of a Justice Department career lawyer, who had been appointed by former President Richard Nixon, a Republican.

Under questioning, Myers said Clinton had not talked to Reno nor did he intend to.

The president was seen talking angrily to some of his staff Wednesday morning at the U.S. Ambassador's residence in Prague, where he was meeting with Eastern European leaders.

The investigation will likely concern the president's connection to James McDougal, who operated the failed Madison Guaranty Savings & Loan and the Whitewater Development Co., which Clinton co-owned. The Clintons' may have lost as much as \$69,000 in investments in Whitewater.

Also likely to be investigated will be Hillary Clinton's role as a key attorney representing Madison, and Clinton's regulatory actions as governor.

**** filed by:UPI-(us) on 01/13/94 at 07:36EST ****
**** printed by:WHPR(JEL) on 01/13/94 at 07:57EST ****

bc-whitewater-politics

(wap) (ATTN: National editors)

President's Advisers Mounted Aggressive Counterattack That Served
To Undermine Administration's Position (Washn)

By Dan Balz= (c) 1994, The Washington Post=

WASHINGTON Bill Clinton's presidential campaign advisers prided themselves on rapid response and aggressive counterattacks. As Clinton political strategist James Carville puts it, when someone attacks the president, "I view it as my role not just to defend but to counterattack."

But when it came to allegations about Clinton's investments in the Whitewater Development Corp., the strategy backfired. Before President Clinton and First Lady Hillary Rodham Clinton finally agreed to what had become an inevitable independent investigation of the Whitewater affair, the president's advisers mounted an aggressive counterattack that only served to undermine the administration's position. The president's team only dug the hole deeper.

In part that was because those advisers don't know all the facts surrounding the Clintons' partnership in the Whitewater firm or its links to Madison Guaranty Savings and Loan, whose failure cost the taxpayers an estimated \$47 million to \$60 million.

Clinton advisers who marched boldly onto television talk shows to defend the president and attack Republicans for staging what they called a partisan attack on Clinton came up short when pressed for specific answers to the many tangled questions about the financial dealings in Arkansas real estate and the First Couple's tax returns.

Even Vice President Al Gore was forced to admit last Sunday on CBS' Face the Nation that he did not know the details of the matter, even though he was said to be itching to speak out in defense of the Clintons. Asked about why the Clintons did not fully deduct losses from Whitewater said to be \$69,000 on their tax returns, he said, "Frankly, I don't know those details."

This isn't the first time that's happened. Two years ago, when Clinton was confronted with questions about his draft record, his response was that he had done nothing wrong. His advisers mounted a fierce counterattack without knowing the full story, which took months to come out.

This time both Clintons have used the same defense, and that was enough to put Clinton's advisers into campaign mode, as they like to call it, and rush the barricades. But their defense this week crumbled in the face of defections among Democratic senators, who saw this not as a campaign issue to be dealt with but as a legal matter that could affect confidence in the presidency.

One by one, beginning with Sen. Daniel Patrick Moynihan, D-N.Y., they joined the call for a special counsel, wiping away White House arguments that the whole thing was a nasty ploy by Republicans to use diversionary issues to attack a president whose popularity was again on the rise and whose political successes at the end of last year had helped him rebound from a mistake-plagued beginning of his administration.

Clinton's advisers argue that in six months no one will remember the reversal on a special counsel or the delay in doing so, and they say were it not for the death of Clinton's mother and his trip to Europe, the turnaround would have come sooner.

Perhaps that is the case. But this is a White House enamored by the techniques that helped them win the presidency. The celebrated "war room" of Arkansas, now the focus of a commercial campaign documentary, has been re-created regularly in the White House, first for the budget fight, then for NAFTA and now for health care.

It is a technique that increasingly is being called into question by some Clinton advisers and supporters who say it has outlived its usefulness, that it fails to distinguish between campaigning and governing. Some Clinton advisers say one flows from the other.

But in this case the difference between real financial and legal questions and partisan politics though both are involved in the Whitewater matter was

'more' clear to the president's Democratic allies in Congress than to the White House.

That is why in the Whitewater case, the old methods did not serve the president well and even some of Clinton's most vigorous spinners admit it. Said Paul Begala, Carville's partner and one of those who led the attacks against Republicans on television this past week, ``If you want to write that we probably hurt, I won't call and complain.''

**** filed by:LAWP(--) on 01/13/94 at 02:11EST ****
**** printed by:WHPR(JEL) on 01/13/94 at 07:56EST ****

By The Associated Press

Here are excerpts from recent editorials in newspapers in the United States and abroad.

Jan. 9

✓ Saint Paul (Minn.) Pioneer Press on the Clintons and Whitewater:
The Whitewater rafting in Washington has hurled the Clintons into a whirlpool from which there is no escape except appointment of an independent special prosecutor.

There will be undertow until Bill and Hillary Rodham Clinton's dealings with their Arkansas friend and S&L honcho James McDougal go through the scrutiny of an investigation conducted outside the partisan sway of Congress, the White House or the president's Justice Department.

For years, this case has been the subject of limited probing under the Resolution Trust Corp.'s mandate in 1989 to follow the lost money from McDougal's failed Madison Guaranty Savings & Loan. Now, it has bubbled to the surface with force.

To get a special prosecutor on the job, Congress has to reauthorize this method of investigating Washington's own. The two most celebrated uses of a special prosecutor have come at Republican political expense, in Watergate and Iran-Contra. Now, Republican criticism of the special prosecutor concept has died quite suddenly.

When the partisan bickering is over, the real issue of a special prosecutor is how to keep perspective. The president needs trust to govern. Whitewater is impeding that trust and must be dealt with independently.

Jan. 9

The Sunday Oklahoman, Oklahoma City, on gun control:

If members of Congress go along with the Clinton plan to raise gun dealers' license fees by 60 times, they will be co-conspirators in killing 200,000 small businesses.

As part of a harebrained scheme announced by Treasury Secretary Lloyd Bentsen, the Democratic administration would boost fees for federally licensed gun dealers to \$600 a year. The fee has been \$10. Bentsen estimates the move would eliminate 200,000 of the 284,000 dealers, pawnbrokers and collectors now licensed.

The so-called Brady gun control bill set the fee at \$200 for three years, but that wasn't good enough for the administration geniuses who think they can reduce crime by taxing gun suppliers out of existence.

Bentsen ought to be smart enough to know that the fee increase won't affect the black market, where most criminals get their weapons (those who don't steal them). If anything, it will drive more gun sellers underground and make the problem worse. ...

The Bentsen proposal, which will have no measurable effect on crime, is yet another attack on the rights of middle-class Americans. It is part of a frightening pattern of administration actions to disarm law-abiding citizens and make them more vulnerable to armed criminals.

Jan. 6

Seattle Post-Intelligencer on AIDS ads:

The federal government's new anti-AIDS television ads are a step forward from the feeble efforts of years past.

For the first time, the public service ads openly promote condoms, to reduce the spread of the killer epidemic. The ads are respectful of popular taste: No condom is shown outside its package, and no couple is identifiably gay. But the message is clear that the use of latex condoms saves lives.

That message was inexcusably fuzzed in government-sponsored ads aired two years ago, which said that anybody can get AIDS, even small-town, apple-pie Americans. That was dishonest. At a time when blood is screened and even your dentist wears rubber gloves, a huge section of the population is at virtually

zero risk of getting AIDS. The most crucial fact about AIDS is that if you follow a few simple rules, you will almost certainly not get it.

The task of the public health profession is to inform the public what those rules are. That the task treads on social taboos means that it should be done with care but it must be done.

Conservatives argue that needle exchanges legitimize illegal drugs and that the promotion of condoms tacitly accepts promiscuity. ABC-TV has added this tag line on two of the condom commercials: ``Abstinence is safest, but if you do have sex, latex condoms can protect you.''

Fair enough; abstinence is safest. Parents, churches and others should continue to work for what they see as right moral conduct. But the public health profession has got to fight a fatal disease and its principal method is public education. It needs to speak clearly and openly, and be widely heard.

Jan. 10

Times Union, Albany, N.Y., on condoms in schools:

To combat the spread of AIDS, New York City schools have been passing out condoms on demand to students in public high schools. Critics contended the program would more likely send a tactic message of approval for teen-age sex than curtail a deadly disease. Advocates insisted that since some teens will have sex anyway, they should be as safely protected from AIDS as possible.

Now a state appellate court has come down on the side of the critics, but in a way that puts this whole controversy in its proper perspective. In ruling against the distribution program, the court found that the third party parents were left out of the process, violating both their constitutional rights and state health laws that require parental consent for health services to minors.

What a welcome outcome. Despite its worthwhile objective, the New York City program was arrogantly imposed by an administration that believed it was a better surrogate for the system's large adolescent population. A litany of arguments was used in defense of abrogating parental rights for example, that students would be unlikely to seek their parents' permission to receive condoms, since that would mean admitting to being sexually active, or that students from strict religious households would be more at risk of contracting disease than those of more tolerant parents.

Those arguments, made in the name of facing reality, never made much sense because they ignored other realities. For one thing, condoms are readily available at the corner drug store. ... For another, there never was any guarantee that adolescents who intended to engage in sex would seek out condoms at school, or anywhere else. So why not emphasize AIDS education in the classroom, rather than turn schools into condom distribution centers?

MORE

**** filed by:APW-(OK) on 01/13/94 at 01:22EST ****
**** printed by:WHPR(JEL) on 01/13/94 at 07:55EST ****

PM-No Misstep Missed, Ark Bjt,870

WALTER MEARS: How a Bad Business Deal Became Bad Political Business
An AP News Analysis

By WALTER R. MEARS= AP Special Correspondent=

WASHINGTON (AP) Without a misstep missed, President Clinton, his 1992 campaign and his White House let a long-gone Ozark land investment become a cover-up controversy.

So by the time he agreed to an independent investigation, he really had no alternative.

A bad business deal had become bad political business, although as the president observed, the matter already has been investigated and not a soul has said Clinton or his wife did anything wrong.

They'd held out for nearly two years against the release of personal financial records dealing with their investment in Whitewater Development Corp. in 1978. There was ample opportunity to open the books, to close the case and cut the political losses.

Now the controversy is becoming too much of a distraction, George Stephanopoulos said when he announced the White House reversal on the special counsel. He blamed the distraction on Republican ``innuendo, political posturing and irresponsible accusations.''

But Clinton's side gave them the opening.

Clinton once said he and his wife were entitled to a zone of privacy. They had tried to make this episode as part of it. But the zone narrows at the top, and all but vanishes for presidents.

He said his only wrong move was to make a bad business judgment and lose money on it. The Clintons invested in an Arkansas land development that failed, as partners with a friend who then ran a Little Rock savings and loan that also failed, at a bailout cost of more than \$47 million.

Justice Department investigators are trying to determine if savings and loan money was diverted improperly into the land company, or used to help Clinton pay off gubernatorial campaign debts. At the time, Hillary Rodham Clinton's law firm represented the savings and loan.

According to the Clintons, they invested \$68,900 in the land development and lost it all.

``Maybe they lost it,''' said Sen. Bob Dole, the Republican leader. ``But if they did, they didn't take it off their taxes.''

That's about the extent of the evidence; that and the fact that the Clintons first refused, then grudgingly agreed to turn over their documents on the deal.

But suspicions are enough to cause problems for a president, politically at least, especially on a matter that has been questioned for so long without clear answers. By now, said Sen. Bob Kerrey, D-Neb., reality matters less than the perception that the White House has been withholding information.

The perception gave Republicans a target and kept them on the case, until Democrats began seconding their demands for an outside investigator, and the White House finally consented. Dole said that wasn't enough, and proposed the creation of a special congressional committee to investigate.

That's all without accusing Clinton of wrongdoing. ``As far as I know, they haven't done anything wrong,''' Dole said Wednesday. ``That's why you have investigations, I assume.''

Clinton's presidential campaign dealt with Whitewater questions in March of 1992, after The New York Times reported on the land deal and the savings and loan failure. Then as now he said there was nothing wrong. The campaign paid an accounting firm to review the investment and determine the Clinton loss.

It did so, although with a disclaimer saying that the record might not be complete. Indeed, as David Gergen, the White House counselor, defended the Clintons saying they had tried to do the right thing, he acknowledged that it remains a murky episode. ``The documents are incomplete and ... I don't think anybody knows fully what happened,''' he said in a Jan. 7 NBC-TV interview.

While the Justice Department was investigating the savings and loan losses, the case was dormant as a political issue well into the Clinton presidency.

It revived with the disclosure that documents involving the Clintons and Whitewater were among the papers of Vincent Foster, the deputy White House counsel who killed himself July 20, and were taken from his office to the Clinton's personal attorney two days later.

With that, the problem worsened. The White House acknowledged on Dec. 20 that the documents had been transferred; three days later, the Clintons relented and agreed to turn them over to the Justice Department. After one aide said it had been done, another said that the papers were being cataloged and that would take a couple of weeks.

Then it turned out that the department had issued a subpoena for the documents at the request of the Clintons' lawyer; that was to keep them secret. The step was routine, but disclosing it 10 days later made it seem otherwise.

Just more ammunition for critics like Dole. ``Damage control should have been releasing the papers in the first place,'' he said.

EDITOR'S NOTE Walter R. Mears, vice president and columnist for The Associated Press, has reported on Washington and national politics for more than 30 years.

**** filed by:APW-(AR) on 01/13/94 at 01:20EST ****
**** printed by:WHPR(JEL) on 01/13/94 at 07:55EST ****

HEARING ON WHITEWATER

By LESLIE PHILLIPS=

USA TODAY=

WASHINGTON Senate Republican Leader Robert Dole demanded Wednesday a congressional inquiry into President Clinton's entanglement in an Arkansas real estate venture.

Democrats dismissed him as a ``mean-spirited'' partisan for making the demand as the White House prepared to call for a special counsel.

Dole, R-Kan., called for a select bipartisan committee to look at the links between Clinton and wife Hillary Rodham Clinton, the Whitewater Development Corp., and an Arkansas savings and loan whose failure has cost taxpayers at least \$47 million.

House Minority Leader Robert Michel, R-Ill., introduced the proposal in the House but didn't appear with Dole.

Dole wants a committee similar to those that investigated the Watergate scandal and the Iran-contra affair, both involving Republican presidents.

``Congress has some responsibility,'' Dole said. ``It's almost unprecedented to have so many serious questions without at least one congressional committee looking into it.''

The proposal would have to be approved by the House and Senate an unlikely event because both are controlled by Democrats.

While Dole said he hoped the committee would receive bipartisan support, he failed to notify Majority Leader George Mitchell, D-Maine, or any other Democrat, before going public.

``This obviously has no justification except pure, mean-spirited partisanship,'' said Rep. Barney Frank, D-Mass. ``This is the mean, angry Bob Dole that sometimes seeps out.''

Added Sen. John Breaux, D-La.: ``Politicians investigating other politicians produces political results.''

Dole's call for a select committee is ``clearly an attempt to politicize this matter,'' said Mitchell. ``Indeed, as previous experience has shown, an immediate congressional inquiry will complicate, and could even undermine, the efforts of the special counsel.''

Mitchell was referring to the reversed convictions of Iran-contra figures Oliver North and John Poindexter who received congressional immunity for testifying before a select committee.

Dole's proposal may be little more than pressure for leaders to call House and Senate Banking committee hearings. The chairmen of those committees have rejected hearings.

``I decided the hearing route was not the route to take to get the answers in a way that would sustain convictions, if it comes to that,'' said Senate Banking committee chairman Donald Riegle, D-Mich.

Democrats said the White House concession to a special counsel will enable both Clinton and Congress to concentrate on policy issues before them like health and welfare reform.

``There is no reason for Congress to distract itself with this matter,'' said Sen. Daniel Moynihan, D-N.Y. ``We know how to legislate; lawyers know how to investigate. We have a momentous legislative agenda before us and we must get on with it.''

And the public isn't clamoring, Frank said. He has received no inquiries from constituents on Whitewater. And a recent USA TODAY-CNN-Gallup poll found that only 17 percent were following the issue closely.

9 Democrats Join Call for Prosecutor

Clinton Aides Reconsider Whitewater Stance

By Michael Isikoff and Ann Devroy
Washington Post Staff Writers

Nine Democratic senators joined the call for Attorney General Janet Reno to appoint a special prosecutor to investigate President Clinton's investment in an Arkansas real estate development firm, intensifying the debate among White House aides yesterday about whether Clinton should abandon his opposition to such a move.

Administration sources said yesterday that the White House is now reconsidering its position that a special prosecutor is unnecessary. A change in that view would be portrayed as a demonstration that the president has nothing to hide amid the mounting questions about his investment in the Whitewater Development Corp. and its relationship to a failed Arkansas savings and loan.

After weeks of depicting calls for a special prosecutor as partisan politics by Republicans, White House aides acknowledged that argument virtually collapsed this week when such Democrats as Sen. Bill Bradley (N.J.), Sen. Daniel Patrick Moynihan (N.Y.) and Sen. Joseph I. Lieberman (Conn.) said they favored an appointment to bolster public confidence, even though none said he believed the president had done anything wrong. In reality the debate over whether to yield to calls for a special prosecutor started even before the first Democrat endorsed it.

Clinton offered the first public **WHITewater, From A1**

hint at a reevaluation last night in an interview with CBS News. Noting that he has already agreed to turn over Whitewater files to the Justice Department, he said: "We gave it all to them. Then people said that's not enough."

"So I think we have to evaluate that and see where we are. The most important thing to me and the most important thing to the American people is I'm completely relaxed about this because I didn't do anything wrong," Clinton said, "except I made a bad business deal, which a lot of people have done in life."

Aides stressed yesterday that no final decision has been made. Some of them have argued that appointment of a special prosecutor would be a political embarrassment and a needless capitulation to a news media political feeding frenzy.

The administration Whitewater damage-control team, which stayed behind during the president's trip, met throughout the day at the White House in an effort to decide whether to drop opposition to the appointment of a special prosecutor.

The comments of the Democratic senators have lent an air of inevitability to something the Clintons have staunchly resisted for weeks. The issue on the table yesterday was whether the president should

quickly bow to these demands in an effort to minimize the political fallout of a reversal or continue to resist and argue that his decision to give the Justice Department the records it wants is sufficient.

In his interview with CBS, Clinton said that "All the federal investigators in the world have looked into this. Not a single soul has alleged that I've done anything wrong, and so it is bewildering to me why in the face of all the investigations that have been done ... that it keeps being stirred."

Complicating the issue further is the strong and frequently repeated public position taken by Reno against appointing a special prosecutor.

Reno's chief spokesman, Carl Stern, said yesterday that, while the attorney general remains concerned that an appointment would disrupt her department's ongoing investigation into Whitewater, "the attorney general has not foreclosed any option. She has simply indicated what she believes is the right thing to do. If circumstances should change, I'm sure she'll assess the situation and do what she thinks is right."

The developments yesterday underscored the politically charged nature of the Whitewater issue and the extent to which it has begun to preoccupy senior White House staff members even while the president is in the middle of a nine-day foreign trip. Sources said Clinton's top aides were taking serious soundings of leading Democrats in Congress on the issue. One source said there were "substantial arguments being made" that the president's current position on the issue has little political support among Democrats.

The chorus among Democrats for the appointment of a special prosecutor began Sunday with Moynihan and grew louder Monday when Bradley released a statement saying, "There should be only one goal in this matter, to get all the facts out." Bradley said he favored acting under an independent counsel law, but in the absence of such an act, "I believe this goal can best be achieved by the appointment of a special prosecutor, provided that the allegations meet the threshold test under the law."

Under her existing regulatory powers, Reno could appoint a special prosecutor who would still be accountable to her. Such a move is currently the only recourse for those seeking an independent inves-

law, under which a panel of three federal judges made such appointments, expired in December 1992. The Senate has passed legislation reauthorizing the act, and the House is expected to vote on a similar bill next month.

Yesterday, Lieberman and Democratic Senators Bob Kerrey and J. James Exon of Nebraska, Tom Harkin of Iowa, Carol Moseley-Braun of Illinois, Russell Feingold of Wisconsin and Charles S. Robb of Virginia joined the list calling for a special prosecutor, most in response to news media inquiries. Feingold, in

astatement, criticized the White House handling of the issue, saying "there have been some mistakes in responding to initial inquiries."

While stressing that he has seen "no evidence" of wrongdoing by the president or Hillary Rodham Clinton, Feingold added: "I do not believe it serves their interests or the interests of the nation to have any sort of shadow or questions about whether an unbiased investigation has been conducted."

Meanwhile, yesterday, Republicans kept up the pressure, calling on federal officials investigating Madison Guaranty Savings & Loan—the Arkansas thrift that had close ties to Whitewater—to seek agreements that would extend the March deadline for filing any civil claims arising from the probe.

The letter signed by eight Republicans, including Senate Minority Leader Robert J. Dole (Kan.) was sent to Reno and to Deputy Treasury Secretary Roger C. Altman, acting chief of the Resolution Trust Corp., the agency disposing of failed S&Ls.

Madison failed in 1989, and the five-year statute of limitations on civil fraud actions began running when the government took it over. There is a 10-year statute of limitations on criminal offenses.

The Justice Department is investigating allegations that Madison illegally diverted depositor funds to Whitewater accounts to pay off Clinton's campaign debts from his 1984 gubernatorial race. There have also been published suggestions that Clinton, while governor, gave lenient treatment to Madison,

when there was ample evidence of its insolvency—a delay that helped swell the ultimate taxpayer cost to \$60 million.

Paul Begala, one of Clinton's political advisers, tried to step gingerly around the fact that members of the president's own party have helped undermine his opposition to a special prosecutor. "They're good senators, they're good Democrats," Begala said. "But at the same time I have to say I am frustrated by this whole line of reasoning ... that starts with 'President Clinton did nothing wrong' and concludes with

'Let's get a special prosecutor.' That does mystify me."

Reno originally stated her opposition to the appointment of a special prosecutor as a matter of principle: Whomever she appointed would be ultimately accountable to her and would not be seen as "truly independent." Reno has said she wants to wait for Congress to enact a new independent counsel law and has hinted that she might then seek a court-appointed counsel to take over the Whitewater probe.

But in recent days, Reno and Justice Department officials have also argued that appointing a special prosecutor now would cause significant disruption to the department's current investigation of Madison and Whitewater, which is being conducted by three career prosecutors in Little Rock, Ark.

Stern noted yesterday that anybody Reno selected now as special prosecutor could not continue to serve as independent counsel because the proposed new statute, as it passed the Senate and is expected to pass the House, forbids the appointment of a "public officer." As a result, Stern said, the judicial panel would be required to name a new independent counsel who would essentially have to start from scratch.

"To have to supersede someone who has just arrived would throw a further monkey wrench into the proceedings at a time when there is momentum that is being built up," said Stern. If Congress truly wants an independent investigation, he said, "why don't they just pass the law? This could be done in a couple of weeks."

Staff writers Dan Balz and Susan Schmidt contributed to this report.

WEDNESDAY, JANUARY 12, 1994 THE WASHINGTON POST

Reno's Madison Problem—and How She Can Solve It

In recent weeks, Attorney General Janet Reno has said repeatedly that it's pointless for her to name a special counsel to investigate matters involving the failed Madison Guaranty Savings & Loan.

Because she would be the person appointing such a lawyer, she has explained, she still would be related to the investigation and it would be questioned on that account. Only an independent counsel statute, which she has strongly supported, could eliminate this problem, she says, since under such a law a special court would select the counsel. But because there is no such law, she will keep to herself the Madison case, with lawyers at the main Justice Department—the building at

Rule of Law

By Terry Eastland

10th and Constitution in Washington—handling it and reporting to her.

Ms. Reno made basically the same argument in explaining why the probe of Commerce Secretary Ron Brown was not handed off to a special counsel but kept within main Justice. For Ms. Reno, apparently, it's either the independent counsel of the independent counsel law or main Justice with herself in charge. There is no "third way" for handling exceptional cases—those in which top executive officers are accused of criminal wrongdoing or in which an investigation of friends or relatives of top officers might result in a conflict of interest.

Ms. Reno's position on how to handle exceptional cases is eccentric, to say the least. She is the first attorney general since before Watergate to say, in effect, that exceptional cases should be handled within main Justice and no place else. More important, her position is unpersua-

sive. First, it's illogical to say the public should trust her to handle the case but not to make a good choice of someone to take it over. Second, it's not necessarily pointless to handle a case like the Madison probe by putting it outside main Justice.

In 1979, Jimmy Carter's first attorney general, Griffin Bell, found himself in a situation similar to Ms. Reno's. Justice was investigating allegations that the president's family peanut business had received questionable loans from the National Bank of Georgia, operated by Mr. Carter's friend Bert Lance, and that some of the loan money had been illegally diverted into his 1976 presidential campaign. Mr. Bell's Justice Department decided that the newly passed independent counsel law did not reach allegations made before its enactment.

Mr. Bell did not insist on keeping the case within main Justice but named New York lawyer Paul Curran as special counsel to conduct the investigation, ultimately giving him the full powers previously granted to Archibald Cox and Leon Jaworski, the Watergate special prosecutors, both appointed by the attorney general. Lasting almost eight months and finding no grounds for prosecution, Mr. Curran's investigation was widely regarded as thorough and, in the words of the Washington Post, "entirely persuasive." Here is evidence that an outside lawyer chosen by the attorney general can do a good job of handling the exceptional case.

A Curran-style appointment is but one of several kinds of special-counsel arrangements used in the recent past that are available to Ms. Reno. Nor is a special-counsel option the only alternative she has. When the U.S. attorney in Denver recused himself in 1990 from the fraud investigation of the Silverado thrift—a case involving the president's son, Neil Bush—then-Attorney General Richard Thornburgh had the case forwarded to the U.S.

attorney in Dallas, Marvin Collins, the most experienced bank fraud prosecutor available. His work on the case has been widely accepted.

By taking their respective cases outside main Justice, Mr. Bell and Mr. Thornburgh managed to allay concerns that political appointees in Washington might somehow manipulate the investigative process.

Ms. Reno has not lacked for opportunity to put the Madison case where it probably belongs. Last October the Resolution Trust Corp., having intensified its investigation of possible bank fraud, sent an expanded referral to the Clinton-appointed U.S.

attorney in Little Rock, Paula Casey. The Clintons were named in the referral—how is unclear—but Ms. Casey, a law student of Bill Clinton's at the University of Arkansas and a 1992 campaign volunteer, declined to pursue the recommended investigation. Later, she recused herself—something she should have done earlier. There was "a need to ensure that there be no misperceptions about the impartiality of the investigation," according to the department's press release.

Ms. Reno could have adhered to department policy and reassigned the case to another U.S. attorney, as Mr. Thornburgh had done in the Silverado case. Instead, she pulled the case into main Justice.

As it happens, there is a law enforcement theory under which Ms. Reno's insistence on keeping the case inside her own building might make sense. Assume that the White House spinmasters are wrong, that there are "specific, credible allegations" of wrongdoing on the part of

the Clintons, and Ms. Reno knows what they are.

Given her belief that an independent counsel bill is soon to become law, it would make sense for her to treat such allegations as if the independent counsel law had already been passed. Under the law, "specific, credible allegations" trigger what is called a "preliminary investigation." Handled by the criminal division, such an inquiry may lead to a court-appointed counsel. On this theory, Ms. Reno could be running a de facto preliminary investigation in anticipation of a new law.

Again, this theory assumes a certain set of facts. As matters now stand, Ms. Reno's insistence on keeping the case within main Justice is only creating political pressure for her to dispose of it in perhaps the worst way—by handing it off to an independent counsel (once the independent counsel law is passed) on another basis.

The new law, like the previous one, will include a provision whereby the attorney general may seek a court-appointed counsel when an investigation of criminal charges could result in a personal, financial or political conflict of interest for the attorney general or other Justice officers. The independent counsel law has not before been used in cases of conflicts involving the president, and were Ms. Reno to employ it here, she would create a precedent that in similar circumstances could lead to the appointment of other independent counsels, for this president and future ones.

This would certainly be one way for Ms. Reno to get rid of her Madison problem. But it would not be required by the law, and it would hardly serve the best interests of the presidency or the country.

Mr. Eastland is editor of *Forbes Media-Critic* and a fellow at the *Ethics and Public Policy Center* in Washington.



Janet Reno

Bank examiner's S&L ties probed

Official hired away by dying thrift

By Jerry Seper
THE WASHINGTON TIMES

A1

The key players in keeping Madison Guaranty Savings and Loan Association afloat—at an eventual cost to taxpayers of \$50 million—were Hillary Rodham Clinton and a federal bank examiner later hired by the thrift itself, law enforcement officers have told The Washington Times.

Federal investigators looking into suspicions of illegal loans and campaign fraud involving Madison and its owner, James B. McDougal, are also examining records to identify Mrs. Clinton's ties to the failed S&L and those of bank examiner Sarah J. Worsham.

Mrs. Clinton, a partner at Little Rock's Rose Law Firm, was paid \$2,000 a month by Mr. McDougal during a 15-month period in 1984 and 1985—in a deal arranged by her husband, then the Arkansas governor—to represent Madison before state banking regulators.

The law firm proposed a unique recapitalization plan to prevent Madison's closure.

Ms. Worsham wrote, in a January 1984 report for the Federal Home Loan Bank Board (FHLBB), that Madison had engaged in "unsound lending practices" and had improperly booked, or recorded, profits that could "adversely affect net worth." But she suggested that, for the time being, the S&L remained solvent.

Within months of the report, Madison hired Ms. Worsham as a senior vice president at \$65,000 a year and set out to propose a refinancing and preferred stock plan to ensure that profits were properly booked to keep the S&L in business.

The rescue plan related directly to problems outlined in the Worsham report and was advanced by Mrs. Clinton before state banking regulators appointed and supervised by her husband.

Ms. Worsham was listed in Madison corporate documents during a follow-up March 1986 FHLBB investigation as Sarah J. Hawkins but is identified in Madison loan documents as Sarah Worsham Hawkins, one of several officers at the S&L who obtained unsecured loans. In her case, she obtained \$5,000.

She also signed a later FHLBB cease-and-desist order for Madison as Sarah Worsham Hawkins.

Mr. and Mrs. Clinton have denied any wrongdoing. Administration officials have said Mr. Clinton accepted campaign funds from Mr. McDougal but did not know where Mr. McDougal got the money. They also have acknowledged that Mrs. Clinton was paid by Mr. McDougal to represent Madison but say it was not improper or illegal.

Ms. Worsham, a lawyer, has not been available for comment. She was listed as a Madison senior vice president, a member of the S&L's board of directors and a member of Madison's management committee, which oversaw loans.

Her compensation, according to the 1986 FHLBB report, also included a \$500-a-month expense allowance, yearly bonuses of \$2,000

and a \$35,000 Bentley sedan, which was owned by Madison.

The recapitalization plan proposed by Mrs. Clinton was never put into place. Madison was ordered closed by state officials in 1987 and finally was shut down by federal regulators in 1989.

In addition to seeking answers to questions about about Mrs. Clinton's role as attorney for Madison during the time her husband served as governor, federal investigators are trying to determine if Mr. Clinton directed the Arkansas Securities Department to give special consideration to the Rose-Madison effort to keep the S&L open.

As the federal investigation continues, questions have been raised about Madison's ties to the White-water Development Corp., a northern Arkansas real estate venture jointly owned by the Clintons, Mr. McDougal and his wife, Susan. The McDougals subsequently were divorced.

Investigators are looking into allegations that money was diverted from Madison to pay off Mr. Clinton's 1984 re-election campaign debts, and accusations that Mr. Clinton pressured the head of a Little Rock lending agency for a \$300,000 Small Business Administration loan for Mrs. McDougal. Some of that loan money went to Whitewater.

The 1986 FHLBB report, which said Madison's insolvency was inevitable, was completed 10 months after Mrs. Clinton told state regulators the S&L had a plan to issue preferred stock as part of a recapitalization plan to keep it afloat.

Mrs. Clinton and another partner at the Rose Law Firm, Richard N. Massey, never told state regulators about financial problems at Madison.

Instead, they relied on a favorable audit by an accounting firm hired by Madison itself. The firm, Frost & Co., said the S&L was solvent with \$109 million in assets, including \$86 million in loans receivable.

State records show Mrs. Clinton was aggressively involved in Madison's legal representation. Correspondence between the Rose firm and the Securities Department directs that documents in the matter be sent to her.

Securities Department Commissioner Beverly Bassett Schaffer wrote a "Dear Hillary" letter in May 1985, saying the Madison preferred-stock proposal was acceptable and its terms were in accord with state law.

Mrs. Schaffer, who has since left no one from the Rose firm influenced her handling of the Madison case, had at that time been in the job three months. Before she was appointed to that job by Gov. Clinton in February 1985, she worked at a Little Rock law firm that also represented Madison.

The 1986 report, disclosed first by The Washington Times in November 1993, said that profits from Madison projects were converted directly to cash, that substantial sums of money were diverted by S&L officials to themselves and others, and that Madison had disguised the funding

source of various purchases.

The report said Madison paid its real estate subsidiary substantial commissions for land sales, including payments of more than \$712,000 during a three-year period to Mrs. McDougal and her brothers, James and William Henley.

The report also questioned the Frost audit, saying Frost auditor James Alford, who said Madison was in compliance with federal law, had two outstanding loans at Madison at the time of the audit.

It made no mention of the Rose firm or any money it received in fees, nor did it comment on the firm's Madison representation. But the report said legal documents maintained by the S&L were "so poor" that in many cases examiners could not determine the "real nature" of transactions.

The report also said that there was a "reluctance" on the part of Madison officials to turn over records and that other documents were backdated or otherwise altered.

Investigators also are looking at a suspected conflict of interest involving a \$400,000 fee the Rose firm received for suing Madison on behalf of the Federal Deposit Insurance Corp. after the S&L failed. Investigators are concerned about the ethics and legality of the Rose firm's 1985 defense of Madison before the Securities Department and its 1989 handling of the FDIC lawsuit.

Webster L. Hubbell, managing partner of Rose firm at the time and now associate attorney general, personally handled the suit. Vincent W. Foster Jr., the White House deputy counsel who killed himself July 20, actively sought the FDIC's legal business for the Rose firm.

FDIC officials have said they were not aware the firm had represented Madison. In a letter seeking the account, Mr. Foster wrote that Rose did not represent any S&Ls.

The suit said Madison and Frost had submitted a faulty audit in support of arguments enabling Madison to remain in business. It was the same audit the Rose firm had used four years earlier in its defense of Madison.

Raising further conflict concerns are court records showing that Mr. Hubbell's father-in-law, Seth Ward, was an officer of a Madison real estate subsidiary at the time Mr. Hubbell agreed to handle the case. Mr. Ward defaulted on more than \$587,000 in Madison loans and was considered by the government to be a prime offender in the abuse of

Mr. Hubbell has recused himself and declines comment. Justice Department officials said he notified the FDIC that the firm had represented Madison, but he submitted no documents to corroborate that claim.

Mr. Ward has not been available for comment.

The FDIC suit, which initially sought to recover \$60 million in damages, was settled out of court in 1991 for \$1 million—less than the insurance coverage held by Frost at the time.

WASHINGTON AND THE WORLD

Likelihood of S&L probe grows



UNDER PRESSURE: President Clinton, listening to NATO speeches in Belgium, hasn't been able to escape Whitewater questions, even in Europe.



LEACH: It's eyebrow-raising



RENO: Would appoint prosecutor



FEINGOLD: Urges probe

Democrats join the chorus for Whitewater prosecutor

By Leslie Phillips
and Adam Nagourney
USA TODAY

With several prominent Democrats joining a GOP chorus calling for a special inquiry into the Whitewater case Tuesday, the White House says chances are increasing that the administration will appoint a special prosecutor.

"Everybody would agree that it would get the heat-level down," says senior adviser Bruce Lindsey.

President Clinton, sounding more conciliatory than in the past, told CBS anchor Dan Rather in Prague: "I think we ought to be accountable on the chance that any information we had would be valuable to the Justice Department."

But, he noted: "I'm completely relaxed about this cause. I didn't do anything wrong except I made a bad business deal."

Indeed, there have been no claims of criminal wrongdoing by the president or Mrs. Clinton for their investment in the defunct Whitewater Development Corp. — nor for her role

as an attorney representing a failed Arkansas thrift linked in Whitewater.

Rep. Jim Leach, R-Iowa, who has led Republican demands for a special investigation, downplayed the Clintons' culpability.

"I don't think there's anything really big at the end of this tunnel," Leach says. "It's eyebrow-raising, but not necessarily the end of the world. It doesn't bring down a presidency, and it shouldn't."

Yet, unanswered questions, media pressure and the Clintons' finching reactions to official requests for documents, was followed by Democrats joining calls for a special prosecutor to be appointed by Attorney General Janet Reno to make a full inquiry.

"I don't believe it serves (the Clintons') interests or the interests of the nation to have any sort of shadow or questions about whether an unbiased investigation has been conducted," said Sen. Russell Feingold, D-Wis.

Joining Feingold Tuesday: Sens. Bill Bradley, D-N.J.; Bob Kerrey, D-Nebr.; Charles Robb, D-Va. New York Sen. Daniel Patrick Moynihan on Sunday was the first top Democrat to call for a special counsel.

Despite bipartisan calls for an independent investigation, Lindsey says he's troubled by the precedent of knuckling to political pressure.

"There's a trade-off here, which is: can the Republicans make a bunch of charges, which create smoke ... and force there to be an investigation where there's no factual basis for an investigation."

The Whitewater case almost guarantees Congress will approve an independent counsel bill in 1994 previously blocked by Republicans.

The law, passed in 1978 after Watergate, was killed in 1992 by GOP members of Congress furious with independent counsel Lawrence Walsh's six-year, \$37 million inquiry into the Reagan administration's Iran-contra affair.

A special counsel, or so-called special prosecutor, such as Feingold and others want, would be appointed and serve at the pleasure of the Attorney General.

Under the expired law — provides for an investigator/prosecutor, staff and grand jury, appointed and answerable to the federal courts, free from interference by the administration.

The Whitewater affair "adds a new dimension ... to the outcry for legislation," says Rep. George Gekas, R-Pa. "The new awareness of the need for it may spur some votes that weren't there before."

By Adam Nagourney
USA TODAY

President Clinton summoned the team of White House aides dealing with Whitewater to the Oval Office last week and angrily shoved across the desk a newspaper story on the subject that he found particularly vexing.

"How come nobody in this White House is defending me on this story?" Clinton demanded. There was a moment of silence in the room, before senior adviser George Stephanopoulos offered a defense of the White House response.

For aides who have lived through other firestorms with Clinton, the outburst was, if jarring, not a surprise.

But as the confused White House reaction has made clear over the past two weeks, Clinton's fury at this incident has complicated White House efforts to launch a defense of his actions.

His anger has consumed time that might otherwise be spent giving aides information about the old business dealings, because it is difficult to get him to focus on details.

And it has created an atmosphere in which, at times, some officials are wary of aggressively pushing the president or Hillary Rodham Clinton for information needed to deal with a complicated story.



These stories have often been painful to them — and often been frustrating ... It's not easy to be stripped of your privacy.

— David Gergen, on the Clintons

That's why information from the Clinton administration has sometimes been wrong or tardy.

It is a measure of the sensitivity of the subject that associates of the president and the first lady — who usually welcome the chance to talk about life in the White House — either flatly refused to talk or would talk only off the record.

Clinton aides defended the president's reaction, arguing he is being unfairly peppered with obscure questions about what he regards as a harmless failed business transaction that largely involves Hillary Clinton's law practice.

"These stories have often been painful to them — and often been frustrating," said presidential counselor David Gergen. "Some of the stories strike them as an invasion of their privacy."

"It's not easy to be stripped of your privacy."

The White House reaction to the Whitewater story has unmistakable echoes to the Clinton camp's reaction to other similar controversies, such as questions about what Clinton did to avoid going to Vietnam.

Once again, Clinton aides on any day might be faced with a president complaining about his press — and then learning from a newspaper reporter some new potentially troublesome detail about the story.

This story has the added complication that it involves the professional life of a non-elected official, Hillary Clinton, when she was a lawyer.

At the center of this is the level of comfort Clinton associates have in dealing with the president, especially on such a volatile topic. Clinton political adviser Paul Begala asserted that the president's temper is "much overstated. These are not the kind of things that get him angry."

But Begala is one of a relative handful of aides who are accustomed and usually not intimidated by his temper. And even Begala said that during the campaign, when the draft stories were raging, "It was always easier to deal with Hillary. She very approachable — in some ways, more approachable than he was."

In the White House, Stephanopoulos, for example, is a regular lightning rod for Clinton. He will often go back and continue a conversation interrupted by a flare-up.

Even more central is Bruce Lindsey, the Little Rock lawyer and constant traveling companion of Clinton during the campaign. For many Clinton aides, Lindsey has become the person to go to when information is needed from the president or first lady.

The irony is that the White House atmosphere is arguably causing the Clintons more problems than the Whitewater deal itself. Even Rep. Jim Leach, R-Iowa, one of the leading congressional critics of Clinton on Whitewater, downplayed the significance of it.

"I don't think there's anything really big at the end of the tunnel," he said.

"Is it 'Much Ado about Nothing' or is it 'Something is Rotten in the Ozarks?'" he asked.

"Maybe a little bit of each. But I see nothing that is beyond very serious embarrassment."

Issuer of Clinton Whitewater Report Made Disclaimer, Had Link to Friend

By BRUCE INGERSOLL

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — The accounting firm commissioned in 1992 in an effort to squelch the controversy over the Clintons' Whitewater Development Co. investment refused to vouch for the accuracy of its findings.

What's more, the firm, which depicted the Whitewater real-estate venture as unprofitable, wasn't as independent as the White House has portrayed it. The report was prepared by Patten, McCarthy & Associates at the request of James Lyons, a Clinton friend and Denver attorney.

It turns out that Mr. Lyons and Leslie Patten, head of the Denver-based accounting firm, have long been friends and business associates. Among other things, they were the principal owners of two Colorado banks in the early 1980s.

As questions persist over the Whitewater venture, President Clinton said he is reconsidering his opposition to having a special counsel appointed to investigate the matter. Despite his agreement to turn over documents related to Whitewater, in a CBS News interview last night he said that "people said 'That's not enough,' so I think we have to evaluate that and see where we are."

The White House has relied heavily on the so-called Lyons report since early 1992 to rebut political criticism of their business dealings with James McDougal, the Clintons' Whitewater partner and proprietor of the failed Madison Guaranty Savings & Loan of Little Rock, Ark.

Accounting Firm's Disclaimer

But in a March 1992 letter to Bill and Hillary Rodham Clinton, the Patten firm included a disclaimer that its financial findings "shouldn't be construed to represent the results of an attest service or compilation of financial statements, due to the nature of the engagement and incomplete or unavailable records." The letter was included in the Lyons report but hasn't attracted attention.

According to Douglas Carmichael, professor of accountancy at City University of New York's Baruch College, the disclaimer means that the firm gave no assurances as to the accuracy of the Lyons report.

The firm, instead, was merely functioning in the capacity of financial consultants who have been hired by an attorney, said Mr. Carmichael, former vice president of auditing at the American Institute of Certified Public Accountants.

"No one should place any reliance in what they have to say in this report," Mr. Carmichael said. "The lack of independence would be just another reason not to pay any attention to it."

Last night, Bruce Lindsey, a senior White House official, took sharp issue with Mr. Carmichael's assertions. "The fact that the accounting firm says it couldn't vouch for the accuracy of the [Whi-

tewater] information to the same degree they could in an audit isn't surprising," he said. "We've always said the records were incomplete."

Mr. Patten declined through an attorney to comment about the Whitewater report, citing accountant-client privilege.

Mr. Lyons said in an interview yesterday that there was no conflict of interest involved and insisted that his ties to Mr. Patten didn't prejudice the findings in the Lyons report. The firm had "no relationship to the campaign whatsoever and they had no relationship to me at the time," he said. He said he disclosed to campaign officials his longtime relationship to Mr. Patten, a certified public accountant.

Question of Independence

But some accounting experts question the hiring of the Patten firm to do a financial reconstruction of the Clintons' Whitewater partnership with Mr. McDougal and his former wife, Susan.

"The notion of independence is really sacrosanct for an auditor," said Howard Schilit, associate professor of accounting at American University in Washington. "I don't think it was good judgment on the part of the campaign to retain the Patten firm. Whoever had the choice . . . should have done a better due diligence and better fact-finding to determine the relationship of Lyons and Patten."

The Lyons report, which Clinton aides have characterized as "independent," has been criticized for not going into certain significant Whitewater transactions.

Mr. Lyons said the report wasn't intended to be a full accounting of Whitewater finances. "Remember, we weren't after an audit, we were after a financial reconstruction," he said. The objective was to determine whether the Clintons had been exposed to any financial risks and whether they had invested and lost money on Whitewater.

"Those two questions were answered in a thorough and complete fashion," said Mr. Lyons, a partner in the Denver firm Rothgerber Appel Power & Johnson.

Mr. Lyons took issue with Mr. McDougal's recent assertion that he recalls the Clintons' investing only \$9,000 in Whitewater. "Frankly, I think his memory is faulty," he said. "We stand by our [\$68,900] estimate."

In the late 1970s, Messrs. Lyons and Patten, along with another Lyons law partner, William P. Johnson, formed a bank holding company and opened two banks—Greenwood Industrial Bank in Littleton, Colo., in 1980 and Arapahoe Industrial Bank in Englewood, Colo., in 1982, according to state banking records. Mr. Lyons said they sold out a year or so later to another group of investors, who merged the banks in 1986. The surviving Arapahoe bank, which had assets of about \$15

Please Turn to Page A12, Column 2

Continued From Page A2

million, failed in early 1988 and was liquidated by state regulators.

Mr. Clinton's comments on CBS came as some Democratic senators joined the Republican chorus calling on Attorney General Janet Reno to name a special counsel for the Whitewater case. Democratic Sen. Robert Kerrey of Nebraska yesterday came out in favor of a special counsel, joining suggestions by Sens. Daniel Moynihan of New York, Bill Bradley of New Jersey, Russell Feingold of Wisconsin and Charles Robb of Virginia.

Until the past couple of days, the White House dismissed the talk of a special counsel as partisan posturing. Last night, however, officials said the appointment of a special counsel was under consideration. "We continue to believe the standard for an independent prosecutor hasn't been met," said White House adviser George Stephanopoulos. "No decision has been made."

Separately, eight senior Republican legislators urged Ms. Reno to seek statute-of-limitations waivers from the Clintons in Whitewater-related matters.

A Justice Department spokesman said, however, that any matter concerning its probe of the Clintons' investment in Whitewater and their relationship with Madison Guaranty has a 10-year limitation, which won't expire until 1999. "There is simply no reason to believe that there is any matter that will shortly be beyond the reach of federal prosecutors," said Carl Stern, Ms. Reno's chief spokesman.

Release Whitewater Papers, Top Clinton Aides Now Say

■ **White House:** President appears to be leaning toward disclosure. Criticism of privacy argument is growing.

By DAVID LAUTER
and JOHN M. BRODER
TIMES STAFF WRITERS

WASHINGTON—Senior White House officials have concluded that President Clinton and First Lady Hillary Rodham Clinton must abandon their insistence on withholding documents related to their involvement in the Whitewater real estate project and begin disclosure promptly after the President's return from Europe, aides said Tuesday.

In a sign that Clinton may be ready to heed his aides' advice, the President noted, in a televised interview Tuesday night, that he had agreed earlier to cooperate with Justice Department investi-

gators. But "people said that's not enough, so I think we have to evaluate that and see where we are," he said.

Clinton made the statement in an interview with Dan Rather on

■ LAW FIRM PROBED

The Rose Law Firm faces inquiry on role in failed S&L. A8

"CBS Evening News," in which he once again denied any wrongdoing.

Clinton aides, frustrated over the pounding the White House has taken on the issue, also said that they increasingly believe Atty. Gen. Janet Reno should appoint an independent prosecutor to look into allegations about Whitewater and

Please see CLINTONS, A8

Continued from A1
the failure of Madison Guaranty Savings & Loan in Arkansas. Reno has opposed such a move so far, but it has been advocated by a growing number of senior Democrats in Congress.

Mrs. Clinton and members of the senior staff have met several times to discuss the issue in recent days, according to officials who say the First Lady has modified her insistence that the papers are private and should not be released.

"It would be nice to assert privacy and say we don't have to do this, but there's a reality here. Nobody wants to see the presidency unravel over this. That's where it is," said one senior official when asked about the First Lady's view of the matter.

Some White House officials continue to argue that Clinton should resist calls to release the papers, saying that the demands are politically motivated and that yielding would weaken him and the prerogatives of the presidency. But that camp appears to have dwindled in recent days as Administration officials have watched steady criticism wear away Clinton's support within the capital.

In the last three days, for example eight Democratic senators—Daniel Patrick Moynihan of New York, Bill Bradley of New Jersey, Charles S. Robb of Virginia, Bob Kerrey and J. James Exon of Nebraska, Joseph I. Lieberman of Connecticut, Carol Moseley-Braun of Illinois and Russell D. Feingold of Wisconsin—have said that they favor an independent prosecutor and public release of all relevant information. Those declarations wiped out an earlier White House policy of portraying all calls for an independent investigation and release of information as motivated by Republican partisanship.

"There is no evidence I have seen or heard about which suggests any wrongdoing on the part of the President or Mrs. Clinton," Feingold said. "But I do not believe it serves their interests or the interests of the nation to have any sort of shadow or questions about whether an unbiased investigation has been conducted."

"Whether it is reality or not doesn't matter—the perception is that the White House is withholding information," Kerrey told the Associated Press. "This one is not going away, so the way to get it off the table is to get someone independent to take a look at it."

That perception—that the White House is trying to hide something—has driven a raft of stories about Whitewater ever since the disclosure, shortly before Christmas, that a file relating to the investment had been in the office of White House lawyer Vincent Foster on the day he committed suicide. The file was removed subsequently by White House Counsel Bernard Nussbaum.

After some initial delay, the President agreed to turn over that file and related papers to Justice Department investigators but has refused to make them public. David Kendall, Clinton's personal lawyer, negotiated with the Justice Department to deliver the documents under a subpoena, a move aimed at preventing leaks.

Whitewater was a real estate development company in which the Clintons invested with a friend, James B. McDougal, and his wife, Susan, in 1979. McDougal owned the Madison Guaranty thrift, which

was seized by federal regulators in 1989 at a cost to taxpayers of at least \$47.6 million. The real estate deal went sour as well, and the Clintons have said that they lost \$68,900.

Republican members of Congress and government investigators have raised questions about whether money from the thrift may have found its way into Whitewater's coffers. They also have asked whether the thrift may have received favorable treatment from the Arkansas state authorities while Clinton was governor.

Initially, White House officials tried to hold to that position and insisted that any further discussion of the matter was unwarranted. But aides have grown increasingly glum about the ability of Republicans

to use Whitewater as a weapon against Clinton—one that could undermine his credibility at precisely the time that he is preparing to launch what promises to be a titanic struggle over health care reform.

White House officials said that they expect to outline the case for disclosure to Clinton when he returns from his European trip. With Mrs. Clinton apparently resigned to the necessity of that position, aides expect it to prevail. But precisely what form the disclosures would take remains unclear.

Some White House officials in recent days have suggested a partial release of Whitewater documents in which some would still be withheld from the public. Many Democratic strategists, however, believe that approach would be futile and potentially dangerous—resembling too

closely the notorious "modified limited hangout" once proposed by President Richard Nixon's aide John D. Ehrlichman in response to demands for a fuller accounting of the White House role in the Watergate scandal of the early 1970s.

Also unclear is how the appointment of an independent prosecutor would be handled. So far, White House officials have taken the position that the decision is entirely up to Reno. Reno, in turn, has argued that she has no reason to appoint an independent prosecutor—that the career prosecutors currently handling the case in the Justice Department are fully capable of acting independently.

Reno has argued that anyone she appoints directly would appear more political than a career prosecutor. Moreover, she

(Continued)

has said that she does not want to act until after Congress completes work on a bill to authorize appointment of independent prosecutors in such cases. The old law under which past independent prosecutors were appointed expired at the end of 1992, after Republicans, angry at the lengthy Iran-Contra investigation, blocked its renewal.

Reno can appoint an independent prosecutor on her own in the absence of a new law. But if Congress does pass the bill, she has argued, any outside prosecutor she appoints might have to be replaced with yet another prosecutor appointed under the terms of the new law, delaying and complicating the investigation. The inquiry now is being headed by a longtime federal prosecutor who was a U.S. attorney in Illinois during the Nixon Administration.

S&L Link to Frost & Lacy's Law Firm Is Probed

■ **Banking:** The FDIC asks if attorneys who represented the U.S. in a case against the thrift's accountants misled regulators about possible conflict of interest.

By JAMES RISEN and JOHN M. BRODER
TIMES STAFF WRITERS

WASHINGTON—Federal banking regulators have begun an investigation of the Rose Law Firm's involvement with a failed savings and loan owned by a former business partner of President Clinton and First Lady Hillary Rodham Clinton, officials said Tuesday.

The Federal Deposit Insurance Corp. is trying to determine whether lawyers at Rose—the Little Rock, Ark., firm in which Mrs. Clinton was a partner—misled regulators about the potential for a conflict of interest when they represented the federal government in a case against the now-defunct Madison Guaranty Savings & Loan's accountants, said David Barr, a spokesman for the agency.

Federal regulators hired the Rose firm in 1989 to sue the accountants, Frost & Co., for negligence in auditing the S&L's books. Ultimately, the law firm received \$400,000 in legal fees from the FDIC and settled the case in 1991 for \$1 million. The government had sought \$6 million from Frost.

While Madison was still in business in 1985, Rose attorneys, including Mrs. Clinton, represented the thrift and its owner, James B. McDougal, when it sought state regulatory approval for a novel plan to sell stock and raise money to keep the S&L afloat.

The plan to raise capital was approved by a state regulator appointed by then-Gov. Bill Clinton but was never acted on because of the thrift's worsening financial condition.

The state regulatory approval for the stock plan has become a key issue in a federal criminal investigation of ties between McDougal and the Clintons. The issue has raised questions about Mrs. Clinton's role in helping McDougal win the beneficial state ruling.

In their efforts to win state regulatory approval for Madison, the Rose attorneys relied on an audit report on the S&L by Frost & Co. to make its case in favor of the stock plan. When the law firm represented the FDIC in 1989, it was hired to sue the Frost firm on behalf of the federal government.

FDIC officials said they do not have evidence that they were purposefully misled by the Rose firm but cannot find any documentation and do not recall ever being told by Rose lawyers that it had represented Madison four years earlier in the state case. The Rose firm has insisted that it told the agency about the earlier case.

Documents released by the FDIC show that in 1989, Rose senior partner Vincent Foster, who later became

deputy White House counsel and who committed suicide in July, 1993, solicited the federal agency's legal work on failed financial institutions in Arkansas. After the Rose firm won the right to handle legal work on Madison, much of the work was done by Webster Hubbell, now the No. 3 official at the U.S. Justice Department.

Hubbell, who handled the FDIC suit against Frost, insists that the federal regulators were told about the firm's prior involvement in the case. "Mr. Hubbell has said that he disclosed all the information that was requested and won a substantial settlement in the case for the FDIC," Justice Department spokesman Carl Stern said.

The FDIC said its inquiry is separate from an ongoing Justice Department criminal investigation of Madison and Whitewater Development Corp., the Arkansas real estate venture owned jointly by the Clintons and McDougal and his wife.

If the regulatory agency finds that it was misled by the Rose firm, it could move to bar the firm from receiving further work from either the FDIC or the Resolution Trust Corp., the federal agency charged with cleaning up and disposing of the assets of failed S&Ls. And if the agency finds that any Rose attorneys made false statements to federal officials about their potential for a conflict of interest, the FDIC could seek to press criminal charges, Barr said.

The FDIC investigation, being supervised by Jack Smith, deputy general counsel, has found no indication that false statements were made, Barr said.

Meanwhile, in a direct challenge to one of the First Family's chief contentions about the Whitewater real estate venture, Rep. Jim Leach (R-Iowa) said Tuesday that he does not see how the Clintons could have lost \$68,900 on the investment, as they have maintained.

Rather, Leach said, his analysis of the records of the Clinton investment in the Ozark mountains property deal indicates that they may have broken even or lost at most \$9,000. McDougal, who was 50-50 partners with the Clintons in the deal, said last weekend that he believed that the Clintons invested and lost about \$9,000 in Whitewater.

The White House has cited the large reported loss in deflecting suggestions that the Clintons may have benefited from the failure of Madison, which ultimately cost taxpayers more than \$47 million.

Leach, the senior Republican member of the House Banking, Finance and Urban Affairs Committee, noted that McDougal sank a much larger stake in the deal, yet granted the Clintons an equal share in the operation.

"That is an obvious gift," Leach said in a session with reporters. "The question is, what was the quid pro quo?"

Senior White House aide Bruce Lindsey disputed Leach's figures and vigorously denied the implication that Clinton had profited from his association with McDougal or his office to benefit the Arkansas businessman.

"The Clintons submitted their records to an inde-

pendent accounting firm who did a reconstruction and found that the Clintons invested almost \$69,000 in this investment and that they lost the entire amount," Lindsey said. "That is the finding of someone who has looked at the documents, not someone who is simply making idle charges."

Congressional and Justice Department investigators are seeking to learn whether Clinton, as governor, granted McDougal and Madison Guaranty favorable regulatory treatment that kept the institution open for several years after it had become insolvent.

They also want to know whether funds were illegally diverted from Madison to Whitewater or to reure a \$50,000 debt from Clinton's 1984 campaign for governor.

Leach also accused the Clintons and their defenders of engaging in a "conspiracy of silence" about Foster's role in Whitewater.

Leach said that Foster, who negotiated the Clintons' sale of their share in Whitewater and who prepared the delinquent tax returns for the partnership, was intimately involved in the deal and suggested that it may have been a factor in his suicide. Foster shot himself in the head July 20 in an isolated federal park in Virginia.

"There is absolutely no basis whatsoever to speculate that Whitewater had anything to do with Vince's death," Lindsey said. "It's ghoulish to try to connect the two without proof."

In a related development, Senate and House Republican leaders joined other GOP lawmakers Tuesday in urging Atty. Gen. Janet Reno to move to prevent the statute of limitations from expiring in March on possible civil fraud violations growing out of the Madison Guaranty-Whitewater affair.

Stern, Reno's chief spokesman, said that a waiver of the statute would not be necessary, because any matters referred to the Justice Department would be criminal in nature and subject to a 10-year statute of limitations.

A spokesman for the Resolution Trust Corp., which the GOP lawmakers said has only a five-year period in which to file a civil fraud suit involving a failed savings and loan, also sidestepped the question. He said that the agency regularly approaches potential defendants when it believes there is a basis for a civil suit to give them the opportunity to respond.

The GOP letter was signed by Senate Minority Leader Bob Dole of Kansas, House Minority Leader Robert H. Michel of Illinois, Sens. Larry Pressler of South Dakota and Alfonse M. D'Amato of New York, and Reps. Leach, Jay Byrnes of Kansas, Hamilton Fish Jr. of New York and William F. Clinger Jr. of Pennsylvania.

"The goal of fairness and the opportunity for the President and Mrs. Clinton to dispel any doubts about their lack of personal involvement in any of the alleged misadventures may be hampered by the frequent and unfortunate delays in this case," they said in their letter.

Times staff writer Ronald J. Ostrow contributed to this story.

Peña says U.S. needs better roads and bridges at borders

By John Brinkley

Scripps Howard News Service

WASHINGTON — Transportation Secretary Federico Peña said Tuesday the United States needs to invest heavily in improving roads, bridges and tunnels along its Mexican and Canadian borders.

But he avoided speculating how much this would cost or where the United States would get the money.

Car and truck traffic at many U.S. border crossings is already congested. And with Congress having approved the North American Free Trade Agreement, the situation in places such as El Paso, Texas, and Detroit may get worse, Peña said.

He said the three nations need to make for more efficient border crossings, since about 85% of cross-border trade goes by truck or rail.

Armed with a new Transportation Department report assessing North American border crossings and transportation corridors, Peña said the Clinton administration would start looking for "innovative ways to finance transportation infrastructure."

This will also include technological innovations — from automated toll collections and "intelligent highways" to full-vehicle X-ray tunnels and magnetic resonance imaging devices that can detect minute traces of co-

caline.

The report said there had been "longstanding complaints of lengthy delays and backups of trucks and cars at international border crossings. There is concern that trade among (the United States, Mexico and Canada), which has increased significantly over

the last several years, may outstrip the ability of the nations' transportation systems to handle additional traffic."

Asked how much it would cost to address this problem, Peña said, "It is very difficult to give you a number and we are very hesitant to do that."

He said new funding would pay for improvements, adding that no user fee increases or special appropriations were envisioned, but said that could change.

The administration hopes instead to "leverage funds that we have today, working with Wall Street to maximize those funds,"

and to "involve private business and private capital," he said.

Accompanying Peña at a conference was Federal Highway Administration chief Robert Slater, who said the north interior highways, such as state 26 between El Paso and Montana, would need attention.

ROCKY MOUNTAIN NEWS P4A 1-12-93 Janet Reno on the hot seat

THE ISSUE:
Is independent prosecutor possible without lapsed law?

OUR VIEW:
Of course, as history demonstrates

Accusations of hypocrisy and double standards are stock weapons in Washington's political wars, often used and sometimes justified. It is currently claimed, for example, that critics of the special prosecutor law contradict themselves by demanding an independent probe of the

Whitewater and Madison Guaranty affairs. This is not true.

Many people, including ourselves, regard the now-lapsed special prosecutor law, in effect from 1978 to 1992, as unnecessary, subject to abuse and probably unconstitutional. They can still recognize that conflicts of interest make the normal machinery of justice inappropriate for certain inquiries.

When that happens, the attorney general has longstanding power to appoint outside investigators. No separate apparatus of court-appointed special prosecutors is needed to get to the bottom of alleged misdeeds by high officials in the executive branch. Like a multitude of lesser federal scandals before and since, Watergate itself was exposed and its villains sent to jail without the latter-day novelty of court intervention.

Attorney General Janet Reno disingenuously says the special prosecutor law must be reinstated before she can name a credible independent counsel in the Madison and Whitewater matters touching Bill and Hillary Clinton and several appointees from Arkansas. This is simply untrue.

Madison Guaranty is a Little Rock S & L that went bust, leaving taxpayers a \$50 million bill in 1989. Whitewater Development Corp. was a joint investment of the Clintons and Madison owner Jim McDougal and his wife, Susan. Both were ill-run institutions whose activities raise questions ranging from campaign finance shenanigans possibly benefiting then-Gov. Clinton, to misuse of a \$300,000 Small Business Administration loan meant for the disadvantaged, to possible concealment of records that turned up in the office of White House Deputy Counsel Vincent Foster, who killed himself in July. This needs to be unraveled convincingly and soon.

Reno has the power to act now; talk of the special prosecutor law is a hollow dodge. As influential Democrats like Daniel Patrick Moynihan and Bill Bradley join Republicans in asking that an independent counsel replace the Justice employees now on the case, the attorney general's position is increasingly untenable.

7 Democrats join the call for Whitewater counsel

Wavering White House again rejects outside probe

By J. Jennings Moss
and Frank J. Murray
THE WASHINGTON TIMES

A1

A growing chorus of Democratic senators yesterday urged Attorney General Janet Reno to name a special counsel to investigate President Clinton and first lady Hillary Rodham Clinton's ties to the failed Whitewater land deal in Arkansas.

The White House, no longer able to dismiss the demands as partisan politics, sent mixed signals during the day but did not yield to the calls for an investigation outside the Justice Department.

It was apparent Mr. Clinton, who was in Prague but stayed in touch with deliberations by telephone, discussed the growing firestorm with Mrs. Clinton.

After the number of Democratic senators calling for a special counsel

rose to eight — including Bill Bradley of New Jersey, Bob Kerrey of Nebraska and Charles S. Robb of Virginia — Mr. Clinton told CBS News in Prague that the issue would be re-examined in view of the new political pressures.

When asked directly whether he would agree to a special counsel, the president repeated his assertions that he did nothing wrong and lost money because of "bad business judgment."

"The most important thing to me and the most important thing to the American people is I'm completely relaxed about this because I didn't do anything wrong," Mr. Clinton said.

An unidentified administration official told the Associated Press that no decisions had been made but that the appointment of a special counsel by Miss Reno was an option being debated.

White House Counselor David Gergen opened the door to the appointment of a special counsel Sunday when he said the president would "fully cooperate."

The Justice Department is conducting an investigation in Arkansas into financial transactions involving Whitewater Development Corp. and the failed Madison Guaranty Savings and Loan Association, owned by a Clinton partner in Whitewater.

Republicans maintained their insistence on a special counsel and have the support of a growing number of Democrats, led by Sen. Daniel Patrick Moynihan of New York, who Sunday became the first Democrat to call for a special counsel and for the Clinton White House to publicly release documents relating to Whitewater.

see PROBE, page A15

PROBE

From page A1

"Such action would be in the best interest of the president and the American people because it is critical that there be no question that the investigation is totally unbiased and independent," said Sen. Russell D. Feingold, Wisconsin Democrat.

The other Democratic senators who either made statements or announced a similar position were Jim Exon of Nebraska, Joseph I. Lieberman of Connecticut and Carol Moseley-Braun of Illinois.

Of their demand, Mr. Clinton said, "I think we have to evaluate that and see where we are."

He said he had given the Justice Department all the information he had and expressed puzzlement about "why it keeps being stirred."

Most of the eight Democratic senators received calls from the White House during the day for "discussions."

"We continue to believe the standard for an independent counsel has not been met," senior adviser George Stephanopoulos said last night, referring to the absence of a credible accusation of criminal behavior.

The White House was said throughout the day to be giving serious consideration to withdrawing objections to allowing Miss Reno to appoint a special counsel.

Mr. Stephanopoulos declined to discuss Mrs. Clinton's role in the damage-control effort and repeated his description of the standard for appointing a special counsel.

An official with knowledge of the deliberations of the damage-control team rejected speculation that Mrs. Clinton restrained her husband from allowing a special counsel.

"There is no difference between her and the president," the official

The Democratic senators joined Republican leaders who have called in the past month for a special counsel or court-appointed independent counsel to be named.

"There is no evidence that I have seen or heard about which suggests any wrongdoing on the part of the president or Mrs. Clinton," Mr. Feingold said. "But I do not believe it serves their interests or the interests of the nation to have any sort of shadow or questions about whether an unbiased investigation has been conducted."

Mr. Kerrey said two weeks ago that he did not think a special counsel was needed. But yesterday he told the Omaha World-Herald he thinks the idea is "reasonable."

"I still think we have to be careful

that a special prosecutor isn't used as a political device," he said. Recent disclosures led him to the conclusion that an independent investigation was needed.

"I believe the president has cooperated fully with the investigations of Whitewater," Mr. Bradley said.

The Democratic leaders of the House and Senate have continued their silence. With Congress out of session until Jan. 25, they have been saved from answering pointed questions about how the Clinton administration is handling the probe and whether congressional hearings are required.

Spokesmen for Senate Majority Leader George Mitchell of Maine, House Speaker Thomas S. Foley of Washington and House Majority Leader Richard A. Gephardt of Missouri said yesterday the leaders had no comment on the issue.

Miss Reno has said she does not want to name a special counsel because that investigator would still report to her, and she would continue to face criticism that the probe was not independent.

She said Congress should revive the independent counsel law, which empowers the courts to name investigators. The Senate has passed a bill renewing the statute, and the House is expected to act soon after the recess ends.

Republicans have objected to the legislation because it does not extend such oversight to members of Congress.

Besides asking Miss Reno for a special counsel, Republicans in a letter yesterday also asked her to seek waivers from Mr. Clinton and others tied to the case so that the statute of limitations on possible violations does not expire.

The Resolution Trust Corp. has five years to bring a civil suit for fraud. The statute of limitations for criminal bank fraud is 10 years.

The civil statute of limitation Madison is set to run out in March.

"These agreements will allow time for a complete and independent investigation and permit the orderly operation of the legal and judicial processes. It will also remove any doubt that the above named parties may seek to use the statute of limitations as a procedural defense," the letter said.

The letter was signed by Senate Minority Leader Bob Dole of Kansas, House Minority Leader Robert H. Michel of Illinois and the ranking Republicans on the House and Senate Banking and Small Business committees.

A Justice Department spokesman yesterday had no comment on the letter except to say the criminal division was "aware" of the statute of limitations.

The Washington Times WEDNESDAY, JANUARY 12, 1994

Moynihan Shakes White House With Stance on Health Reform

By David S. Broder
Washington Post Staff Writer

House Democratic leaders are seeking a jump-start for President Clinton's health care plan but the increasingly critical comments of Senate Finance Committee Chairman Daniel Patrick Moynihan (D-N.Y.) are adding to White House worries about the ultimate fate of the legislation.

Already concerned about a tight time schedule and lack of Democratic unity behind the Clinton plan, administration officials reacted with shock to Moynihan's remark on NBC's "Meet the Press" Sunday that "we don't have a health care crisis in America." They begged him not to repeat the comment, lest he reinforce the conservative Republican assault on the basic premise underlying Clinton's call for overhauling the medical system.

The Clinton officials are wary that Moynihan may abandon or severely dilute the president's proposal that employers be required to substantially finance health insurance for workers and will provide so little in alternative funding that the Clinton goal of universal health care may not be achieved.

Moynihan has not gone that far in his public statements. But his assertion that the support of Senate Minority Leader Robert J. Dole (R-Kan.), a member of the Finance Committee and an opponent of employer-mandated insurance, is essential to pass anything in the Senate has left the White House worrying that Dole's anti-mandate stance may stick.

The Finance Committee is one of two Senate panels with overlapping responsibility for health care. The Labor and Human Resources Committee, headed by Sen. Edward M. Kennedy (D-Mass.), is expected to be more hospitable to the administration proposal.

But Moynihan said in an interview Monday that "the name of the game here is 60 votes"—the number needed to break a filibuster. Close associates say the senator is convinced that the Kennedy bill will never get 60 votes in the Senate and may not even draw majority support.

While these problems are looming in the Senate, the president received some welcome support for his plan yesterday from organized labor. AFL-CIO President Lane Kirkland gave his first unqualified public endorsement of Clinton's health care bill since the president signed the North American Free Trade Agreement over vehement objections of labor.

Kirkland said, "There is no question there is lingering concern about what NAFTA will mean and lingering pain ... but that makes it all the more essential to detach this issue ... and not allow those concerns to interfere with what has been a central, basic trade union perspective for many years."

Kirkland said that while Moynihan "may not have a health care crisis ... we do." Things like this "hit the workplace long before they hit the loftier places" like the Senate, he added.

Meanwhile, the president's allies in the House are planning to give an early push to the health reform legislation Clinton has put at the top of his 1994 agenda.

Chairman John D. Dingell (D-Mich.) of the House Energy and Commerce Committee has set March 4 as the deadline for two key subcommittees to finish markup of the legislation and send it on to the full committee. The health and the environment subcommittee headed by Rep. Henry A. Waxman (D-Calif.), which has the biggest role, is planning to start its markup when Congress returns from its Washington-Lincoln Birthday recess on Feb. 23.

That accelerated schedule virtually



SEN. DANIEL PATRICK MOYNIHAN
... "the name of the game here is 60 votes"

guarantees an early test of administration support versus a rival bipartisan bill promoted by Rep. Jim Cooper (D-Tenn.), which the administration says will not achieve the goal of universal coverage. For the administration to prevail, Waxman will have to keep Cooper from picking off more than two of the 14 other Democrats if, as expected, the nine Republicans vote for the Cooper bill, which has no employer mandates.

An even more adverse situation could face Clinton on the Senate Finance Committee, where Democrats outnumber Republicans only 11 to 9. One of the Democrats, Sen. John Breaux (D-La.), is the principal Senate cosponsor of the Cooper bill, so any wavering on Moynihan's part could throw

the weight of the committee against key features of the administration plan.

In addition to his reiterated belief that support of Dole and other Republicans is essential for passage of a health bill, Moynihan has several misgivings about the administration approach, close associates say.

They include:

- Fundamental doubts about the financing of the plan. Early on, Moynihan labeled the administration cost figures as "fantasy." Amplifying that, he has told associates that the rapid pace of scientific and technological development and what he regards as the iron law that services like health and education are immune to large-scale cost-cutting make it virtually certain that expenditures will exceed estimates.

- A Jan. 7 Finance Committee staff memorandum warned Moynihan that the political backlash against the Clinton proposal could be greater than the one that forced Congress to reverse itself and repeal the catastrophic illness insurance plan in the mid-'80s. That law would have raised payments for only 6 percent of the U.S. population, the memo says, while the Clinton proposal is estimated to boost insurance costs for more than 25 percent of the people.

- A belief that the administration plan is overly complex and too ambitious. Moynihan has asserted in Finance Committee hearings that "mature" institutions like the health care system can be changed only incrementally. Privately, he has told friends that restructuring on the scale the administration proposes is as impractical as for the federal government to launch an auto company in 1994.

A Moynihan aide recently gave Ira Magaziner, designer of the administration plan, a copy of the eight-page health reform plan President Richard M. Nixon introduced 20 years ago, implying it might

fare better in Congress than the 1,500-page bill Magaziner drafted.

- A suspicion that the bill will be bad for New York, because it could threaten the status of financing of the medical research centers clustered in the state and because it fails to address what he considers the inequities in the existing Medicaid reimbursement formula. Moynihan's position is reinforced by New York Gov. Mario M. Cuomo (D), who said publicly this week that both the Medicaid formula and the impact on state employees' health insurance could be adverse.

A senior administration official said yesterday that he believes the New York-related concerns can be addressed in legislative changes. He expressed the belief that "in the end, Senator Moynihan, along with many others, will be there to deliver a bill for the president to sign." Putting the best spin on what he acknowledged to be the "challenge" Moynihan presents, the official said, "The fact that he has raised his concerns so openly and so early will help him establish his objectivity with the Republicans on his committee. If he were perceived as a partisan advocate, we'd have a real problem on the Finance Committee."

But a longtime Moynihan associate said the White House is underestimating his estrangement. He recalled that when Moynihan was trying to pass a major welfare reform bill six years ago, much of the opposition was generated by the Children's Defense Fund, whose board chairman was Hillary Rodham Clinton. The First Lady's successor in that role was Donna E. Shalala, the secretary of Health and Human Services, who is trying with Hillary Clinton and Magaziner to sell the health plan on Capitol Hill.

Bill Clinton, while governor of Arkansas, was a Moynihan ally on welfare reform, representing the National Governors Association.

President, Prosecutor or Find Support in Poll

By Dan Balz
Washington Post Staff Writer

AT

President Clinton continues to draw high approval ratings in spite of allegations about his private life and his financial affairs, according to a new Washington Post-ABC News Poll.

But the poll shows that three in five respondents say a special prosecutor should be named to investigate Clinton's partnership in the Whitewater Development Corp.

The poll showed that 59 percent of those surveyed said they approved of the job Clinton is doing as president, compared to 36 percent who disapproved. A mid-December Post-ABC poll put his favorable-unfavorable rating at 58 to 40 percent.

The December poll was com-

pleted shortly before allegations by two Arkansas state troopers that they had helped facilitate extramarital affairs for Clinton as governor and president-elect and before the White House came under increasing pressure to release more information about the involvement by Clinton and First Lady Hillary Rodham Clinton in the Whitewater case.

With an increasing number of Democrats joining Republicans in urging appointment of a special prosecutor in the Whitewater case, the new poll found strong support for such a move.

Asked whether the Justice Department should carry on the investigation, which is now the case, or whether Attorney General Janet Reno should appoint a special pros-

POLL, From A1

ecutor to look into the matter, 61 percent said they favored a special prosecutor, while 27 percent said the Justice Department.

Until now, both the White House and Reno have said the Justice Department investigation was adequate, but the growing calls from Clinton's allies in Congress coupled with strong support by the American people make it more difficult for the White House to resist.

On another question, 60 percent of respondents said they believed Clinton has the honesty and integrity to serve effectively as president. The last time that question was asked in a Post-ABC poll, shortly before his inauguration, 74 percent said he did, although at various times during the 1992 presidential campaign, when Clinton was dogged by questions about the draft and his private life, the percentage dipped to as low as 42 percent.

A CNN-USA Today-Gallup Poll also found Clinton's approval rating holding steady. But less than one-third had an opinion about whether Clinton did anything wrong in the Whitewater real estate venture, with 71 percent saying they were unsure.

That poll also found that 47 percent said they believed enough was being done to look into the matter, while 45 percent said they favored appointment of an independent counsel. The difference between that finding and the Post-ABC poll may reflect the fact that different questions were posed. An independent counsel is named by a panel of judges; the law authorizing such a counsel has expired, but Congress will consider reinstating it next month.

Although Clinton's overall approval rating remained steady, he suffered a small erosion in perceptions of how he is handling the economy and foreign policy. In the latest poll, 48 percent said they approved of his handling of the economy, compared to 44 percent who disapproved. Last month, it was 53 percent to 44 percent. On foreign policy, 45 percent approved while 40 percent disapproved. Last month it was 49 percent to 44 percent.

On the eve of Clinton's arrival in Moscow, the poll found more significant erosion in support for—and a

greater sense of uncertainty about—his handling of relations with Russia. Last month, 68 percent said they approved of how he was handling relations with Russia. Now it has fallen to 55 percent. Those who disapproved rose from 22 percent to 26 percent, while the percentage who had no opinion jumped from 10 percent to 19 percent.

The public is divided on the Clinton administration's policy toward Russia, with 32 percent saying the administration is doing too much to speed political and economic reform there, 16 percent saying the administration is not doing enough and 42 percent say the policy is about right.

Three-fourths of those interviewed said the United States should remain in NATO, and more than three in five said such Eastern European countries as Poland, the Czech Republic and Hungary should be allowed to join.

But there was overwhelming opposition to the idea that as the remaining superpower, the United States has the responsibility to exert its leadership throughout the world. Only about one in four persons surveyed agreed with that view, while two in three agreed with the proposition that because the United States "has limited resources and its own problems at home, it needs to reduce its involvement in world affairs."

The poll is based on a national random sample of 1,038 adults interviewed by telephone Jan. 5-9 by Chilton Research of Radnor, Pa. Margin of sampling error is plus or minus 3.5 percentage points.

contributed to this report.

WEDNESDAY, JANUARY 12, 1994 THE WASHINGTON POST

TODAY IN CONGRESS

SENATE

Not in session.
Committees:
Finance—10 a.m. Health for families & the uninsured subc. Health care reform & U.S. business competitiveness. 215 Dirksen Office Bldg.
Labor & Human Resources—11 a.m. Report of Advisory Committee on Head Start Quality & Expansion. 430 DOB.

HOUSE

Not in session.
Committees: None.

Whitewater, and Other Thin Ice

By Charles Peters

WASHINGTON
When Danny Ferguson denied in an affidavit that President Clinton had offered him and other Arkansas troopers Federal jobs for covering up the scandal that occurred when he was Governor, most of us were relieved. This had been the most troubling element in the stories of sexual scandal in *The American Spectator* and *Los Angeles Times*.

Since most people (myself included) did not believe that the remaining allegations about sexual misconduct, even if proved true, were enough to bring down the promising President, we were willing to forgive him.

I hope Bill Clinton would not be so willing to forgive himself. But I'm very much afraid he will see this episode as further evidence that however deep a hole he is in, he will manage to climb out.

A respected journalist once told me that he thought President Clinton's deepest conviction was his belief that he could always "get away with it." I am not that cynical, but I do worry that the White House's insensitivity to ethical issues is threatening the moral

Charles Peters is editor of *The Washington Monthly*.

authority of the Presidency. And that can have grave consequences.

December began with the announcement that two senior members of the White House staff, Roy Neel and Howard Paster, were leaving for lucrative jobs in the private sector. Those jobs would permit them to cash in on their connections in a way the Administration had once promised would not be tolerated. Yet they departed with the President's praise.

Then came the appointment of Bob by Ray Inman as Secretary of Defense, which made him the 27th Clinton appointee not to have paid Social Security taxes for domestic help. In his contempt for the law, Mr. Inman was doubtless the champion of them all, since he failed to pay up for almost a year after the Zoe Baird and Kimba Wood cases left no doubt about the law. Even Secretary of Commerce Ron Brown had paid up by then.

But we should note that Mr. Brown's continued presence in the Cabinet constitutes another reason to question the Administration's probity. Mr. Brown, after all, could not recall any meetings with a Vietnamese businessman said to have offered him a \$700,000 bribe to open up trade with Vietnam — until clear evidence of three such meetings emerged.

Bill and Hillary Clinton were cheap-skating on ethical thin ice when they used Vincent Foster to do their personal legal work on their

Whitewater real estate investment and other matters while the public was paying him to work on the President's official business.

One can't help fearing that the ice broke with Whitewater, as it came perilously close to doing with the Clintons' tax deductions during their Arkansas years for donations of used underwear to charities such as Goodwill and the Salvation Army (\$2 for each of the Governor's undershorts and \$15 for his long johns).

The stage may have been set for a Whitewater scandal when the Clintons decided to have Mrs. Clinton practice with a major Little Rock law firm while her husband was Governor. This exposed the Clintons to potential conflicts of interest.

Thus, when James B. McDougal, their Whitewater partner, said he authorized a \$2,000-a-month retainer to Mrs. Clinton for representing his Madison Guaranty Savings and Loan because he was "giving a friend's wife some work," it did not seem coincidental that the friend happened to be the Governor, who could shield Mr. McDougal from undue state regulatory curiosity.

Such embarrassments endanger Presidential authority in several ways. One of the most important has been shown by the Administration's difficulty in finding good people for Government jobs.

We need a President with the stature to summon the ablest Americans to devote at least part of their lives to public service; the more morally dubious the White House, the less attractive Government seems.

There has long been a shortage of qualified people in Government, a deprivation that is now especially severe among Democrats, who have been out of the White House for all but five of the last 25 years. But it is also a grave problem in a society that has too long undervalued public service.

Only during the New Deal and the New Frontier was there a major effort to bring our most talented citizens to Washington. The result is that far too many of the people experienced in government are mediocre.

The most glaring deficiency of Al Gore's "Reinventing Government" report was its failure to recognize this quality problem. According to the Volcker Commission on the Public Service, 90 percent of college honor students do not even consider the possibility of a career in government.

The President also needs respect if he is to perform another essential but too often neglected function of his office: educating the people on important issues.

Take health reform. The people are not going to accept Ira Magaziner's proposal unless the President educates them about it and the alternatives. Developing the plan in secret

Ethical lapses threaten Clinton's moral authority.

was a disastrous mistake that can be remedied only by open discussion that emphasizes careful explanation of the choices rather than propaganda for the Administration's proposal.

The value-added tax on consumption is an example of why such explanation is needed. Last spring, the tax was rejected as a means of financing health reform because a poll showed the public opposed it, according to Stanley Greenberg, the White House pollster.

But no one had explained the pros and cons to the people, so they had no way of knowing that it might protect jobs better than the payroll tax disguised as a "premium" that the Administration advocates and that, because it adds to the cost of employment, is almost certain to discourage hiring.

Instead of recognizing this obligation to educate, often the Clintons seem not to want the public to learn about plans like Canada's or Rochester's, which differ from the Administration's but which successfully provide universal care at a reasonable cost.

As for foreign policy, it would have been much better if Mr. Clinton had carefully explained the options and hazards in Bosnia, Somalia and Haiti and had given the public a chance to be heard before fateful decisions were made.

In the world of the 1990's, virtually every foreign policy decision will have potential consequences that the people should know about. As a result, they may slam on the brakes. But when rough sledding is encountered, they may also be more supportive and resolute if they feel they have been consulted in advance.

The sad fact is that Bill Clinton will not succeed in these important Presidential roles unless he has the trust and esteem of the nation. And he will not maintain that respect if he continues to appear to be a man who thinks he can get away with it.

I hope President Clinton will confront his ethical weaknesses and learn to govern himself. Then we will have faith in his ability to govern all of us. □

Critic Pushes for Inquiry On Clinton's Land Deals

By KEITH BRADSHAW
Special to The New York Times

WASHINGTON, Jan. 11 — The leading Republican critic of President Clinton's involvement in a failed Arkansas real estate venture said today that even if the Administration installed a special counsel to investigate, he would press for a separate Congressional inquiry.

Representative Jim Leach of Iowa, the ranking Republican on the House Banking Committee, said it was "indefensible that a Congress charged with oversight lacks the backbone to investigate the executive branch, even if it may be embarrassing to their party's President."

The strong words may fit a public stereotype of House Republicans as being prone to making highly partisan attacks, but they are uncharacteristic for Mr. Leach.

For years he has cultivated a reputation as a Republican moderate, a former American diplomat who tackles obscure financial regulatory issues while avoiding partisan tussles. With his trademark crew-neck wool sweaters, watery blue eyes and gentle, reassuring voice, he looks like someone who could be a substitute host on "Mr. Rogers's Neighborhood."

An Awkward Position

But Mr. Leach's party has moved steadily to the right since he entered the House 17 years ago. The increasingly corrosive debate over Mr. Clinton's financial dealings in Arkansas has put him in an awkward position.

"This is the problem of Jim Leach's life: What's a nice guy like him doing in a party like that?" said Representative Barney Frank, Democrat of Massachusetts, Mr. Leach's partner in a verbal scuffle on the "MacNeil/Lehrer News Hour" last Friday. "He's controlled by a group for whom incivility is the highest virtue."

Representative Henry B. Gonzalez, the Texas Democrat who heads the banking committee, decided on Dec. 10 to end his investigation, saying that the Justice Department should handle the issue. Mr. Gonzalez said in a statement this morning that while he had authorized the use of committee money for Republican Congressional aides to go to Little Rock, Ark., he still did not believe that hearings or a further committee investigation were necessary.

If Mr. Leach persists, he could force Mr. Gonzalez into an embarrassing vote on whether to hold hearings. It is unclear whether the Democratic leadership could persuade the committee's many politically vulnerable freshmen to oppose hearings.

Support From a Democrat

Representative Maurice D. Hinchey, a freshman New York Democrat whose district includes Binghamton, Kingston and Newburgh, said that

partly because of his respect for Mr. Leach, he had already supported a Congressional investigation and the appointment of a special counsel. "Whether or not there's anything there, it has gotten so much currency that it needs to be investigated," he said.

Mr. Hinchey, who won his seat in 1992 by a margin of only three percentage points, said he sensed a lessening of resistance from Mr. Gonzalez to calls for a Congressional investigation.

"My impression is the Chairman intends to investigate this matter," Mr. Hinchey said.

Question of Influence

The main issue is whether Mr. Clinton used his political influence on behalf of an Arkansas businessman who was his partner in the real estate venture.

The businessman, James B. McDougal, owned the Madison Guaranty Savings and Loan Association, which failed in 1985 at a cost to taxpayers of \$60 million. He, his wife, Susan, and Mr. Clinton and his wife, Hillary, were partners in the Whitewater Development Corporation, which also failed.

The President's critics suggest that Madison, which was regulated by the state but protected by Federal deposit insurance, would have been shut down sooner and at less cost to taxpayers if Mr. Clinton had not been involved in a business relationship with Mr. McDougal. The President has denied any impropriety.

Mr. Leach said today that nothing he knew about the President's role would justify any criminal prosecution or penalties. And he repeatedly expressed strong reluctance about his highly visible and increasingly partisan role in the controversy, saying that he hoped other Republicans would soon step forward so he could play a less prominent role.

Representative Charles E. Schumer, a Brooklyn Democrat who is also on the House Banking Committee, said Mr. Leach's reputation for avoiding partisan conflicts was fading and may not have been deserved in the first place. "He has the sweater and the nice blond hair, and he's very intelligent, but he's a partisan guy," Mr. Schumer said.

Mr. Leach's new vehemence has prompted speculation from Mr. Frank and others that he is catering to his party's right wing to protect his position as the Banking Committee's ranking Republican. The second-ranking Republican on the committee is Representative Bill McCollum of Florida, who is a close ally of Mr. Leach.

House Republicans could in theory replace Mr. Leach with Mr. McCollum,

but have shown much less enthusiasm than Democrats in the last two decades for such maneuvers, preferring to choose their committee leaders by seniority. Mr. Leach has been in Congress for four years more than Mr. McCollum.

Mr. Leach said he was acting on his own initiative and had not been prodded to confront the Administration. Mr. McCollum said in a telephone interview from Orlando, Fla., that he completely agreed with Mr. Leach's handling of the issue and that Mr. Leach had been the first to take an interest in it.

Clinton Considering Prosecutor

WASHINGTON, Jan. 11 (AP) — President Clinton said today that he was re-evaluating his opposition to having a special prosecutor investigate the Whitewater affair.

One Administration official said that the White House was seriously considering asking Attorney General Janet Reno to appoint a special prosecutor.

"The most important thing to me and the most important thing to the American people is I'm completely relaxed about this because I didn't do anything wrong," Mr. Clinton said in an interview with CBS News in Prague.

Another Administration official said no decisions had been made, but that calling for a special prosecutor appointed by Ms. Reno was one option being debated. Both officials spoke on condition of anonymity.

.kc-wrapnat-1
RERUN FOR ROCHESTER AND OTHERS NEEDING

TAKE 1 OF 3
NATIONAL WRAP FROM GANNETT NEWS SERVICE FOR WEDNESDAY, JAN. 12, 1994

Editors: The following stories moved on the GNS national wire for the AMS cycle. Stay tuned for our PMADVISE, listing some new stories to kick off the PMs cycle.

National Desk is on duty at 9 a.m. EST at 703-276-5843 for questions, story ideas, suggestions.

Also at 7 a.m. EST, Yvonne Graves is in the office to handle reruns. Her number: 703-276-5838.

WASHINGTON ... WASHINGTON ... WASHINGTON ... WASHINGTON ... WASHINGTON

LEACH TAKES ON CLINTONS OVER WHITEWATER AFFAIR

WHITEWATER: WASHINGTON The chief antagonist of the White House in the Whitewater realty affair says his investigation has so far produced nothing suggesting criminal behavior, only "embarrassing" circumstances for Bill and Hillary Clinton in their ties to a failed thrift and busted Ozark property venture. Rep. James Leach, R-Iowa, ranking Republican on the House Banking Committee, told reporters at breakfast Tuesday he's mostly interested in "civil accountability" for the first family's questionable connections to the Madison Guaranty Savings and Loan, the failure of which cost taxpayers about \$60 million. 21 inches. John Hanchette, GNS.

Eds: With sidebar, STATUTE.

MOMENTUM GROWS TO APPOINT

WHITEWATER SPECIAL PROSECUTOR

WHITEWATER-CLINTON: WASHINGTON With several prominent Democrats joining a GOP chorus calling for a special inquiry into the Whitewater case Tuesday, the White House says chances are increasing that the administration will appoint a so-called special prosecutor. President Clinton, sounding more conciliatory, told CBS anchor Dan Rather in Prague: "I think we ought to be accountable on the chance that any information we had would be valuable to the Justice department." 14 inches. Leslie Phillips and Adam Nagourney, USA TODAY.

REPUBLICANS WANT TO EXTEND

STATUTE OF LIMITATIONS

STATUTE: WASHINGTON One problem prosecutors and investigators face in the Whitewater realty affair involving Bill and Hillary Clinton is a rapidly expiring statute of limitations for savings and loan violations. Several prominent Republicans, led by Sen. Al D'Amato, R-N.Y., on Tuesday asked Attorney General Janet Reno to seek extensions of those little understood deadlines. An explainer. Special Attn: N.Y. points. 15 inches. John Hanchette, GNS.

Eds: Sidebar to WHITEWATER.

Attn: New York points.

POLL: MANY AMERICANS WARY

OF CLOSE TIES TO RUSSIA

USATPOLL: WASHINGTON President Clinton arrives in Moscow on Wednesday for a summit with embattled Russian President Boris Yeltsin. Clinton hopes to demonstrate his administration's strong support for Yeltsin and his free-market economic reforms, but a USA TODAY/CNN/Gallup poll finds many Americans are still wary of an old enemy. 12 inches. By Richard Benedetto, GNS.

HOW WET WAS '93?

YOU WOULDN'T BELIEVE IT

WEATHER: WASHINGTON How wet was 1993? In six weeks of the Midwest floods, the equivalent of Lake Erie fell on the upper Midwest; the four-day March storm dumped as much water as passes over Niagara Falls in four months. Meanwhile, the Western drought snapped, record numbers of tornados hit some regions, and the ozone layer reached a new low. Federal climate experts look at the extremes of the year past and offer only a peek at what's ahead. Ken Miller, GNS.

TODAY'S JOBLESS BENEFITS

SHOULD INCLUDE TRAINING

JOBREFORM: WASHINGTON Jobless benefits programs dating from the Great Depression no longer fit today's workplace, and next month President Clinton is scheduled to send Congress legislation to fix that by emphasizing training, rather than just making unemployment payments. 21 inches. Norm Brewer, GNS.

Eds: Moved on national and business wires.

HOW BORDERS WILL BE AFFECTED

BY MORE TRAFFIC DUE TO NAFTA

NAFTAROAD: WASHINGTON Transportation Secretary Federico Pena and Highway Administrator Rodney Slater announce the results of a study on border crossings and cross-country transportation corridors that will be affected by NAFTA. They will also talk about plans for improvements the United States will make. Jim Specht, GNS.

DO OLDER DRIVERS

NEED SPECIAL HELP?

DRIVING: WASHINGTON Can the auto industry do more to help older drivers? Can state and local officials do more? Perhaps better signs and lane markers. The number of older drivers will double within the next 25 years. The annual meeting of the Transportation Research Board from Jan. 9-13, will discuss the topic. Policy officials from California, university researchers and federal officials debate the issue. Earle Eldridge, GNS.

Sidebar: DRIVING-STUDY.

Eds: Moved on national wire.

MORE

**** filed by:GN-F(--) on 01/12/94 at 04:00EST ****
**** printed by:WHPR(JEL) on 01/12/94 at 08:23EST ****

'xxx anything else.

= Boston Herald=

Daniel Patrick Moynihan - Democratic lion, U.S. senator, former ambassador, noted scholar - urges President Clinton to turn over to an investigating prosecutor any documents relevant to the swelling Whitewater scandal.

At the heart of what we might as well call Whitewatergate is the relationship of Bill and Hillary Clinton to James McDougal, a slick Arkansas operator. In 1978, the Clintons joined McDougal in a partnership to sell vacation homes in the Ozarks. Whitewater, as the project was called, flopped. The Clintons claim they lost \$69,000 on the deal. Yet they never took a tax deduction for the loss.

Around the same time, McDougal bought Madison Guaranty, an Arkansas savings-and-loan, and commenced running it into the ground. Warnings were sounded about Madison's risky lending practices. But Arkansas bank regulator Beverly Bassett Schaffer declined to put the S&L out of business, or to exert any regulatory control over it.

Schaffer was an appointee of then-Gov. Clinton. Madison's attorney, whom it paid a \$2,000 monthly retainer, was Hillary Clinton, a partner in Little Rock's prominent Rose Law Firm.

Suspensions swirl around the president. Only an independent and credible investigation can lay them to rest - or verify them.

= Boston Globe=

North Korea's program to develop nuclear weapons in violation of the Nuclear Non-Proliferation Treaty constitutes a global threat. This is not an issue to be resolved by splitting the difference between Washington and Pyongyang or by postponing decisions that could be politically risky. If the Clinton administration persists in such a dilatory approach, it runs the far greater risk of failing to deter nuclear proliferation....

The administration is right to engage the North Korean regime in negotiations and to offer Pyongyang incentives such as cancellation of U.S.-South Korean military exercises, diplomatic acceptance and trade benefits. The proper goal of these incentives, however, is not merely to cajole North Korea into accepting inspections it is already obligated to accept under the treaty.

Diplomatic engagement with Pyongyang is pointless if it does not culminate in the dismantling of North Korea's nuclear bombs and its bombmaking infrastructure.

If the Clinton policy of constructive engagement and positive incentives does not persuade the regime of Kim Il Sung to comply with the treaty, the matter should be brought to the UN Security Council.

As it did in the case of Saddam Hussein, the Security Council should pass a resolution that mandates sanctions against North Korea until it complies with the nonproliferation treaty.

= Fort Worth Star-Telegram=

In all of Europe, plus North America, there is still only one country that could conceivably act as an aggressor against the traditional members of the North Atlantic Treaty Organization, or against the former Soviet bloc nations of Eastern Europe.

That nation is Russia, inheritor of most of the power remaining from the Soviet Union which, after all, posed the threat to Europe that led to NATO.

Russia today is not the Soviet Union of old. But Russia is still feeling its way into the post-Soviet era. Its political direction, and control of its armed forces, are still uncertain. Its recent elections served as a warning that there are elements calling for a return to a militaristic, imperialistic, "strong" Russia, coveting its neighbors' land. It is no wonder that the emerging democracies of Eastern Europe are made nervous by the prospect of yet again falling under Russian hegemony.

Frankly, NATO's mission in recent months as it, too, tries to find its way through a changed world has been to retain the unity of Western Europe

and North America, offer a measure of protection and encouragement to Eastern Europe and former Soviet states, and, at the same time, reach out a hand to Russia itself. It is a balancing act, requiring compromise.

The result of the "Partnership for Peace" plan, under which there would be increased military cooperation and joint exercises between NATO and its new "partners," but not actual membership for the former Soviet clients a move that could shove Russia, with its age-old fear of being surrounded by enemies, over the edge into aggressive nationalism.

It is not ideal. But it is a workable interim step toward what should be the eventual goal: a broader NATO that would have no natural outside enemies and would function to provide real security for all of Europe. Such a NATO still would link North America to Europe (and even past the Ural Mountains into Asia) and would include as members Poland, the Czech Republic, etc., as well as the Baltic states, Ukraine, Belarus and a Russia that would be a functioning democracy.

=

(end sampler)

**** filed by:UPI(--) on 01/12/94 at 03:26EST ****
**** printed by:WHPR(JEL) on 01/12/94 at 08:23EST ****

bc-whitewater-ndy - a1903
(ndy) (ATTN: National editors) (Includes optional trims)
New Ripples in Whitewater Case (Washn)
By Timothy M. Phelps= (c) 1994, Newsday=

WASHINGTON Rep. Jim Leach, R-Iowa, Tuesday questioned the assertions of President Clinton and his wife, Hillary Rodham Clinton, that they lost \$69,000 in their Arkansas land deal, but the White House provided new details Tuesday night to back up its version.

And with political pressure mounting from Democrats as well as Republicans for an independent investigation of the affair, the president himself hinted from Eastern Europe that appointment of a special counsel is possible.

Referring to the Justice Department's current investigation of the deal, Clinton told CBS News: "People said, 'That's not enough,' so I think we have to evaluate that and see where we are."

At a breakfast meeting with reporters in Washington, Leach took issue with repeated assertions by the Clintons that they have lost as much as \$69,000 on the Whitewater Development Co., which attempted to develop vacation homes in the Ozarks in the 1980s.

He said it was his "personal view" based on his own reading of a report released by the Clintons themselves during the presidential campaign in 1992 that the Clintons had put up somewhere between "zero and \$9,000."

But top presidential adviser Bruce R. Lindsey said Tuesday night for the first time that the \$69,000 loss represented actual out-of-pocket expenses by the Clintons, and that canceled checks documenting their payments had been handed over to the Justice Department. Lindsey said the Clintons had made interest, tax, and other payments for Whitewater through the 1980s. He said none of the partners put up their own money initially because the land purchase price was met with bank loans.

The Clintons were equal partners in the venture with James and Susan McDougal. The Justice Department is investigating whether James McDougal diverted funds from Madison Guaranty, a savings and loan he owned. Madison failed in 1989, and bailing it out has cost taxpayers at least \$47 million.

Leach and other Republicans and at least five Democrats, including New York Sen. Daniel Patrick Moynihan and Nebraska Sen. Bob Kerrey have said that Attorney General Janet Reno should name an independent counsel to investigate whether funds from the thrift were diverted to Whitewater or to Clinton gubernatorial campaign debt.

Clinton said Tuesday in the interview with CBS News, "The most important thing to me and the most important thing to the American people is I'm completely relaxed about this because I didn't do anything wrong."

James M. Lyons, the Denver lawyer who prepared the campaign report on the Clintons' finances, said they had "invested, loaned or otherwise advanced" \$68,900 to Whitewater or the McDougals. Leach said he based his very different conclusion on a detailed accounting provided by Lyons, as well as other documents.

Hillary Clinton repeated last month the assertion that she and her husband had lost \$69,000 and that it was "provable by the accountants."

The Clintons have not claimed the purported loss on their tax returns because, according to the White House, they do not have sufficient documentation. Last year, they showed a \$1,000 gain, reflecting the sale of their interest to McDougal.

But Lindsey, in an interview Tuesday night, said that in fact the Clintons had claimed roughly half of their losses on their tax returns through 1988. The other half, roughly \$30,000 in payments of principal, represented a capital loss for which they had no offsetting capital gain, he said.

Even Leach, a leading critic of the Clintons' handling of the investment, said at the breakfast interview with reporters that he does not expect it to become more than a serious embarrassment for the first family.

(Optional add end)

``I don't think there's anything really big at the end of the tunnel,''
said Leach, the ranking Republican on the House Banking Committee.

Meanwhile, another critic, Sen. Alfonse M. D'Amato, R-N.Y., released a
letter to Reno asking that she seek agreements from the Clintons and others to
waive the statute of limitations for any civil penalties that might arise from
the venture. The statute could come into play as early as March.

``The clock is ticking; time is running out'' D'Amato said in the letter,
also signed by Leach and other top Republicans.

Distributed by the Los Angeles Times-Washington Post News Service

**** filed by:LAWP(--) on 01/12/94 at 02:34EST ****
**** printed by:WHPR(JEL) on 01/12/94 at 08:22EST ****



Hillary Rodham Candor

It is the end of Hillary Rodham Clinton's first year in office. That description alone illustrates how successful she has been at transforming the notion of how the spouse of the President can serve the nation.

Amid endless speculation about how much she could do and how openly she could do it, Mrs. Clinton simply went to work on health care reform. When the President introduced his plan to the Congress, she was applauded enthusiastically. Polls suggest the American people applauded, too.

It's hard to remember that the biggest contretemps in her first day on the job came over something

afloat. She made his case in a letter to a state regulator who was a personal friend of the Clintons, who had been appointed by Mr. Clinton and who had done work in the past for the S.&L.

What does all this add up to? No one knows. No one knows because files have been lost or sealed. No one knows because the file on Whitewater kept by Vincent Foster, who was the Clintons' personal lawyer before he went to work in the White House, was never part of the investigation into Mr. Foster's suicide and has never been made public.

And no one knows because the Clintons, who insist they have done nothing wrong and have nothing to hide, have been behind times on full disclosure. There's no evidence that they made money on any of this: these are people who don't even own a home. But if there's nothing to hide, let's lay all the nothing on the table.

With calls for a special counsel growing louder from members of both parties, it is Mrs. Clinton who should direct the release of all materials relating to this case. Present evidence suggests Whitewater may be more her quagmire than her husband's; anecdotal evidence suggests she has always been better at making hard choices.

Damage control has been her strong suit. First on "60 Minutes" during the campaign, then in interviews during the holidays, she made allegations about her husband's infidelity seem distasteful and irrelevant. Poof! The tell-all troopers became a book proposal without a publisher. But while looking down your nose may work with sexual innuendo, it does not adequately address conflict of interest. The Clintons have not controlled Whitewater. They have inflated it with the gases of temporizing. A big bang looms.

As capably as she has done so much else, from propping up her husband to fashioning a career in the shadow of his, Hillary Rodham Clinton has changed the role of Presidential wife. Her wardrobe is beside the point; her hair is a non-issue. But she must now answer for those matters that sometimes attach to a woman who has achieved parity in this wheeling-dealing world.

To hell with the hats; she is judged on her political acumen, her intelligence and her judgment. Perhaps a full investigation into Whitewater will show that sometimes her judgment was faulty. She does not seem like a woman to welcome that sort of disclosure. But how much better if she were to make it herself. And soon.

Full disclosure on Whitewater.

small and silly, reflecting the tired role of First Lady she inherited: the disproportionate dust-up over the ugly hat she wore at the inauguration.

A year later, and substance has triumphed over style. A year later, and Mrs. Clinton is embroiled in an error of judgment not sartorial but monumental, reflecting the new and difficult demands on the first Presidential spouse to be a full partner in policy and politics. It sounds like the name of a men's cologne, Whitewater, but its inept handling has caused a stink.

Whitewater is a catchall term for a chain of events, beginning with the Clintons' 1978 partnership with James McDougal and his wife in a vacation home development. Mr. McDougal headed a failed savings and loan, which seems to have been a prerequisite for being on the periphery of politics in the 1980's. The Justice Department is investigating whether the S.&L. improperly funneled money into Whitewater or into Mr. Clinton's 1984 gubernatorial campaign.

In the bell jar of Little Rock, where everyone who was anyone knew everyone else, Mrs. Clinton became entangled in a cat's cradle of conflicts. After she and her husband had gone into partnership with Mr. McDougal, and after Mr. McDougal gave a fundraiser to retire Mr. Clinton's 1984 campaign debt, Mrs. Clinton, one of the state's most prominent lawyers, represented Mr. McDougal in an effort to keep his sputtering S.&L.

PM-Clinton-Whitewater, Ark Bjt, 740

White House Reassessing Opposition to Independent Whitewater Review

By JOHN KING= AP Political Writer=

WASHINGTON (AP) Stung by Democratic defections, the White House is reevaluating its opposition to a special investigation of President Clinton's investment in a controversial Arkansas land development.

Clinton on Tuesday insisted anew that neither he nor Hillary Rodham Clinton had done anything improper in a Whitewater Development Corp. investment in the 1980s that he said proved a money loser.

"The most important thing to me and the most important thing to the American people is I'm completely relaxed about this because I didn't do anything wrong except I made a bad business deal," Clinton told CBS-TV in Prague, Czech Republic.

But Clinton suggested he was revisiting the subject of an independent review because his decision to give his Whitewater records to the Justice Department had not quieted the political controversy over the matter.

"We gave it all to them, then people said, 'That's not enough,' so I think we need to evaluate that and see where we are," Clinton said when asked whether he opposed having Attorney General Janet Reno name a special prosecutor to review Whitewater.

Clinton's comments as he visited Eastern Europe came as aides back home in Washington scrambled to reassess a damage-control strategy that had been anchored on painting the calls for a special prosecutor as partisan sniping from Republicans.

But since the weekend, a growing number of Democrats, including at least eight senators, have joined Republicans in recommending an independent investigation, stripping the White House of its argument that such demands were the product of politics.

None of the Democrats has suggested any wrongdoing by the Clintons. But they have said Clinton risks a protracted, distracting political fight over Whitewater that could be avoided through an independent investigation.

"I think the world of Janet Reno and of the president and I want him to get back on his agenda and not have this thing get dragged out," Sen. Bob Kerrey, D-Neb., said in an interview.

"Whether it is reality or not doesn't matter the perception is that the White House is withholding information," Kerrey said. "This one is not going away so the way to get it off the table is to get someone independent to take a look at it."

Late Tuesday, an administration official and an outside Clinton adviser said the White House was seriously considering asking Reno to name a special prosecutor. But another administration official said no decisions had been made and stressed that asking Reno to name an independent investigator was just one option being debated. All three sources, speaking on condition of anonymity, said the White House was eager to find a way to end what one called a "daily Republican and media badgering" over Whitewater.

Clinton adviser Paul Begala repeated the White House assertion that Republicans were fueling the calls for an investigation in an effort to embarrass Clinton, but said he had "no criticism" of the eight Democratic senators who had endorsed naming a special counsel.

"They are fine senators," Begala said. "I just think they are saying this is the best way to deal with the partisan smear."

The White House has steadfastly opposed demands, led by Iowa Republican Rep. James Leach, that Reno name a special counsel to investigate allegations that Clinton improperly benefited from his business partnership with James McDougal, operator of a now-failed Little Rock savings and loan.

Investigators are trying to determine whether depositors' funds were diverted from Madison Guaranty Savings and Loan to help retire Clinton's 1984 gubernatorial campaign debt and whether thrift money was improperly deposited in the Whitewater account. McDougal and his wife at the time were partners

with the Clintons in Whitewater.

Clinton and his wife, whose law firm represented Madison, have denied any wrongdoing and said McDougal controlled the Whitewater account.

The White House has agreed to turn over Clinton's Whitewater records to Justice Department investigators, but only under a subpoena requested by the White House that prohibits their release to the public.

**** filed by:APW-(AR) on 01/12/94 at 01:30EST ****

**** printed by:WHPR(JEL) on 01/12/94 at 08:22EST ****

Strengthening of Head Start urged

By Jill Zuckman
GLOBE STAFF

WASHINGTON — The quality of Head Start, the early childhood program for low-income families, needs to be strengthened, according to a bipartisan advisory committee report released yesterday.

Some members of the committee called for serving more children under the age of three, although others said the program needs to be improved before expanding it.

Sen. Edward M. Kennedy, chairman of the Labor and Human Resources Committee responsible for overseeing Head Start, said that improving the quality and expanding the number of children served should go hand in hand.

"The first three years of life provide the foundation for good health, problem solving, social and emotional development," the report said. "Yet today, far too many infants and toddlers are at risk during this critical period."

The report, commissioned by Health and Human Services Secretary Donna E. Shalala, suggested that Congress focus on improving the quality of Head Start by providing training for teachers, improving management and providing better facilities.

It also called for expanding the number of children served and the scope of services provided to the children and their families. Congress plans to rewrite the Head Start law this spring.

Currently, Head Start serves about 721,000 children and their families at a cost of about \$3.3 billion. To be eligible, a child must be living in a family whose income is below the federal poverty

line of \$14,350 for a family of four.

But only about 35 percent of eligible children not in kindergarten are currently served by Head Start.

At a news conference, Shalala acknowledged that the report's recommendations to expand the number of children will require more money. She said the president's budget will contain more money for Head Start.

At a hearing before Kennedy's committee yesterday, a Woburn mother of four testified that Head Start helped her become a better parent. In 1988, Diane Hebert said she was living in public housing, using drugs and keeping her children indoors.

She said the Head Start program welcomed both her children and herself, and taught her quiet ways to control her children. "This replaced the yelling and slapping that never worked anyway," she said.

Hebert became actively involved in running the program, and said the experience built her self-esteem. Today, she and her children live in their own house in Woburn. She has been drug-free for five years, and hopes to obtain a law degree.

In Boston, the Head Start report was greeted with enthusiasm by the director of Action for Boston Community Development Head Start, which serves 2,300 children. Marie H. Galvin said she hopes the report will serve as a wake-up call to Congress to give more money to Head Start.

"I'm hoping that Congress will understand the need for prevention rather than making up for what we don't do with younger children," Galvin said.

From Boston Globe Page 20

Mass. delegation lauds president's decision

By Jill Zuckman
GLOBE STAFF

WASHINGTON — Most members of the Massachusetts congressional delegation applauded the Clinton administration's appointment last night of a special counsel to investigate the president's role in an Arkansas real estate investment that went sour.

"When you are in the most powerful position in the free world, you have to go through such steps to remain above suspicion," said Rep. Peter G. Tordella, Republican of Danvers.

"Let's be clear," Sen. John F. Kerry said. "There's been no indication of any criminal wrongdoing. Nonetheless, I think it's a good idea the White House has decided to call for a special prosecutor."

The Whitewater affair involves the investment by Clinton and his wife, Hillary Rodham Clinton, in a real estate deal in partnership with the head of a since-failed savings and loan. Justice Department investigators are trying to determine if money was improperly diverted from the thrift to the Whitewater investment.

Most delegation members said they believed the appointment would help put the furor behind Clinton and allow him to focus on health care, welfare reform and other issues before Congress.

Kerry said he believed the move will clear up questions. "We've got the crime bill, the economy and health care to contend with this session," he said. "I think we should stay focused on what really matters."

Sen. Edward M. Kennedy called the president's decision a sound one, saying it "enables the administration to put this issue behind them."

Kennedy also said the call for a congressional inquiry by some Republicans, such as Rep. Jim Leach of Iowa, is unnecessary. "Appointment of a special counsel will guarantee a full and fair investigation," he said. "This issue has already been politicized too much."

Rep. Barney Frank, Democrat of Newton, suggested that Clinton wait for Congress to pass a new independent prosecutor law so that an unaffiliated lawyer could investigate the matter, rather than a special counsel who would answer to Attorney General Janet Reno.

But Rep. Martin T. Meehan, Democrat of Lowell, said he is not worried about that. "Janet Reno is a career prosecutor; she has an impeccable reputation," he said.

Peter I. Blute, Republican of Shrewsbury, also approved of the move toward a special counsel. But he warned that Reno "would have to be very careful in the selection."

125

'Indignation response' is criticized, defended

White House denies routinely crying foul

By Susan Feeney

Arlington Heights, Ill. Times Tribune Staff Writer

WASHINGTON — When Bill Clinton has come under fire, his first response is what one political science professor called "the indignation defense."

In scrums with Republicans, Arkansas state troopers or Democrat Jerry Brown over issues from marital infidelity to Whitewater Development Corp., the reaction has been the same, said Rep. Jim Leach, R-Iowa, a chief Clinton critic on Whitewater, an Arkansas real estate venture.

Instead of answering questions, the Clinton team fires back by "impugning motives and taking the route of indignation," thought through in advance, Mr. Leach said Tuesday.

The White House, he said, would be better served with quick, substantive responses on controversial matters.

Not always, said presidential adviser George Stephanopoulos.

"When you make allegations without a specific charge," indignation "is one of the appropriate responses," he said.

Mr. Stephanopoulos denied that the White House cries foul as a matter of course. But he said, "It's appropriate to call a spade a spade."

Indignation prevailed until Wednesday, when the White House announced that Attorney General Janet Reno would appoint a special outside counsel to examine the Clintons' dealings with Whitewater.

White House aide David Gergen blasted Republicans last week for hyping the issue as the president was burying his mother, Virginia Kelley. Mr. Gergen denounced "a cannibalism loose in our society."

Vice President Al Gore made that

point three times on CBS-TV's *Face the Nation* on Sunday. "It seems to me a violation of common decency," he said.

The approach can work for the White House, said Rod Hart, a University of Texas political communications specialist.

"It's probably effective to remind voters from time to time that these people are flesh-and-blood human beings with real feelings. When a man's mother dies, it's time to shut up," Mr. Hart said.

From a presidential perspective, an "indignation defense" is preferable to "getting down in the pit and exchanging fact for fact," said Donald Davidson, a political scientist at Rollins College in Winter Park, Fla. "That can be degrading to a president."

Notion discounted

Thomas Mann, a scholar at the Brookings Institution, discounts the notion that the Clinton White House expresses an overabundance of indignation.

"They've probably had that reaction to 5 percent of the fingers that come their way," he said.

But Mr. Mann agrees with others who say the White House must be forthcoming on Whitewater. "The idea of going on the defense, it seems to me, is pointless."

In an interview Tuesday with CBS News, Mr. Clinton said: "I didn't do anything wrong. I made an investment and lost money. ... All the federal investigators in the world that have looked into this, not a single soul has alleged that I've done anything wrong."

Still, members of a special White House task force on Whitewater have been out in force pushing the president's case, sometimes with a bit of indignation.

Presidential political adviser Paul Begala and Mr. Leach, the ranking Republican on the House Banking Committee, appeared on CNN last week.

Mr. Leach, responding to charges that the GOP was stirring up the Whitewater controversy, said, "Republicans didn't bring about a suicide of a

UNDER FIRE: SOME CLINTON RESPONSES

■ To Arkansas state troopers' charges of marital infidelity against President Clinton:

Dec. 21, 1993 — Hillary Rodham Clinton: "I find it not an accident that every time he is on the verge of fulfilling his commitment to the American people and they are responding, whether it's forging ahead in the polls in New Hampshire or now with very high popularity, that out comes yet a new round of these outrageous, terrible stories that people plant for political and financial reason."

Jan. 9, 1994 — Vice President Al Gore, on CBS' *Face the Nation*: "The opposition has watched this past year as President Clinton has done everything right — put our country back on the right track, all of the economic indicators are up, the economy is recovering. They attacked his policies all year long, to no effect, and I think there is a little bit of political panic that everything's going so well, and so they're unleashing these attacks on him."

■ To Republican criticism of the Clintons' response to an investigation of Whitewater, a real estate venture:

Jan. 7 — White House counselor David Gergen on CNN: Called the timing — as Mr. Clinton was burying his mother — "a cannibalism loose in our society."

Jan. 8 — Sen. David Pryor, D-Ark.: "I have never seen anything like this, especially in a time of great mourning ... a time of great pain, for these attacks of this nature to continue relentlessly."

The Dallas Morning News

top presidential adviser."

He was referring to White House deputy counsel Vincent Foster, from whose office Whitewater files were removed after his suicide last summer.

Angry reaction

Mr. Begala blew up.

"I can't let it go unmentioned that you would try to politicize the tragic death of a talented public servant who took his own life in a great tragedy," he said. "To try to somehow use that to tar the president is beneath you and its beneath your party."

Mr. Leach said: "To deny a role for Vince Foster in all of this is inconceivable. ... To raise their friend is awkward. But not to raise him would be to join them in a conspiracy of silence."

Mr. Hart at UT said he believes the public sides with Mr. Clinton on such sensitive matters.

"There's always the possibility they genuinely felt indignant. Sometimes when you feel things, you've got to say them," Mr. Hart said.

During a March 1992 presidential primary debate in Chicago, Jerry Brown criticized dealings between the administration of Mr. Clinton, who was Arkansas governor at the time, and Hillary Rodham Clinton's law firm in Little Rock. Mr. Clinton fired back, not by arguing the issue but by angrily defending his wife's honor.

"You ought to be ashamed of yourself for jumping on my wife," Mr. Clinton said. "You're not worth being on the same platform as my wife."

Response defended

Mr. Stephanopoulos defends the response now, "particularly when there are no legitimate issues."

Three weeks ago, in the midst of the charges of marital infidelity lodged against Mr. Clinton by Arkansas state troopers, his defenders suggested that critics were resorting to personal assaults after political challenges failed.

Said Mrs. Clinton: "I find it not an accident that every time he is on the verge of fulfilling his commitment to the American people and they are responding, whether it's forging ahead in the polls in New Hampshire or now with very high popularity, that out comes yet a new round of these outrageous, terrible stories that people plant for political and financial reason."

Several analysts noted the serious repercussions for politicians or presidents if their indignation is found to be false.

Mr. Davidson at Rollins College cites the 1987 downfall of Democratic presidential candidate Gary Hart, who decried suggestions of marital infidelity and challenged reporters to follow him around. When they did — and found him to be consorting with Donna Rice — "that was that," Mr. Davidson said.

For the Clintons, said UT's Mr. Hart, "It will be a sorry day if they are ever found to be tugging at our heart strings while they have their hand on our purse strings."

Now taping Oprah is
no big dilemma.

With 11.1 million viewers, Oprah is the most watched TV show in America.
The Dallas Morning News

Moderate Rep. Leach Steps Out of Character ✓ To Lead Republican Attack on Clinton's Ethics

By KENNETH H. BACON

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Add this one to the list of baffling questions about Bill Clinton's dealings with Whitewater Development Co.: Just what in the world has gotten into Jim Leach?

The scholarly, soft-spoken Iowa Republican has for years been considered one of the least partisan members of the House, a vestigial moderate in a party that has moved steadily rightward. Yet in the controversy over Mr. Clinton's ties with the real-estate development and a failed Arkansas thrift, the 51-year-old congressman has suddenly turned into his party's pit bull, snapping at the president's ethics with a ferocity that would do Newt Gingrich proud.

Mr. Leach has been at the forefront of GOP calls for an independent counsel and a thorough congressional investigation into the allegations about Mr. Clinton. Last week, he suggested the president might be guilty of criminal violations while he was governor of Arkansas for going easy on the failed thrift, Madison Guaranty Savings & Loan, in return for favors.

His GOP colleagues are clearly thrilled to have him, rather than some more sharpened and ideological figure, leading the charge. "We in the Republican Party have been looking for a long time to find a partisan bone in his body. We haven't found one," says conservative Rep. Richard Armey of Texas, the chairman of the House Republican Conference. If Mr. Leach, who is "respected by everybody for his intellect and professional work, has said there are some serious problems here, we need to have an investigation."

Fought GOP's Drift

All this is pretty heady stuff for a man who has spent much of his political career at odds with his party's leadership. As the GOP became more and more conservative after his 1976 election to Congress, Mr. Leach found himself increasingly isolated. A former chairman of the Ripon Society, a Republican progressive group, he infuriated the Reagan team a decade ago by creating an organization called Republican Mainstream Committee to combat the party's rightward drift.

So how did gentleman Jim Leach become the GOP's chief bomb-thrower on Whitewater? As the top Republican on the banking panel, he says, he's fighting to protect the right of the minority party to carry out investigations of possible wrong-

doing by the majority: "It's important to set a precedent that says when the majority party in Congress is of the same party of the White House, that the minority should be empowered when it comes to information-gathering."

Democrats, though, say it's all politics. "There has been no specific allegation of criminal wrongdoing; what there has been is a series of political attacks," Vice President Al Gore said on the CBS News program "Face the Nation" last weekend. "The extremist wing of the Republican Party has pushed pretty hard" to force Mr. Leach to attack the president, charges House Banking Committee Chairman Henry Gonzalez of Texas, who has refused the GOP's demand for hearings into Madison Guaranty on grounds that the case presents no new legislative issues.

Mr. Leach's "excessive partisanship" is easy to explain, adds Democratic Rep. Barney Frank of Massachusetts. "He's had a change of life situation," Mr. Frank says. "He's now the ranking Republican on the House Banking Committee, elected by the caucus. If he hadn't done this, they would have been after him," and he might have risked losing his post to a more conservative colleague.

'Happencence of Position'

Mr. Leach admits that the "happencence of position" has put him into the fray. But he says he is bothered by charges that he's conducting a political attack, as if there's something dirty about partisanship. "I feel quite sensitive on this subject," he says.

Whitewater, it appears, offends his squeaky-clean, good-government sensibilities. This, after all, is a man who doesn't accept campaign contributions from political-action committees or non-Iowans, and only accepts individual contributions up to \$500, half the legal limit. Mr. Leach seems genuinely angry over the possibility that Mr. Clinton may have violated what he calls one of the moral laws of high office, "that you don't seek to achieve private gain through public service."

There are perhaps personal considerations as well. One is Mr. Leach's closeness to former President George Bush. The two met more than two decades ago when Mr. Leach, then a young foreign service officer, was assigned to work for United Nations Ambassador Bush.

With bitterness, Mr. Leach notes that the same lawmakers who won't investigate Bill Clinton now had no reservations about going after Neil Bush, the former president's son, in the failure of a Denver thrift. "There is a sense of inequitable application of the rules of Congress when it comes to oversight," he says.

As Mr. Leach sees it, the charges against Mr. Clinton are potentially far more serious than those against Neil Bush. In Arkansas, "it appears that conflicts of

interest were developed with the governor with novel techniques not only of contributing to a campaign, but for rewarding the governor through a real estate venture called Whitewater," he charged in an interview on National Public Radio last week. "The impropriety is extraordinary. Whether it goes beyond the kind of civil remedy to the criminal dimension is one of the great questions."

Mr. Leach says that his reference to possible criminal activity stems from a referral that the Resolution Trust Corp., the agency that cleans up failed S&Ls, made to the Justice Department. In seeking a criminal probe of activities by Madison Guaranty, the RTC mentioned dealings between the thrift and Bill and Hillary Rodham Clinton, according to reports.

Mr. Leach calls the mention of a president in a criminal referral "close to unprecedented." But immediately after raising the possibility of criminality by the president, he retreats behind a curtain of respect. "Even if there is a breach in the law, civil remedies should be pursued," he says. "This is an issue that could embarrass a significant political player, but the presidency itself isn't in jeopardy."

Warned of Thrift Debacle

The last time Mr. Leach achieved such national prominence was in the late 1980s, when he warned of the pending collapse of the savings-and-loan industry, a debacle he blames partly on the political control of the regulatory system. Now, he worries that a Clinton administration proposal to consolidate bank regulators would allow the White House to control bank supervision. Thus, it's appropriate to look at how Gov. Clinton dealt with bank regulators in Arkansas, he says.

The president has steadfastly maintained his innocence of any wrongdoing, and James McDougal, the former owner of Madison Guaranty and the Clintons' partner in Whitewater, was acquitted in 1990 of federal charges of violating banking law.

"There has been no evidence of criminality, and if there were any criminal acts committed, they were committed during the presidencies of Ronald Reagan and George Bush" and left unprosecuted, says Rep. Frank. He predicts that the Madison Guaranty affair will fade away shortly after Congress re-enacts an expired law allowing the courts to appoint special prosecutors; he expresses confidence that an investigation by a court-appointed official would quickly exonerate Mr. and Mrs. Clinton of any charges.

Mr. Leach, though, insists there's no way of knowing that now. "We have an informational gap here," he says. "If the other side wants to say that any suggestion of impropriety is unfair, all it has to do is make all records available to disprove the charge, and they're refusing to do this. If there is nothing wrong, why are they hiding?"



Jim Leach

REVIEW & OUTLOOK (Editorial) On Ethics: A Congressional Responsibility

A good rule in politics is that when Barney Frank and Newt Gingrich agree on something, it's time for second thoughts. So with everyone shouting for an "independent counsel" to investigate President and Hillary Clinton's Whitewater mess, we'd like to explain our doubts.

We bow to no one in our concern over Whitewater, and, more broadly, over the Arkansas political mores that have migrated to Washington. Surely this is a subject that needs to be investigated by someone with the power of subpoena. The press is doing a good job on Whitewater at the moment, but cannot subpoena documents or force people to testify under oath. We also understand why, given the current state of our political culture, people clamor for an "independent" archangel to solve political problems. But independent counsels are troubling precisely because they have become a device for letting our political institutions shirk their constitutional responsibilities.

In particular, where is the Congress? The Whitewater episode is made to order for Congress's constitutional role of oversight. Yet the Banking Committees that were all over Neil Bush and Charley Keating are suddenly silent about a failed S&L that was owned by a business partner of the President and paid his wife \$2,000 a month for legal work. Surely Congress ought to be playing its role of educating the public.

It's fair, of course, to ask who in Congress has the credibility to do it. The sight of Senate Banking Chairman and Keating Five Don Riegle investigating anyone is, we admit, fodder for "Saturday Night Live." The Judiciary Committee could explore Mr. Clinton's firing of 93 U.S. attorneys last March, an act that let him appoint a crony in Little Rock, but this would again highlight the Anita Hill gang.

Yet sometimes Congress has been up to the job. Henry Gonzalez's Keating Five hearings helped the public understand what happened to the S&Ls, amplified later by special counsel Bob Bennett's ethics probe. For that matter, there is plenty of precedent, ranging from Mr. Bennett to Arthur Liman and back at least to Ferdinand Pecora, for Congress to appoint its own "special counsel," not only providing investigatory expertise but absorbing political heat.

Another constitutional option, first suggested by Sen. Lauch Faircloth and since picked up by both Bob Dole and Jim Leach, is for the attorney general to appoint a "special counsel" within the executive branch. Indeed, we ourselves suggested this after Vincent Foster's death, if only to assign responsibility and accountability for its investigation. This is different from the independent counsel law, because such a "special counsel" remains accountable to the attorney general. A President could always fire him, a threat that makes the counsel accountable to someone. But this threat cannot be carried out without a heavy political price, as Richard Nixon learned when he dismissed Archibald Cox during Watergate.

Washington has seen a lot of scandals over 200 years, after all, and the country somehow coped before the independent counsel law was passed in 1978. Teapot Dome and Watergate were both exposed without such a law. The Pecora hearings in the 1930s probed financial and political ties that embarrassed both Republicans and Democrats. Any peek at history shows the system worked better before the independent counsel law was enacted.

This is because the institution is an invitation to dodge responsibility, if indeed that is not its very purpose. Along the way it manages a fatal confusion of the roles of educating the public and enforcing the law. When Democrats in Congress lost their showdown with Ollie North in public hearings, they tried to criminalize their differences via Lawrence Walsh. Because he has been outside political control, Mr. Walsh could take six years, spend \$35 million and still face no discipline. The courts are even now cleaning up after his blunders, by awarding legal fees to individuals Mr. Walsh has unfairly harassed.

We now seem on course to have this law reinstated -- without even, as Barney Frank hopes, a vote on whether miscreant Congressmen should face a

similar institution. Then Ms. Reno can appoint a counsel and wash her hands of the matter. Democrats in Congress will also claim they've done everything they could, insulating themselves from any responsibility before the voter. A Whitewater investigator might of course turn into another Lawrence Walsh; he might even find a crime worse than accepting a security fence. He might also swallow all of the documents and silence the issue for years.

If Congress is to create some "independent" body, let it be one worthy of the task. Whitewater, after all, is merely the latest episode in the S&L disaster, the House post office, the ongoing Rostenkowski probe, the hints of political influence via BCCI (of which we may learn a great deal more through the settlement Bob Morgenthau & Co. have won from Abu Dhabi). Why not a special commission, with the power of subpoena and public hearings, to explore the corruption of the political process? Our candidate to head it would be retired Supreme Court Justice Whizzer White.

The point is that while laws may have indeed been broken in Whitewater, the more important point is to find out what happened. An independent counsel poring over the statute books looking for a crime that might fit the facts -- this is a trap. Instead, Republicans should have the gumption to force the Democratic leadership to face up to a full and public investigation. By obstructing the work of Congress if that proves necessary, a committed minority can force a Congress to do its duty.

The Democrats may object, just as Janet Reno may prove she lacks the independence to investigate her President. But the Founders provided a ready solution to such a political impasse. The solution is democracy, and as Congress very well understands, the next elections are scheduled for November.

**** filed by:DOWV(--) on 01/11/94 at 02:23EST ****
**** printed by:WHPR(JEL) on 01/11/94 at 08:37EST ****

Special Counsel: A Risky Tactic?

Success of Clinton Move Depends on What He Has to Hide

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, Jan. 13 — Most recent Presidents have faced the quandary of how to respond to potentially damaging questions about their conduct, and their inclination has been to trim, hedge and dissemble.

The tactic has had mixed results. For Richard M. Nixon, it was a disaster that cost him his Presidency. For Ronald Reagan, it succeeded in preserving his reputation and getting George Bush elected to succeed him.

Nothing that is known about President Clinton's financial dealings indicates that they should be compared to Watergate or the Iran-contra case. But Mr. Clinton's initial instinct was the same as his predecessors': to keep the full truth from becoming public. Now, he has agreed to the appointment of a special counsel. Whether that was a wise choice politically depends on whether he has anything to hide.

Former President Jimmy Carter put the matter in some perspective this week when he was asked in a National Public Radio interview why he thought President Clinton was being so close-mouthed about his investment many years ago in the Whitewater Development Corporation, a real estate venture.

'Stonewalling' by Presidents

"I think one reason," Mr. Carter replied, "is that Presidents Bush and Reagan got away with the Iran-contra embarrassment. They stonewalled and are still doing so, and the information about Iran-contra has never been made fully public. So I think it may be that some of President Clinton's advisers thought that he could do the same thing.

"But I don't believe it's possible in the case of this issue. I think that it's going to all come out, and it would be much better to let it come out voluntarily and not have it forced out."

Mr. Nixon had little to hide about the Watergate burglary, but that did not cause him to be candid. On March 22, 1973, with details of the break-in pouring out and the White House under fire, he told his aides, "I want you to stonewall it."

Less than 17 months later, he was forced to resign, not because of the burglary — no credible evidence was ever produced that he knew about it in advance — but primarily because of the illegal steps he and his staff took to cover it up.

More than a decade later when the Iran-contra case broke, Mr. Reagan adopted a similar strategy. He insisted, in the face of considerable evidence to the contrary, that he had never authorized trading arms for hostages or supporting the rebel forces in Nicaragua when it was against the law to do so.

In that case, the tactic succeeded. The Iran-contra affair, which involved a private foreign policy run outside normal channels without the scrutiny of the State Department, Congress and the public, was fixed in the public mind as a political squabble of little consequence.

The Best Strategy

So Mr. Nixon would have benefited from baring everything. But if Mr. Reagan had told the whole truth, the

Baring all could have costly political consequences.

political consequences could have been significant.

Public relations specialists generally hold that the best response to a damaging disclosure is to get all the truth out as quickly as possible. The textbook examples are from the 1980's when Tylenol quickly recovered its market share after news that consumers had died after taking cyanide-laced capsules. The reason, public relations experts hold, is that the drug's manufacturer, Johnson & Johnson, never pretended that nothing was wrong and made every effort to appear candid and contrite.

But if the lesson is that such a strategy is good politics as well as good public relations, Mr. Clinton does not seem to have learned it. On questions involving his personal conduct, Mr. Clinton's instinct has been to circle the wagons.

During his election campaign, when he was questioned about reports of marital infidelity, his draft record and his marijuana smoking, his initial answers were lawyerly at best and deceiving at worst. On marijuana, for example, when he was first asked if he had ever smoked it, he replied that he

had never broken the laws of the United States. The truth was that he had used marijuana when he was a student in England.

In the White House, he did not answer completely at first when he was asked about the dismissal of the travel office staff and the suicide of his friend and deputy counsel, Vincent W. Foster Jr. So the matters never seemed to be put to rest. New information is still coming out about Mr. Foster, most recently just before Christmas when it turned out that a file on Whitewater was removed from his office the day of his death before it could be examined by Federal investigators — a fact Mr. Clinton and his wife, Hillary, surely knew.

Public's Suspicions

All this enhances Mr. Clinton's "Slick Willie" image, and some on his staff view it as a political problem. A CBS News Poll taken last week showed that only 12 percent of the public thought Mr. Clinton had told the whole truth about his personal life. Another 51 percent said he mostly told the truth but was hiding something.

But in the Whitewater matter, staff members are handicapped. They cannot really argue that the Clintons should be more candid because they do not know the facts.

It is difficult to know what kind of disclosure would be more damaging to Mr. Clinton politically than the public perception that he is hiding something.

For instance, James B. McDougal and his wife, Susan, the Clintons' partners in the Whitewater venture, invested substantially more money in the company than the Clintons did, even though the Clintons were to share equally in the profits. What if it turns out that Mr. McDougal agreed to such an arrangement simply because he thought the project would benefit from the prestige of the Clintons' name in the partnership? Is that a particularly damaging disclosure?

Probably not. But what if, as Governor, Mr. Clinton appointed a savings and loan regulator he thought would be sympathetic to Mr. McDougal? What if Mrs. Clinton was paid for legal work she did not perform? What if there are tax discrepancies? What if Mr. Clinton, who earned only \$35,000 a year as Governor, had secret funds stashed away? Nothing that is known publicly indicates that any of those situations is the case.

But if the answer to any of those or similar questions is "yes," it might explain why Mr. Clinton wants to keep the information under wraps.

Reno might seek two-for-one deal on special counsel

By Frank J. Murray
THE WASHINGTON TIMES

Attorney General Janet Reno is considering asking Congress to allow the special counsel she names in the Whitewater-Madison investigation to become a statutory independent counsel, if lawmakers pass a new counsel law next month.

"This may be a stopgap that she was urged to employ. It depends on how the new law is worded," a senior Justice Department official said yesterday, indicating that Miss Reno wants Congress to waive the ban on appointing a "public officer" since that would eliminate whomever she names to investigate President Clinton and first lady Hillary Rodham Clinton.

Aides to Miss Reno said she began contacting the "first tier" of candidates Wednesday night and expects to name someone next week after a check for possible conflicts of interest. Her decision is final.

Questions abounded yesterday about whether the Whitewater-Madison special counsel will have power to seek criminal indictments if wrongdoing is found by the Clintons, or even to clear them with relevant documents, which are under grand jury seal.

Rep. Jim Leach, the Iowa Republican who was among the first to call for both committee action and a special counsel, termed the quest "an episode of embarrassment" that is

unlikely to reveal criminal behavior.

It is clear that whomever is chosen will have access to all the documents in the case, but premature disclosure could affect the ongoing grand jury probe in Little Rock, Ark.

"That would be up to the counsel. I certainly wouldn't comment on it so as to indicate any preference," Miss Reno said in announcing Wednesday night she would honor the president's grudging request.

Such questions are deemed premature until Miss Reno negotiates the limits of the probe with her choice for the sensitive post.

Meanwhile, it is clear the White House is optimistic the public will accept an outcome they expect to be favorable, implying that opposing lawmakers and major newspapers painted themselves into a corner by advocating a special counsel.

Senior presidential adviser George Stephanopoulos mentioned only The Washington Post and the Wall Street Journal, but other papers recommending the step include The Washington Times, the New York Times and USA Today.

Some staff advisers emphatically argued that the public does not care about the issues raised in the Whitewater-Madison controversy, and Mr. Stephanopoulos cited steadiness of polls despite the issue's dominance of the news.

Whitewater-Madison has become a catchall tag for apparent ethical conflicts in the Clintons' links to

Whitewater Development Corp., a failed real estate deal in which they had invested, and Madison Guarantee Savings and Loan Association, whose principal owner helped them repay a \$50,000 personal loan.

A spokesman for the Federal Deposit Insurance Corp. said yesterday that Mrs. Clinton's prior representation of Madison in a state regulatory matter would not have been considered a conflict of interest if the FDIC had been told about it.

In a nine-page letter soliciting FDIC business that eventually produced a \$400,000 fee for negotiating a \$1 million insurance settlement, Vincent W. Foster Jr. spelled out the Rose Law Firm's experience in a number of thrifts but neglected to mention that Madison had been one of them.

Mr. Foster killed himself July 20 when he was deputy White House counsel.

this report.

President Clinton: With his wife, Hillary, he owned half of Whitewater Development Corp. He reportedly received \$12,000 in campaign donations from co-owner James B. McDougal in the form of cashier's checks from Madison Guaranty Savings and Loan Association. Clinton also says he obtained a \$50,000 unsecured personal loan from the Bank of Cherry Valley and contributed to his gubernatorial campaign.

Hillary Rodham Clinton: A part-owner of Whitewater, she was a senior partner in the Rose Law Firm and a partner with Webster Hubbell and Vincent W. Foster Jr. in Middle Investors. While her husband was governor in the mid-1980s, she received \$2,000 a month to help Madison fight efforts by the Arkansas Securities Department to close the S&L for insolvency. She sought power of attorney from the McDougals to act on behalf of Whitewater.

Vincent W. Foster Jr.: He was White House deputy counsel when he killed himself July 20. He was a partner with Mrs. Clinton in the Rose Law Firm and Middle Investors. He was the Clintons' attorney in their later Whitewater dealings.

James B. McDougal: He owned Madison Guaranty and, with ex-wife Susan, half of Whitewater. He has been accused of diverting money from Madison to repay Clinton's 1984 gubernatorial campaign debts. He says the governor pressured him to hire Mrs. Clinton to represent Madison. He says he turned over Whitewater's records to the Clintons in 1987.

Susan H. McDougal: She was McDougal's partner in Whitewater while they were married. She has been accused of using part of a \$300,000 loan from the Small Business Administration for her Little Rock, Ark., advertising firm to purchase land for Whitewater. She

detained on the SBA loan. She faces charges in California that she embezzled \$200,000 from conductor Zubin Mehta.

Webster L. Hubbell: The associate attorney general and a close Clinton friend, he was a partner in the Rose Law Firm and Middle Investors with Mrs. Clinton and Foster. He refused himself from the Justice Department probe of Whitewater and Madison.

KEY PLAYERS



Hubbell



Foster



McDougal



Foster

He says Clinton and McDougal pressured him to approve a \$300,000 SBA-guaranteed loan to Mrs. McDougal.

David Kendall: The Clintons' personal attorney, he is handling their Whitewater dealings.

James M. Lyons: A Denver lawyer and Clinton friend, he reviewed Whitewater after it became a campaign issue. He concluded that the McDougals controlled the venture and that the Clintons lost \$69,000. He called Foster on the morning of the deputy counsel's suicide.

Paula J. Casey: She was named U.S. attorney in Little Rock by Clinton. After refusing to do so, she recused herself from the Justice Department's Whitewater investigation because of her familiarity with some of the parties involved.

Bernard Nussbaum: The White House counsel was reportedly the first person to search Foster's office after

his suicide.

Kenneth Pascock: An Arkansas businessman who says he never contributed to the 1984 Clinton campaign, his name is on a \$3,000 cashier's check in the hands of the Justice Department.

Beverly Bassett Schaffer: A Clinton-appointed regulator of Arkansas savings and loans, she approved Madison's stock sale.

Patry L. Thomason: A White House aide who helped Nussbaum in the post-suicide search of Foster's office.

Jim Guy Tucker: The current Arkansas governor, he received \$1 million in loans from Madison while his law firm represented it.

Chris Wade: A real estate agent who represented the Clintons and McDougals in Whitewater, he counters claims that it was a money-loser.

Margaret Williams: Mrs. Clinton's chief of staff, she accompanied Nussbaum and Thomason in the search of Foster's office.

Clinton Aides Scramble on Land Deal

By GWEN IFILL

Special to The New York Times

WASHINGTON, Jan. 10 — The White House officials and advisers who shape the Administration's public image have been hobbled in their effort to control debate over the Clintons' involvement in the Whitewater Development Corporation by President and Mrs. Clinton, who have resisted internal calls for further investigation.

While Mr. Clinton traveled to Arkansas to bury his mother and then left for his first Presidential trip to Europe and Russia, his aides were meeting twice a day, appearing on television talk shows and trying to answer new questions about the Clintons' role in the Arkansas real estate deal from 1978 to 1984.

But while White House officials conceded in interviews that the public debate over Whitewater had grown too damaging to ignore, Mr. Clinton and his wife, Hillary, continue to hold to the view that they owe explanations to no one because they did nothing wrong. So their aides now plan a counteroffensive that combines indignation, suggestions that the Clintons might release more information, and charges that questions about Whitewater are politically motivated.

But their position has been eroded by defections within their own party. Today, aides to three Democratic Senators, Charles S. Robb of Virginia, Russell D. Feingold of Wisconsin and Bill Bradley of New Jersey, said the Senators had joined the call for the appointment of a special counsel. On Sunday, another Democratic Senator, Daniel Patrick Moynihan of New York, made a similar statement, joining leading Republicans like Senator Bob Dole, the minority leader.

"There should be only one goal in this matter: to get all the facts out," Mr. Bradley said in a statement today. "The best way to do that would be to act under the provisions of an independent counsel law. In the absence of such a law, I believe this goal can best be achieved by the appointment of a special prosecutor, provided that the allegations meet the threshold test under the law."

What to Do?

Such intra-party criticisms from habitual Clinton supporters has clearly undercut the accusation that all questions about Whitewater are politically motivated. Along the way, the usually

speedy White House damage-control operation has been rendered virtually ineffective.

"In America, if someone says you're a crook, your first reaction is to get angry and punch them in the nose," said Paul Begala, a political adviser who was among several people called in to form a damage-control team after New Year's Day. "It's not to go down to the police station and turn themselves in. In Washington, when someone says you're a crook, what they expect is for you to call for a prosecution of yourself."

The affair centers on the Clintons' partnership in Whitewater Development, a vacation-home development in northern Arkansas, with James B.

Protestations of innocence do not stop questions on Whitewater.

McDougal, the proprietor of a failed Arkansas savings and loan institution, and his wife, Susan. The Justice Department is investigating whether the institution, Madison Guaranty Savings and Loan, improperly funneled money into Whitewater or into Mr. Clinton's 1984 campaign for Governor of Arkansas.

Sitting in his office with a reporter one afternoon last week, George Stephanopoulos, a senior adviser, watched David R. Gergen, the counselor to the President, acknowledge on CNN that he did not know the answers to all of the questions on the matter. And even though he denied that the Clintons have been less than forthright, Mr. Stephanopoulos was soon echoing Mr. Gergen's frustration.

"There are examples, such as in this case, where there is incomplete documentation," Mr. Stephanopoulos said as he tried to answer why the Clintons never claimed a loss on their income tax returns the \$69,000 they have said the Whitewater deal cost them.

"We're answering as best as we can," he said. "We're getting all the documents we can. We're trying to reconstruct something that happened a long time ago."

Attorney General Janet Reno has continued to reject requests that she appoint a special prosecutor to investigate links between the Clintons and Madison Guaranty.

The White House defense, as expressed by Vice President Al Gore and Mr. Begala, Mr. Gergen, Mr. Stephanopoulos and Bruce Lindsey, all senior Presidential aides, is mostly offensive. Together with Harold M. Ickes, the deputy chief of staff brought in to shepherd the President's health care proposal through Congress, they have developed three primary themes to cope with the continuing questions.

The first is that the Clintons have done nothing wrong, a mantra repeated with emphasis by Dee Dee Myers, the press secretary, and others.

The second is that a special prosecutor is not needed. The standard of alleged criminal wrongdoing has not been met, both Mr. Gore and Ms. Reno have said, though Ms. Reno has left the door open to appointing such an investigator should Congress revive the law that created the position of independent counsel.

Finally, the White House contends that Washington is diseased. Mrs. Clinton, Mr. Gergen and Mr. Gore have insisted that the questions about Whitewater are purely political in nature and the fruit of jealousy. Mr. Gore and Mr. Gergen suggested that it was particularly inappropriate to question Mr. Clinton on the matter in the wake of his mother's death last week.

Some of the hardest work the President's aides have undertaken is in seeking to control their message. Officials have determined that Mr. Ickes will not talk in public about Whitewater. Mr. Stephanopoulos has been charged with talking to reporters, but he refuses to answer questions that the White House considers out of bounds.

Mr. Begala has been the pit bull, appearing on television to challenge Clinton detractors like Representative Jim Leach, the Iowa Republican who has led the campaign for a special prosecutor.

In part to mollify reporters, White House officials who have found themselves responding to questions about Whitewater while traveling with the President in Brussels have been suggesting that more information will be made public soon.

"This thing is so frustrating," Mr. Begala said. "For me it's like trying to

Whitewater: No Longer a G.O.P. Plot ✓

Senator Daniel Patrick Moynihan's call for a special prosecutor puts a hole in the White House's argument that the furor over President Clinton's Arkansas land dealings is nothing more than a Republican vendetta.

Mr. Moynihan seems not to have been swayed by the argument put forth by Vice President Al Gore and other designated White House damage controllers that a special prosecutor isn't necessary because there is no specific charge against the President and Mrs. Clinton.

Neither the law nor common sense requires that much. Attorney General Janet Reno can appoint a special prosecutor when officials in her department appear to have a conflict of interest that could frustrate a credible investigation. The fact that her No. 3 official, Webster Hubbell, was Mrs. Clinton's law partner constitutes just such a conflict. So, more pointedly, does the fact that their law firm represented the failed savings and loan at the center of the mystery, arguing before state bank regulators to keep the thrift alive.

Ms. Reno insists that the case has already been taken firmly in hand by a team of trustworthy Justice Department lawyers. There is reason to believe, however, that her Federal bloodhounds are snoozing in the kennel. Last Friday the man at the heart of the case — James McDougal, the President's former investment partner and former president of the savings and loan — told The Associated Press that nobody from the Justice Department or F.B.I. had even approached him for an interview.

Mr. McDougal headed Madison Guaranty

Trust, a savings and loan whose eventual failure cost taxpayers \$60 million. Among the questions that investigators say they are interested in is whether Mr. McDougal received tender treatment from a bank regulator appointed by Mr. Clinton when he was Governor and whether Madison funds were used to pay off Mr. Clinton's 1986 campaign debts and also diverted to the Whitewater Development Company, the real estate venture in which Mr. McDougal and the Clintons were partners.

But apparently they haven't even begun to ask these questions, which is why the case for an investigation outside the normal channels of this lethargic Justice Department is so clear. Senator Moynihan said he was sure Mr. Clinton had done nothing wrong but that the only way to clear the air was to appoint a special prosecutor. Presidents, he said, "can't be seen to have any hesitation about any matter that concerns their propriety."

Unfortunately, the White House seems more concerned with secrecy than with propriety or policy. Harold Ickes, recruited with great fanfare to head Mr. Clinton's campaign for health care reform, now finds himself running a White House operation whose main purpose is to contain any political fallout from the Arkansas savings and loan and land messes.

But his damage control operation has become an exercise in damage creation. The reason is simple. No one in the Clinton White House or the Reno Justice Department is willing to follow Senator Moynihan's good advice to behave as if there is "nothing to hide."

A Smaller, Better World

Ask many Americans about their ancestors and you'll be told that their great-grandfather was one of seven and their great-grandmother the fifth of nine. They themselves, however, will most likely be parents of two or three at most. Why? Because, like the residents of other industrialized countries, they know that smaller families mean bigger futures — and are able to act on that knowledge.

Fortunately for them, and for an increasingly impoverished planet, much of the third world has arrived at the same conclusion. As the demand for contraceptives rises, so the birth rate is dropping. Like Thailand, Morocco and Bangladesh.

Government commitment to population control is one reason; foreign aid in the form of family planning programs is another; and the gradual realization of Marshall McLuhan's "global village" a third. The last is almost certainly what accounts for a much sharper drop in fertility rates in developing countries than the decline in Europe several generations back, when a newly educated populace saw that too many children added up to too many economic liabilities.

Conventional wisdom says that lower birth rates come only after living standards have risen.

In this case, as Bangladesh illustrates, that thinking is now passé.

Bangladesh is among the least likely countries to experience a spontaneous drop in fertility rates. Living standards and the literacy rate are low, and so is the status of females. But fertility rates in Bangladesh have declined by 21 percent between 1970 and 1991, and contraceptive use among married women of reproductive age has risen from 3 percent to 40 percent.

Bangladesh has one of the world's largest and most successful marketing programs for contraceptives, working closely with the government, the U.S. provided most of the contraceptive supply and, through the Agency for International Development, the expertise to produce a delivery system that is virtually door-to-door.

What has happened in Bangladesh, and could happen in all developing countries, is of advantage not only to the world's poorest people but to everyone living on a planet that may have to support at least double our current number by 2150. By that measure, what America and other industrialized countries give to family-planning programs shouldn't really be called "foreign aid." It is world aid.

Pruden on Politics

By Wesley Pruden



When friends let a president down

Bill Clinton is learning what every forest ranger learns on his first day in the deep woods: A little grass fire, left untended, becomes a forest fire before Bambi can cry boo.

This is a tough time for such an education. The president had to leave his devoted helpmeet behind when he went to Europe to practice his mastery of foreign affairs, and it's tough for a co-president to manage all by himself.

Not for him the sweet consolations of the marital chamber at the end of a day of dealing with those wily European scamps. Wifely fingers that might be stroking a brow wrinkled by the tensions of statecraft are employed instead at mere lawyer's work, slaving over filing cabinet after filing cabinet, cataloging the Whitewater papers before sending them over to helpful Webb Hubbell at the Justice Department.

His old friends at home — not necessarily Friends of Bill — insist they aren't surprised by the way this particular big fire grew from this particular little fire. It was only a matter of time before the blackened skeletons in Arkansas got their scorched bones together and made it to the dance in Washington, where all can face the music together.

Some of the home folks are unnecessarily harsh, as home folks tend to be in their frustration, unable to make outsiders see through the glass, darkly, as they have had to do over the years.

Arkansas folks have always looked with considerable scorn at a man resorting to womanly guile in his desperation to avoid a confrontation, and they're particularly mortified by the tactics of the White House in its desperation to turn off the Whitewater spotlight.

David Gergen, who is said to be under considerable pressure from an angry Hillary to do something, anything, to defend her man, was the first of the president's men to use the death of Virginia

Kelley, the president's mother, to divert scrutiny, if



David Gergen

only for a couple of days until the president could get overseas, where presidents are traditionally safe from domestic scolding. (That's why you won't read anything bad about Mr. Clinton here this week.)

Mr. Gergen, who to his credit always thinks of others, often at his own expense, accused the Republicans and unspecified "other" critics — presumably the newspaper re-

porters and editorialists for this and other newspapers who are merely doing their jobs — of "cannibalism" and "insensitivity" in talking about Whitewater and other scandalous stuff on the very day that Mr. Clinton went home to bury his mother.

David Pryor, the junior senator from Arkansas who has made a career of portraying himself as every mama's definition of "nice boy," and the president's faithful go-fer in the U.S. Senate, used the occasion of Mrs. Kelley's death to attack the motives of critics who wouldn't let up even during the funerary liturgies at the Hot Springs Convention Center.

The following day, on one of the Sunday-morning talk shows, Vice President Al Gore continued the humiliating pity offensive — not once, not twice, not even thrice, but four times returning to reprise the implied complaint that the president's critics were being beastly when they ought to have shut up about the way good ol' boys do their banking business down in darkest Arkansas, where accountants go barefoot to do their numbers on their toes and lawyers keep records in their heads because readin' and writin' causes headaches.

This no doubt pains the president very much. He knows that such tactics on the part of well-meaning friends will inevitably make him look slick and cynical, trying to cash in on private grief.

He wants to conduct himself as presidents before him have done on such occasions, remembering Harry Truman's private grief at his mother's death, the dignified way the Kennedys mourned the tragedies in their family, the stoicism of Abe Lincoln mourning the cruel death of his little son. It was enough to make folks think an Arkansas man is not as tough as a man from Missouri, as well brought up as folks in Massachusetts, as stoic as the man from Springfield.

You can bet the president thinks Big David, Little David and Al ought to be ashamed of themselves.

105

WASHINGTON AND THE WORLD

Public is keeping the faith in Clinton

By Richard Benedetto
USA TODAY

Most people are willing to give President Clinton the benefit of the doubt on allegations he was improperly involved in an Arkansas real estate venture, a USA TODAY/CNN/Gallup Poll finds.

The poll finds Clinton's approval steady at 54% — the same as in mid-December, before disclosure of the Whitewater land deal and allegations of sexual misconduct while he was governor.

And 62% say they hold a favorable opinion of Clinton, up from 55% in November.

But his honesty and integrity rating fell in the same period from 54% to 49% — the first time the president has dipped below 50% since taking office.

"We still don't know all the facts," says Beverly Seigle, 57, a Hillsborough, Calif., retiree. "I think everyone should stop assuming he's done something wrong."

Nearly two of three respondents say allegations of previous marital infidelity have little bearing on Clinton's ability to do his job as president.

"All politicians do it," says Cindy Hay, 33, a Pontiac, Ill., bookbinder. "It's probably true, but in his past."

Poll results seem to indicate it will take more concrete evidence of financial wrongdoing before support for the president is likely to dwindle.

The infidelity allegations, which surfaced and disappeared during the 1992 presidential campaign, were renewed last month.

Two Arkansas state troopers assigned to protect Clinton when he was governor said they assisted him in arranging sexual encounters and witnessed some of them.

Nearly one in three respondents say they believe the allegations are true, but nearly two of three haven't changed their opinions of Clinton because of the allegations.

"Even if he did (have affairs), which I doubt, nobody cares," says James Stout, 38, a Tuckerman, Ark., electrician. "This is just people trying to give him a hard time."

Democrats and independents were most likely to say the sex allegations were irrelevant. Republicans were more

likely to rate them an important indicator of character.

On the allegations of improper land dealings, which are being probed by the Justice Department, the jury is still out. Nearly three of four aren't sure if the allegations are true, but nearly half say they want an independent counsel appointed to look into them further. Democrats were most resistant to a special counsel.

"If you're in public life you have to go through this kind of scrutiny. If nothing is there, then nothing is there," says Francesco Iannuzzi, 56, a Birmingham, Ala., engineer.

If something is there, however, many say Clinton could be damaged by the revelations.

"If we find out something wrong was done, and it affected the financial well-being of other people, that would bother me a lot," Seigle says.

But Hay worries about the cost of a probe to taxpayers. "If it has to be some huge deal that comes up with nothing, like that Iran-contra thing, then it's not worth it."

Contributing: Brian O'Connell

► Clinton trip, 1A

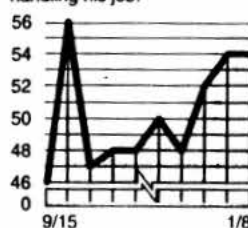
Approval steady, trust down

President Clinton's approval rating holds firm while the percentage of those who feel he's honest and trustworthy drops. This comes amid media scrutiny of the president's and Hillary Rodham Clinton's involvement in a Whitewater, Ark., land deal and renewed allegations of extramarital affairs:

USA TODAY
CNN
GALLUP

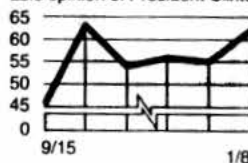
Approval stays steady

Percentage who approve of the way President Clinton is handling his job:



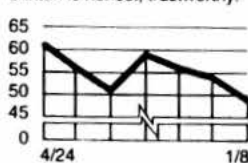
Favorable opinions

Percentage who have a favorable opinion of President Clinton:

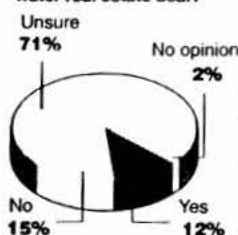


Trust drops

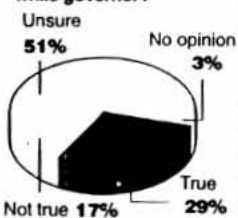
Percentage who think President Clinton is honest, trustworthy:



Do you think Clinton did anything wrong in Whitewater real estate deal?



Do you think it's true that he had extramarital affairs while governor?



Which is closer to your opinion?

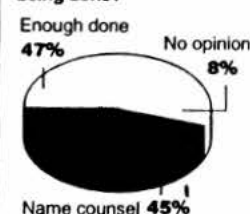
The allegations are important indicators of Clinton's character and ability to serve as president and should be thoroughly examined by the news media.

The allegations are not relevant to Clinton's ability to serve as president and the news media should not pay attention to such matters.

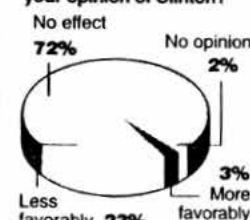
37%

60%

Is an independent counsel needed to investigate Whitewater or is enough being done?



How has the news of the Whitewater deal affected your opinion of Clinton?



By Win McNamee, Reuters

FIRST COUPLE: Hillary Rodham Clinton walks her husband to a helicopter at the White House when he left for Arkansas after his mother's death last week.

Source: USA TODAY/CNN/Gallup Poll of 1,023 adults by telephone on Jan. 6-8. Margin of error: ± 3 percentage points.

By Nick Galifianakis, USA TODAY

A Congressional Responsibility

A good rule in politics is that when Barney Frank and Newt Gingrich agree on something, it's time for second thoughts. So with everyone shouting for an "independent counsel" to investigate President and Hillary Clinton's Whitewater mess, we'd like to explain our doubts.

We bow to no one in our concern over Whitewater, and, more broadly, over the Arkansas political mores that have migrated to Washington. Surely this is a subject that needs to be investigated by *someone* with the power of subpoena. The press is doing a good job on Whitewater at the moment, but cannot subpoena documents or force people to testify under oath. We also understand why, given the current state of our political culture, people clamor for an "independent" archangel to solve political problems. But independent counsels are troubling precisely because they have become a device for letting our political institutions shirk their constitutional responsibilities.

In particular, where is the Congress? The Whitewater episode is made to order for Congress's constitutional role of oversight. Yet the Banking Committees that were all over Neil Bush and Charley Keating are suddenly silent about a failed S&L that was owned by a business partner of the President and paid his wife \$2,000 a month for legal work. Surely Congress ought to be playing its role of educating the public.

It's fair, of course, to ask who in Congress has the credibility to do it. The sight of Senate Banking Chairman and Keating Fiver Don Riegle investigating anyone is, we admit, fodder for "Saturday Night Live." The Judiciary Committee could explore Mr. Clinton's firing of 93 U.S. attorneys last March, an act that let him appoint a crony in Little Rock, but this would again highlight the Anita Hill gang.

Yet sometimes Congress has been up to the job. Henry Gonzalez's Keating Five hearings helped the public understand what happened to the S&Ls, amplified later by special counsel Bob Bennett's ethics probe. For that matter, there is plenty of precedent, ranging from Mr. Bennett to Arthur Liman and back at least to Ferdinand Pecora, for Congress to appoint its own "special counsel," not only providing investigatory expertise but absorbing political heat.

Another constitutional option, first suggested by Sen. Lauch Faircloth and since picked up by both Bob Dole and Jim Leach, is for the attorney general to appoint a "special counsel" *within the executive branch*. Indeed, we ourselves suggested this after Vincent Foster's death, if only to assign responsibility and accountability for its investigation. This is different from the independent counsel law, because such a "special counsel" remains accountable to the attorney general. A President could always fire him, a threat that makes the counsel accountable to someone. But this threat cannot be carried out without a heavy political price, as Richard Nixon learned

when he dismissed Archibald Cox during Watergate.

Washington has seen a lot of scandals over 200 years, after all, and the country somehow coped before the independent counsel law was passed in 1978. Teapot Dome and Watergate were both exposed without such a law. The Pecora hearings in the 1930s probed financial and political ties that embarrassed both Republicans and Democrats. Any peek at history shows the system worked better *before* the independent counsel law was enacted.

This is because the institution is an invitation to dodge responsibility, if indeed that is not its very purpose. Along the way it manages a fatal confusion of the roles of educating the public and enforcing the law. When Democrats in Congress lost their showdown with Ollie North in public hearings, they tried to criminalize their differences via Lawrence Walsh. Because he has been outside political control, Mr. Walsh could take six years, spend \$35 million and still face no discipline. The courts are even now cleaning up after his blunders, by awarding legal fees to individuals Mr. Walsh has unfairly harassed.

We now seem on course to have this law reinstated—without even, as Barney Frank hopes, a vote on whether miscreant Congressmen should face a similar institution. Then Ms. Reno can appoint a counsel and wash her hands of the matter. Democrats in Congress will also claim they've done everything they could, insulating themselves from any responsibility before the voter. A Whitewater investigator might of course turn into another Lawrence Walsh; he might even find a crime worse than accepting a security fence. He might also swallow all of the documents and silence the issue for years.

If Congress is to create some "independent" body, let it be one worthy of the task. Whitewater, after all, is merely the latest episode in the S&L disaster, the House post office, the ongoing Rostenkowski probe, the hints of political influence via BCCI (of which we may learn a great deal more through the settlement Bob Morgenthau & Co. have won from Abu Dhabi). Why not a special commission, with the power of subpoena and public hearings, to explore the corruption of the political process? Our candidate to head it would be retired Supreme Court Justice Whizzer White.

The point is that while laws may have indeed been broken in Whitewater, the more important point is to find out what happened. An independent counsel poring over the statute books looking for a crime that might fit the facts—this is a trap. Instead, Republicans should have the gumption to force the Democratic leadership to face up to a full and public investigation. By obstructing the work of Congress if that proves necessary, a committed minority can force a Congress to do its duty.

The Democrats may object, just as Janet Reno may prove she lacks the independence to investigate her President. But the Founders provided a ready solution to such a political impasse. The solution is democracy, and as Congress very well understands, the next elections are scheduled for November.



Inside Politics



Stonewall Hillary?

Within the White House, Hillary Rodham Clinton "is considered the only person who really knows all the facts" relating to the Whitewater controversy, reports U.S. News & World Report.

This week's issue of Time added, "There is a strong reason for White House efforts to soft-pedal the whole affair, and it can be put in a single word: Hillary."

National Public Radio's Nina Totenberg: "The bottom line here is, this is the first lady's problem and nobody has the guts to tell her that it is her problem."

Jerry airborne

Jerry Brown is about to become a radio talk-show host.

The former presidential candidate bought a warehouse where he will have a studio for a syndicated daily show. It needs renovation, so he is seeking a temporary studio elsewhere in Oakland, Calif., to launch his program on Jan. 31.

The two-hour show, intended as an alternative to wildly popular conservative Rush Limbaugh, will be carried by the Talk America Radio Network, based in Marlboro, Mass. Fifty stations are expected to pick it up.

Clinton abroad

Catherine Kelleher, a specialist on Europe at the Brookings Institution, told the Boston Globe that European leaders have a stake in the president's trip: "Clinton is the first of the new generation of politicians. Every one of the leaders he meets with will be older than he is — and less popular."

Futures

In Oklahoma, former Democratic Rep. Wes Watkins says he's running for governor — as an independent. He lost the 1990 Democratic primary to Gov. David Walters, who is not seeking re-election.

The Supreme Court denied an appeal yesterday by former Republican Rep. Pat Swindall of Georgia. Convicted in 1989 of nine counts of perjury, he was defeated in 1988. He was fined \$30,000 and sentenced to a year in prison for lying about money laundering.

Arizona Secretary of State Dick Mahoney, a Democrat, officially entered the race yesterday for the seat of retiring Sen. Dennis DeConcini. Mr. Mahoney said he will refuse all contributions from political action committees.

Rights prospect

Boston lawyer Deval L. Patrick is a prime prospect to become assistant attorney general for civil rights, an appointment that has haunted the Clinton administration.

According to the Boston Globe, Mr. Patrick is a close friend of law professor Lori Guinier, who was dropped by President Clinton because of what he regarded as controversial views on civil rights. Mr. Patrick joins such other

leading prospects as Labor Department solicitor Thomas Williamson and Education Department general counsel Judith Winston.

D.C. Corporation Counsel John Payton withdrew his name from consideration last month after some members of the Congressional Black Caucus indicated reservations about his views and his failure to vote in several elections.

What's that again?

"Now we intend to lead the way in making abortion less necessary. America has far too many teenagers giving birth, far too many women facing crisis pregnancies and far too many children born unwanted," said Kate Michelman, president of the National Abortion Rights Action League, in announcing that the group was changing its name to the National Abortion and Reproductive Rights Action League.

Welfare promise

Richard Nathan, a welfare policy expert in Richard Nixon's administration, told USA Today: "Part of the reason Bill Clinton is president is he played that issue just right."

"He called for ending welfare as we know it — two years and you're out. And now he's wrestling with how to come through with something, how to deliver on that promise."

Added Mr. Nathan, director of the Rockefeller Institute of Government: "There's war going on for the president's soul, and it is keyed on these two phrases — 'ending welfare as we know it' and 'two years and you're out'."

"The truth is, these issues are immensely complicated. There's ambivalence, I'm sure, in the mind of the president."

Sexual politics

Psychologist Joyce Brothers, speaking of the Lorena Bobbitt case, told Newsday: "The case has become a woman's 'Remember the Alamo!' Most women feel very sympathetic to her."

The absence of Tip

House Minority Leader Robert H. Michel recalled with pleasure card games he had as a Midwestern conservative with moderate Republican Silvio Conte and partisan liberal Thomas P. "Tip" O'Neill, who was buried yesterday.

"We had as many differing opinions on politics as you could imagine — but we were good friends and respected each other and had great times together," he wrote in yesterday's edition of Roll Call.

"Now, Sil and Tip are gone. The laughter and the kidding, the undisguised passion for politics, the easy camaraderie and the unspoken, but deeply felt, sense that public service can be a worthy calling were shared by us all."

"The failure to understand how a personal friendship can remain and even flourish amidst the hottest partisan controversies is, in my

mind, a sad commentary on what has happened to politics in our time."

"I will miss Tip, and I hope when my time comes, Tip and Sil reserve a place at the old card table for me."

Congress today

Noting the friendship between Minority Leader Robert H. Michel and the late Thomas P. "Tip" O'Neill, scholar Norman J. Ornstein also lamented the current state of Congress in the same edition of Roll Call.

"It is clear that the tone and character of politics and politicking has changed, much for the worse, in recent years . . .

"Attacks on individuals are much more calculating and much more vicious; policy differences have become criminalized, with the goal being not just to prevail on policy but to destroy your adversary's reputation; and shallow personal ambitions tend to prevail over policy ideas or institutional well-being."

"In this climate, everyone in public life is presumed guilty until proven innocent."

D'Amato zaps Cuomo

Republican Sen. Alfonse D'Amato, who flirted for a time with running for the office, says that if had he entered the race for governor of New York, Gov. Mario Cuomo would have dropped out.

"I say Mario drops out by May if I or another strong candidate decides to run," Mr. D'Amato said of the Democratic governor, who announced last week that he will seek a fourth term.

Mr. D'Amato told the New York Post, "I think the governor only runs if there's disunity in Republican ranks." The senator says he will "take a look" at the race if a good GOP candidate is not found.

Bono to run

Sonny Bono, former mayor of Palm Springs, Calif., will announce today that he is seeking the Republican nomination for the seat of retiring Rep. Al McCandless.

Saying "this is the best job for me," Mr. Bono, 58, made his comments during a reception at his home for actress Sophia Loren, who was honored during the Palm Springs International Film Festival.

Mr. Bono, Cher's ex-husband and former singing partner, ran for the GOP nomination to the U.S. Senate in 1992 but lost to conservative commentator Bruce Herschensohn.

Speaker surrenders

A dictator to his foes and a strong leader to his fans, House Speaker John L. Martin of Maine announced last week that he will resign, ending an effort to oust him from the post he held for nearly two decades.

A top aide of Mr. Martin was sent to jail in a ballot-tampering case last winter. Although Mr. Martin was cleared in the aftermath, his image was tarnished by it as well as a legislative stalemate.

Amid concern that his presence would hurt Democrats this fall and complaints that he broke private promises to step down last year, a growing number of Democrats called for his removal.

As the debate over his status dominated legislative activity, he revealed he has been promised a job with the Democratic National Committee, lobbying for President Clinton's health care reforms.

• Compiled by Alan McConagha.

97

The Man Clinton Can't Ignore

Straight-Shooter Jim Leach, Setting His Sights On the Whitewater Deal

By Lloyd Grove
Washington Post Staff Writer

Rep. Jim Leach was supposed to be on vacation, not giving the White House fits.

"The only thing I'd been scheduled for was building castles in the sand," the Iowa Republican said last week as he lounged on the back porch of a friend's sprawling beach house, enjoying the balmy winter weather and gazing out at a tennis court just beyond the swimming pool.

But there he was in his ratty, ink-stained sweater (before changing into a dark blue suit for an imminently arriving NBC crew), pressing the attack over "Whitewatergate"—the ominous nickname for Bill and Hillary Clinton's byzantine, defunct business partnership with the owner of a failed Arkansas savings and loan.

"It's totally startling," Leach said of the sudden media appetite for his relatively unknown face, with its moist blue eyes and sandy, whitening hair. "But I did not seek a Warholian moment."

It's equally surprising that Leach, 51, would be leading the GOP charge to raise embarrassing questions about the personal finances of the president and his wife. During his 17 years in Congress, the last two spent as the senior Republican on the House Banking Committee, Leach has cultivated a reputation for deliberative moderation and minimal political blood lust. Yet now he's a ubiquitous if soft-spoken talking head, gently stoking a potential scandal. And while Senate Minority Leader Bob Dole and House Minority Whip Newt Gingrich can be easily dismissed as sharp-elbowed partisans, Leach's voice isn't so easily discounted—much to the chagrin of the White House.

"A quick part of why nailing Leach do some of this has got to be so troubling to people who care seriously about the institutions of government," said Gingrich, "is that no one has ever accused Leach of acting out of purely narrow, mean-spirited partisanship." Unlike Gingrich, in other words.

"The only advice I ever give to anyone seeking office is that it is better to understate than to overstate," Leach said. "And in my own view, I have understated the issues."

Thus, as he pushes for a special prosecutor, public release of the Whitewater files and a congressional probe into the whole

See LEACH, B2 Col. 1

TUESDAY, JANUARY 11, 1994 THE WASHINGTON POST

A Whitewater Ride

LEACH, From B1

murky business, not a few loyal Democrats have been nodding sympathetically.

"Jim is perhaps the least conspiratorial, least manipulative member of the entire United States House of Representatives," said Rep. Dan Glickman (D-Kan.), who was elected the same year as Leach. "He's a Republican, and he has a role to play as the ranking member of the banking committee, but he's also somebody with a judicial temperament, not prone to making wild accusations."

"Jim Leach does not engage in hyperbole, nor does he engage in political vendettas," said Sen. Tom Harkin (Iowa), who was one of presidential candidate Clinton's more impassioned supporters after ending his own candidacy in 1992. "When Jim Leach does something like this, it has a serious tone, and it can't be dismissed lightly. . . . I just don't understand why the White House just doesn't say, 'Okay, fine.'"

"What's going on here? Why isn't this all out in the open?" Sen. Pat Moynihan (D-N.Y.) declared last Sunday on NBC's "Meet The Press." "If there are things that are embarrassing, turn them over even faster. Get it out—no holding back."

"I trust Jim," said Rep. Don Edwards (D-Calif.). "I don't think he'd ever do anything that was not appropriate."

There are, however, still those who endorse the White House view of Leach as a cog in the Republican attack machine, who as a liberal moderate must constantly watch his back.

"I am concerned that Jim must deal with the David Duke wing of his own party, which now controls the Republican political agenda in the House and the Senate," said banking committee Chairman Henry B. Gonzalez (D-Tex.), replying via a written statement to questions about the leader of his committee's 20 Republicans. "You have to keep in mind the tremendous political pressure that he is under from this radical wing of the Republican party, which has chosen to declare war on the president, when you evaluate Rep. Leach's position [on Whitewater]."

Leach, of course, denies being a tool of the Right. He notes that he independently concluded last November that Whitewater deserved congressional hearings and a special prosecutor, and obtained House Minority Leader Bob Michel's permission to pursue the matter. He did so by writing a letter to Gonzalez formally requesting hearings, signed by the committee's entire GOP membership.

But an equally revealing window on

Jim Leach's soul might be an episode in October 1973, when he was a young U.S. Foreign Service officer, a Russian expert from Princeton and Johns Hopkins universities who was clearly bound for a distinguished career in the State Department. Leach—who, like all Foreign Service officers was a presidential appointee—was preparing to take a new post in Moscow as a close aide to the American ambassador when the "Saturday Night Massacre" occurred.

So outraged was Leach by Richard Nixon's abuse of presidential power in obtaining the resignations of the attorney general and his deputy in order to fire the Watergate special prosecutor that Leach himself resigned. But rather than take a public stand, Leach quit quietly, without fuss, and returned home to Iowa, a state his family had lived in for six generations. In Davenport he joined his father's propane gas distributing business, married the wealthy heiress of a Nebraska meat-packing fortune and eventually launched his political career. He beat Democrat Rep. Edward Mezvinsky on his second try in 1976, ran unopposed in his last two races and has established himself as one of the prairie's more popular politicians—albeit in the Eastern Establishment "Nelson Rockefeller" mold.

"It was really a searing experience," Leach said of his resignation, trying to explain how a young man with such a bright future could act so rashly over people he didn't even know. "It was a very difficult and risk-oriented decision, and had elements of irrationality."

Referring to the deputy White House counsel and Clinton intimate who committed suicide last summer, Leach added: "I suspect there are some analogies between my own thinking and Vincent Foster's thinking in a strange kind of way. This is all conjecture. . . . But it is my sense that Foster had the [Whitewater] circumstance on his mind. He was clearly a very thoughtful individual and clearly a very troubled man, and there could have been lots of ingredients into a decision that he apparently made. But as an individual, I came to the conclusion that I

vice, and I never even met Elliot Richardson, William Ruckelshaus, Archibald Cox, Henry Kissinger or Richard Nixon. But Foster knew these people [the Clintons]. And he came to the conclusion that he had to resign from life."

As if that speculation were not enough to raise hackles at the White House—Clinton adviser Paul Begala, a frequent sparring partner of Leach's on television, calls such Foster references "beneath contempt"—Leach compared the Clintons to the Marcoses during a discussion of his experi-

212

ences on House Foreign Affairs Committee pushing for democracy in the Philippines.

"Intriguingly," Leach said, using one of his favorite words, "there are some analogies to Arkansas. And I don't want to overplay this. But Arkansas has, as a state, one of the greatest extremes of wealth and poverty in the nation, with the greatest intermingling of politics and economics. Arkansas is very unlike, let's say, Nebraska."

Having obliquely compared Bill Clinton to the notoriously corrupt Ferdinand Marcos, Leach added gallantly, "I see no analogies between Imelda and Hillary whatsoever."

Ironically, Tom Harkin recalls touting Leach to Clinton on the bus tour that wound its way through Leach's hometown during the 1992 campaign. "I thought George Bush made the biggest mistake by not appointing Jim United Nations ambassador. I thought it was a done deal," Harkin said, referring to the man Leach had supported for president since 1980, when Bush won the Iowa caucuses with Leach's crucial help. "And I said to Bill Clinton on the bus, 'You know, Jack Kennedy was right in bringing Republicans into his administration. You can do Bush one better by appointing Leach U.N. ambassador.' Clinton seemed interested."

Harkin added with a laugh, "I don't think Jim would get that job now."

Leach said he's surprised to hear that such a conversation took place, though he added with a grin that he'd have been "open-minded" to the possibility of considering a Clinton administration job offer. He said George Bush never offered him anything, and he

never asked. "Put it this way," Leach said. "Anything I might conceivably have been interested in [such as secretary of state], I would not have been appropriately considered for."

So Leach has contented himself in Congress, where he has proved himself a banking expert as well as a maverick foreign policy maven who, in the early '80s, championed a nuclear freeze athwart the Reagan administration. He is, above all, still the book-smart, competitive Iowan who mentions in passing scoring 800 on his college math boards. These days, he's hoping to establish himself as the leading Republican spokesman on an obscure financial instrument known as a "derivative," while riding the Whitewater rapids.

One morning last week Leach had been flooded with media requests that he haul his wife, Elisabeth, and their two young children from a quiet

key two hours south of Miami to suburban Coral Gables, where he could sun himself nearer to satellite up-links, television studios and other modern amenities. The next day he cut short his holiday and returned to Washington to do "McNeil/Lehrer" and "Crossfire" as well as the official GOP response to Vice President Gore's Saturday radio address.

"I am very conscious of the fact that anything expressed now will be reassessed later," Leach said. "And that the presidency of the United States of America is the most important and most defended position in the world. And you do not attack or criticize a president lightly. . . ."

"My own sense is that in Arkansas, there is a profound love-hate relationship with the president," Leach said. "Many people love him and they will protect him. Some others resent him,

and sometimes the same person has a conflicting feeling. So I think there will be material emerging that will be volunteered."

Indeed, Leach said the Republicans on the banking committee were approached recently by an Arkansan in Washington claiming to have information about the Clintons' dealings with the S&L and he forwarded the person's name to the Justice Department.

After a furious exchange of polite letters, Chairman Gonzalez has essentially told Leach, "If you find a smoking gun, let me know," implying that Leach can trade in one smoking gun for one full-dress congressional hearing.

"In the savings and loan debacle [of the 1980s]," Leach said, referring to a largely ignored episode on which he sounded the alarm early, "there was very little public accountability, and you had a circumstance in which a number of elected officials who claimed to be the advocates of the little guy in American politics have in effect defended the big guy and the system that advanced political-economic wealth. I also believe that, just as it's insufficient for a conservative to advocate family values and not to have a good family life, it's insufficient for a liberal to advocate compassionate programs and not live an ethical life. There is hypocrisy in both instances."

Leach, for his part, was not among the congressmen forced to admit bounced checks in the House Bank scandal of 1991. "Just lucky, I think," he said with a tiny smile. "I don't want to be smug."

It seems difficult, in any case, to be smug when the White House and its allies are presumably scouring Leach's own record for dust and dirt. Doesn't such a notion terrify him?

Leach giggled.

"All I can say is that I'm comfortable with my record and I am open to anyone to criticize me on any such issue. I can assure you they will find no skeletons."

Leach denies partisanship

Iowan attacked for

Whitewater questioning

The **D-3** *Moines Register*

Sen. Tom Harkin says that Leach 'does not deal in hyperbole' and he can't be dismissed lightly.

By JANE NORMAN

OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Rep. Jim Leach, R-Ia., on Tuesday rebuffed criticism by White House officials and Vice President Al Gore that Republicans are waging a partisan vendetta by raising questions about the president's involvement with the Whitewater land development company.

Leach, who has emerged as President Clinton's chief nemesis on Whitewater, said administration officials have responded to his comments by "impugning motives and taking the route of indignation." Paul Begala, a political adviser to the president, called the Iowa congressman a liar during a debate on "Crossfire," a CNN program.

"That is not a response to a single issue," Leach, senior Republican on the House Banking Committee, said at a breakfast with reporters. "That is indignation thought through in advance as a defense."

Expressed Support

During a Sunday news show on CBS, Gore, in what appeared to be a

slap at Leach, said Republicans were "ferociously attacking" even as the president attended his mother's funeral Saturday in Arkansas.

Gore asked: "Now doesn't it bother you a little bit to have the president attending the funeral service of his mother and to have members of the political opposition, as the service is going on, on the airwaves making these attacks?"

On Saturday morning Leach had given the Republican response to the president's nationally broadcast weekly radio address — in this instance delivered by Gore, because of the funeral.

Leach brought along to the breakfast a transcript of his Saturday remarks. He said he "carefully referenced the sadness of the day" and expressed support for Clinton's trip to Europe, but never mentioned Whitewater.

Leach also responded to a comment in Tuesday's Washington Post by Banking Committee Chairman Henry Gonzalez, D-Texas, who said Leach is at the mercy of the "David Duke wing of his party." Duke is a former Nazi who ran for governor of Louisiana.

"I have talked in the last six months to no Republican operative I know of on any subject, and particularly not this one," Leach said. "No aspect of this at any time has been thrust upon me by any wing of my party."

"Can't Be Dismissed"

For weeks, the Iowa congressman has been firmly planted at the center of the persistent controversy over Whitewater and Madison Guaranty Savings and Loan. The president and James McDougal, the owner of the S&L, were partners in Whitewater while Clinton was governor of Arkansas, and the Justice Department is exploring allegations that money was improperly diverted from the thrift to the company.

On Tuesday, Leach was invited to meet with several dozen members of the national news media for the Sperling breakfast. He was also the subject of lengthy profiles in the Washington Post and the Wall Street Journal. "The Man Clinton Can't Ignore," said the Post headline.

Included was a laudatory quote from Sen. Tom Harkin, D-Ia. "Jim Leach does not deal in hyperbole, nor does he engage in political vendettas," Harkin said. "When Jim Leach does something like this, it has a serious tone and it can't be dismissed lightly. . . . I just don't understand why the White House just doesn't say, 'OK, fine.'"

Also Tuesday, Leach and other congressional Republicans sent a letter to Attorney General Janet Reno, asking that she seek an agreement that civil and criminal statutes of limitations be voluntarily waived by Clinton and others in connection with possible misconduct at the Arkansas S&L.

The Republicans said allegations about Madison stem from 1989, when the thrift failed and was taken over by the federal government. Under law, a civil suit for fraud must be brought within five years, so the deadline would be this March.

An agreement to waive the statutes of limitations would "allow time for a complete and independent in-

112



Jim Leach
The Man Clinton Can't Ignore

investigation and permit the orderly operation of the legal and judicial processes," the Republicans said.
Cari Stern, a spokesman for the

Justice Department, said Tuesday night that the only matters referred to the Justice Department so far by the Resolution Trust Corp., the regulatory agency for S&Ls, are for criminal prosecution. The statute of limitations for criminal misconduct does not expire until 1999, Stern said.

Reno has turned down Republican requests, now joined by some Senate Democrats, for an independent counsel to investigate Whitewater and the S&L.

At the breakfast, Leach said he sees nothing that is "beyond very seriously embarrassing" for the president if he were to allow an independent investigation of Whitewater. And Leach said the word "impeachment" is "inappropriate" in discussing Whitewater.

Characterizing the seriousness of the situation as somewhere between "much ado about nothing and something rotten in the Ozarks," Leach said he does not favor a criminal prosecution. "It strikes me this is a circumstance that doesn't need to be pursued in a criminal direction, but it doesn't mean anybody should be above the law," Leach said.

"In the vast majority of conflict of interest circumstances, in the private sector... prosecutors opt toward civil penalties," he added.

The Iowa resisted criticizing the role that the president's wife, Hillary Rodham Clinton, has played in Whitewater. She served as a lawyer for the S&L at one time.

Leach said that the first lady is a "very able woman" and that he does not foresee "anything necessarily devastating for her." He said he has chosen not to focus on her because she is not a public official. "If someone else wants to be concerned about someone, that's up to them," he said.

The congressman also questioned how much money the Clintons — who said they took a \$68,900 loss on Whitewater, although it was never declared on their tax returns — actually put into the development.

McDougal recently has said he recalls they put about \$9,000 into it. But all conclusions are difficult because the Clintons and their associates have said some documents are lost, and others have not been made public.

THE REGISTER'S READERS SAY

Now the GOP is hot on S & L prosecutor

In the Jan. 3 Register, Senate Minority Leader Bob Dole is quoted as saying Attorney General Janet Reno is "dragging her feet" in the investigation of the failed S & L in Arkansas owned by a friend of President Clinton.

In 1990, a former bank regulator testified that Washington officials ordered him to wait two months until after Election Day in 1988 before closing the S & L where President Bush's son was a director.

If Clinton could possibly face criminal charges in the Whitewater investigation, could someone explain to me why charges were not filed against the government officials in the Bush case? Were the guilty officials too close to the Oval Office or possibly in the office?

The Republicans know all about dragging their feet when it comes to savings-and-loan scandals.

— Ray Dominick,
3702 54th St., Des Moines.

Jim Leach is certainly making a lot out of the Whitewater deal; for what purpose one wonders. If he's trying to make the government look better, now come we didn't hear a peep out of him when the two Bush boys were involved in S & L and various other scandals? Their father, "gentleman" George at least knows when to keep his mouth shut.

— Julie Charlesworth,
836 Fourth St.,
Bettendorf.

In his Jan. 1 letter, Greg Ganske, M.D., complains that long-time Congressman Neal Smith does not jump on the present media bandwagon and call for the scalp of President Clinton over the Arkansas land deal.

Republicans defeated the independent-counsel law and now they want a special or independent counsel to investigate President Clinton and the Arkansas land deal. I am not saying this should be swept aside without investigation, but why did the Republicans change their minds?

When Dr. Ganske asserts that Congressman Smith should jump into this fray and exert his "access and influence based on his seniority," Ganske forgets that Smith has long been a politician with statesmanship as his bulwark and long-range planning as his goal. The only political wind that could guide the actions of Smith would have to be of hurricane force.

— Charles F. Glenn,
2931 Rutland Ave., Des Moines.

Regarding the letter by Greg Ganske, Neal Smith's opponent in the upcoming election: I commend Dr. Ganske, by criticizing Congressman Smith for non-intervention, is attempting to turn this important investigation into a political debate, whereas Smith, by keeping quiet, refuses to turn this issue into "politics as usual."

It appears Dr. Ganske will seize any opportunity to defeat Democrats no matter how good they are for this state and nation. Dr. Ganske is no

doubt a good and decent man, but when given a choice between known and unknown, I'll choose the known.

— Dana R. Bolton,
4209 Boyd, Des Moines.

Appoint prosecutor

I couldn't help but nod my head in agreement concerning Senator Robert Dole and Congressman Jim Leach's statements on Attorney General Janet Reno's reluctance in starting an investigation on President Clinton's link to a failed S & L operation. The position of attorney general calls for objectivity, poise and leadership. In her time at this position, Janet Reno has not shown these qualities.

— Andrew Z. Murphy,
1460 Pompano Dr., Des Moines.

Why hasn't a special counsel been appointed to investigate President Clinton's involvement in the failed Arkansas savings and loan?

The savings-and-loan fiasco has cost

If Congress won't investigate the Clintons, perhaps it's time for the American public to demand a special counsel to indict and try members of Congress and their special interests that produced this disaster.

Better yet, in November, kick out everyone with 10 or more years' tenure.

— R. M. Thoreson,
R. Rt., Box 6117, Okoboji.

RUSSIA

Challenge for U.S. is to strengthen forces of democracy

President Bill Clinton moves on to Moscow with one real foreign policy success tucked in his pocket, and a sense of uncertainty over what comes next.

The U.S.-brokered agreement to help Ukraine dismantle and remove several hundred nuclear weapons from it is a major achievement, assuming the retractory Ukrainian parliament doesn't scuttle it.

If it holds, the pact will remove a grating source of distrust between Ukraine and Russia, and ease fears that the 1,800 warheads scattered around the former Soviet territory will become a source of nuclear accidents or terrorism. It's also a step toward someday helping Russia to handle its own nuclear inventory — 30,000 weapons scattered around 200 sites, over which the authority of the Moscow government is decidedly shaky.

The Cold War may be over, but in many ways the very shakiness of Boris Yeltsin's government still dictates U.S. foreign policy. Mr. Clinton's hesitation over Bosnia, the timidity toward granting NATO membership to countries of Eastern Europe, the lack of clarity about what NATO does next, our giving Russia a free hand toward such former possessions as ex-Soviet Georgia — much of that is shaped by a desire not to provoke Russia's military or promote the fortunes of its more virulent nationalists.

President Clinton has been urged repeatedly by critics not to put all his eggs in

Mr. Yeltsin's basket. If that means repeating the ritual incantation that the United States stands ready to work with any legitimate, pro-democratic and non-warlike government that assumes power in Moscow, fine. The bottom line remains that President Yeltsin has more legitimacy than

he has kept his country afloat and its military in harness through rocky economic reforms, the ceding of the Russian empire, the disestablishment of the Communist Party, and the loosening of political debate — no mean achievement. The United States shouldn't bind itself hand and foot to Mr. Yeltsin and his political future, but at the moment he is the person most identified with policies we should support.

Mr. Clinton does need to bolster Mr. Yeltsin's commitment to economic reform, and dampen his instincts for repression or censorship of his opponents. The United States must be conscious of the threat posed by sword-rattlers such as Vladimir Zhirinovskiy, without giving them a veto over our own policies.

What Mr. Clinton most needs to convey in Moscow, however, is the steadfastness of the United States in protecting its own foreign policy interests, our willingness to help the cause of democratic and economic reform anywhere — and our recognition that the Russian people and their leaders will chart their own course. We can offer our help and urge them to act wisely, but in the end, the choice must be theirs.

WHITEWATER

Call for special prosecutor is good advice for Clinton

President Bill Clinton — learning from afar that U.S. Sen. Daniel Patrick Moynihan, D-N.Y., has joined those who are calling for the appointment of a special prosecutor in the so-called Whitewater case — may be tempted to see that as an act of unfriendliness by a sometimes difficult Democrat.

It would be a mistake to read it that way. You do not have to be an enemy of the president to believe that Mr. Clinton and his attorney general need to take decisive action to clean up the mess they have let the old Arkansas case become.

The controversy may be contrived. It is "sensationalism" for Senate Minority Leader Robert Dole, R-Kan., to exploit the controversy on the very day the president is burying his mother. The talk about appointing a special counsel may be intensely political. None of that, though, changes the fact that the administration cannot treat the clamor as merely an annoyance to be endured and ignored.

Having let the controversy — and, in some cases, hyperventilated and apparently baseless speculation — get this far out of hand over the holidays, Mr. Clinton needs to do three things to set matters straight:

One, get the investigation in the hands of someone whose independence and integrity are beyond reproach, and who can't be accused of having a political motive.

Two, provide some of the answers that are lying there waiting to be made about some of the breathless speculation, as the White House finally did the other day on the question of why the Clintons didn't claim the losses they said they had incurred on their tax returns. (They wouldn't have been permitted to claim more than \$1,000 of losses in any case.)

And three, assemble a comprehensive review of the relationship between the Clintons and James McDougal and his former savings and loan, Madison Guaranty Trust, and get it out for people to see. No one knows for sure whether there is anything indictable, impeachable or even very seriously reproachable about that relationship.

The Clintons have created the impression that they fear embarrassment. They have to cure it. Sen. Moynihan may be an irritant, but he's right. Without decisive action to answer the questions, Whitewater will be a nuisance for the president for a long time to come.

Stonewall On Whitewater

Abuse heaped by Clinton political operative Paul Begala on a universally respected senior Republican congressman last week reflects a technique that has served the president well in the past but now encounters its greatest test.

Appearing on CNN's "Inside Politics," Rep. James Leach commented in his quiet manner that while Bill Clinton apparently is "quite an ethical president . . . some very serious questions have arisen involving the public trust" during his tenure as governor of Arkansas.

Begala's response: "What this is, is a Republican witch hunt. . . . The president's policies . . . passed, and the president's popular. So now, they're going to spend 1994 attacking the president personally. And I, frankly, I just think it stinks."

In fact, neither Begala nor presidential counselor David Gergen (accusing his former fellow Republicans of "cannibalism") nor the other spokesmen sent forward by the White House are conversant with the political and economic details involved in the Clintons' ill-fated investment in the Whitewater Development Corp. The president's agents are flying blind, relying on their chief's assurances.

Begala is a skilled and intelligent lieutenant of master Clinton strategist James Carville, and what he says he "frankly" thinks is actually the Clinton strategy for dealing with the Whitewater affair: stonewall—no questions answered, no specifics addressed, no special prosecutor named, motives of the accusers maligned.

That technique worked admirably during the 1992 campaign, but now, the Clinton team must cope with two new factors. The first is the persistence of Jim Leach. The second is that last summer's suicide of Vincent Foster, White House aide and friend of the Clintons, to many remains a mystery.

In their encounter, Begala treated Leach like the Republican shouters he regularly confronts on television. But Leach does not shout. The soft-spoken Iowan (and product of Princeton and the London School of Economics) during 17 years in Congress has earned a reputation for nonpartisanship, liberalism and integrity.

As ranking Republican on the House Banking Committee, he regards the savings and loan fiasco, whose bailout is estimated to be as high as \$1 trillion, as a national disaster. Characteristically, he never flinched from assigning blame to Republican administrations.

That explains the intensity of Leach's interest in Whitewater. By claiming "Arkansas insiders and the political establishment" used the Madison Guaranty Savings and Loan as a "piggy bank" to prop up Whitewater, he raises questions about the estimated \$50 million that the defunct Little Rock thrift institution cost taxpayers. Why was Madison kept open after federal regulators said it should be closed?

The proximate cause of renewed interest in this business is not, contrary to the White House, the president's year-end success (made possible by the passage of NAFTA, thanks to Republican support). It was confirmation that presidential aides removed a Whitewater file from Foster's office following his death and gave it to the Clintons' attorney.

After *The Post* and *The New York Times* called for the file to be released,

the White House turned off the pressure just before Christmas by saying it would be given to Justice Department investigators (though not to Congress). Clinton lawyers needed two weeks to organize the material before turning it over, but Leach and other students of the situation suspect that the papers are incomplete and doubt they will shed much light on either the Whitewater affair or Foster's death.

When Leach last week mentioned the suicide in passing on television, Begala unloaded on him: "I can't let it go uncommented that you would try to politicize the tragic death of a talented public servant. . . . [It] is beneath you and beneath your party." Begala's statement that "we can never know" what was behind Foster's death echoes the president's own comments the morning after his aide's body was found.

The White House message, as pronounced by Begala, is that the questions being asked about Whitewater are improper and should not be posed. When 20 years ago Richard Nixon and his men took that stance in regard to Watergate, this column asked whether this was merely an ill-advised political tactic, or the president had something to hide. That now may be asked of President Clinton. For both his and the nation's sake, it may be hoped that—unlike in the case of Nixon—the former, not the latter answer, is correct.

William Raspberry

At a Loss for an Answer

I am, as I tell interviewers who want to know my political views, a "solutionist." I have little patience for those who simply moan about problems or spend their efforts searching for villains to blame for problems. The people I admire are those with ideas for fixing problems.

So this confession is especially painful for me. There may be problems—serious, widespread, society-threatening problems—that can't be fixed. I particularly have in mind the thousands of young people, most of them young men, who may be irredeemable.

I'm not speaking here of mere street toughs or even gang-bangers and murderers. No matter how much some of these violent ones frighten me, I believe most can be reclaimed. I've seen some of them reclaimed: by wise counselors, by religious conversion, by personal epiphanies that lead them to come to themselves and to go straight. We have a lot to learn about how to increase the number of such rescues, but at least we know rescue is a possibility.

But there are youngsters out there who, I deeply fear, have no inner self to come to, who maim, kill and even die without remorse. These are children (and not always children) who are missing something at the core of their being, who have no feeling for others and who seem to have no feelings at all except rage. It is pointless to speak of rehabilitating them, since they were never rehabilitated in the first place. They are, or so it seems to me, without a conscience.

We know them from the news stories of what we call "senseless" killings: accounts of robbers who kill their unresisting victims; accounts of killings for such trivial affronts as an odd look or being cut off in traffic; accounts of wild-firing killers who pursue their targets through streets, playgrounds and schools, with utter disregard for innocent bystanders.

Probably some among us—teachers, recreation aides and police, for instance—know these conscienceless ones even before they turn murderous. Surely, the inability to care about the feelings of others must manifest itself early on.

We may even have a pretty good idea of where it comes from. The social and mental health authorities tell us that youngsters who are not loved and cuddled and taught to trust as infants never learn to love and trust and empathize. Maybe they can't.

Maybe they're like abused and abandoned puppies who, if they survive, become cunning, untamable and sometimes vicious dogs.

If so, what's the solution? The dog pound of more or less permanent incarceration?

But to give up on our children is, quite literally, to give up on our future. I won't do it. I still will look for ways—as a social commentator and as an individual—to make a difference in the lives of as many youngsters as I can. I will continue to support those who are committed to rescuing our children, whether as an aspect of their work or as an element of their character. I will go on advocating the empowerment of the natural leaders, even if community still possesses—the social antibodies who quietly do their healing work.

I still think it's a good idea—perhaps a necessary idea—to teach parents of young children how to socialize those children, how to build their self-confidence, how to instill in them the basic values, how to get them ready for love and learning and life. It's no indictment to say too many parents don't know how to do these things. Who can blame people for not learning what they haven't been taught?

But it does seem that the lack of conscience I find so frightening has its roots in poor parenting and that at least some of that can be overcome by . . .

What they ought to know. As for those who have no interest in learning—whether because they themselves are products of ruined childhoods or because they have surrendered their parental instinct to crack cocaine—would their children be worse off in foster care or even in well-run orphanages?

There are, I'm saying, ways to turn off the supply of consciencelessness at the source. Expensive ways, no doubt, and maybe more intrusive than some of us would like. But it can be done if we decide as a society to do it.

But what of the coreless, not fully human ones already plaguing us? What do we do with them as they progress from adolescence to adulthood to middle age? Is there any reason to suppose they can ever become decent, nondangerous citizens? Are they to be punished endlessly for something that truly isn't their fault?

It pains this "solutionist" to know that

MONDAY, JANUARY 10, 1994 THE WASHINGTON POST

Moynihan calls for land-deal prosecutor

By Adam Nagourney
USA TODAY

A powerful Democratic senator called Sunday for the appointment of a special prosecutor to probe President Clinton's tangled dealings with a failed Arkansas land deal — and suggested the White House was stonewalling the investigation.

The remarks by Senate Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y., stunned White House officials, who had hoped the issue would temporarily recede with Clinton's trip to Europe.

Before Moynihan's remarks, the push for an independent special prosecutor was led by Republicans and editorialists.

Moynihan's decision to jump on what had been a GOP bandwagon — and on a day when the White House hoped news stories would focus on Clinton's arrival in Brussels — seemed sure to elevate pressure for an independent probe.

The Clintons' role in the failed Whitewater Development Corp. land deal, and its links to a failed Arkansas savings and loan run by a Clinton contributor, is being investigat-

ed by the Justice Department.

Attorney General Janet Reno, who has resisted appointment of a special prosecutor, said the case has been turned over to a career Justice Department investigator who is a Republican.

At question is whether S&L funds were used to retire Clinton political debts, and whether Clinton used the governor's office to inhibit state regulation of the thrift, run by James McDougal, a Clinton friend.

McDougal told The Associated Press Friday the Clintons did nothing wrong in their deal-

ings with him. He said he had long sought to purchase their share of Whitewater to take advantage of tax losses.

Moynihan is known for both his unpredictability and his often testy relations with Clinton.

On NBC's *Meet the Press* Sunday, Moynihan never even let his questioner finish before endorsing, with gusto, a special prosecutor: "Yep. Yep. Nothing to hide. Do it. Come on."

And when a questioner suggested Moynihan seemed to be saying the White House was stonewalling, he responded:

"I would have to say that,

you know, not knowing any details, just reading, going by it in the newspapers — yeah what's going on here?"

But Clinton senior adviser George Stephanopoulos rejected the call and said the White House had been fully cooperative. Stephanopoulos, who has been trying to smooth strained relations between the president and the senator, was careful not to criticize Moynihan.

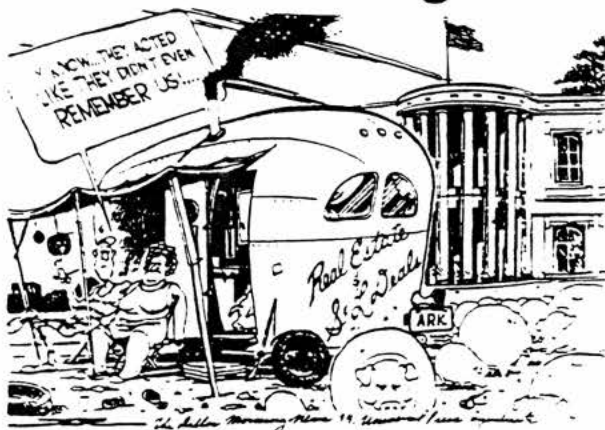
"The special prosecutor standard has not been met, in terms of there being a specific allegation from a credible source," Stephanopoulos said.

It was a measure of the White House's surprise at the attack that even as Moynihan was speaking, Vice President Gore was denouncing as politically motivated the clamor for an independent prosecutor.

"This is a political attack which is coming, in my opinion, in large part because the opposition is a little bit scared that everything is beginning to go right with the economy ... so they're going after (Clinton) personally," he said on CBS's *Face the Nation*.

► Opinion USA, 11A

... and turgid status



The Clinton White House is surely correct in pointing out the hypocrisy and political opportunism of some Republicans who are now gleefully demanding the appointment of a special prosecutor to investigate the Clintons' financial dealings with a failed Arkansas savings and loan.

Although the political memory of most Americans — including many media pundits — tends to be measurable in months rather than years, it is difficult to forget the shrill and ultimately successful campaign orchestrated by many Republicans to scuttle the Independent Counsel Act, while their party controlled the executive branch of government. Now that the Democrats are in the White House, civic virtue has suddenly returned to those Republicans who have conveniently changed sides and are now calling for a special prosecutor.

Nor are Democrats immune from murmur-image charges of hypocrisy and opportunism. Some Democrats who insisted on the appointments of special prosecutors to investigate allegations of Republican hanky-panky are now sanctimoniously invoking the separation of powers and the independence of career Justice Department officials, as arguments against the appointment of a special prosecutor in the Clinton matter.

But it is precisely because there is so much hypocrisy and cynicism on both sides of the aisle that a special prosecutor should be appointed in this case and that the Independent

Counsel Act — with some needed improvements — should be quickly revived and put in place.

It may well be true, as Attorney General Janet Reno has stated, that career prosecutors are not influenced by the political winds of the day. But it is equally true that the public will simply not trust a process in which the subjects of the investigation — in this case the Clintons — have the power to hire, fire, promote and demote those who will be making important decisions about their political and personal futures. The appearance of fairness and equality is almost as important as its reality, especially when the integrity of the president and the first lady is at issue.

As an experienced criminal lawyer, I understand the reluctance of the White House to surrender control over the delicate fact-gathering process to an outsider who has no political accountability to the president. Were I his lawyer, I might well take the same view. It is likely — though it is too early to know for certain — that a full investigation may well show some gray areas. That is typical of these kinds of cases. It is unlikely that any clear criminal conduct will be provable by a smoking gun. Nor is it likely that a merit badge will be awarded the Clintons for their role in the financial fiasco that has come to be called Whitewater.

Accordingly, there is a palpable advantage to them in having the Justice Department, rather than a special prosecutor, conduct the inves-

tigation. When the Justice Department completes its investigation, it either secures an indictment or it announces that the investigation has been closed. It does not prepare and distribute a public report on its findings. Special prosecutors, on the other hand, generally do prepare and make public what they have found and why they believe it does not warrant criminal prosecution.

If I am correct that this may be a gray area case, in which evidence of improprieties but not of indictable crimes may be found, then the Clintons are far better off with a Justice Department investigation that will end with a simple statement that no indictment is being sought. Period. But as president and first lady, are they entitled to such a simple "thumbs-up, thumbs-down" decision? Is not the American public entitled to know everything investigators may learn about the financial, political and legal dealings of our president and his wife?

In a half-century that has included a flawed Warren Commission inquiry into a presidential assassination, the plea-bargained resignation of a vice president, the firing of a special prosecutor by a president, the pardoning of a former president by his hand-picked replacement, the pardoning of a former Cabinet member who may have had incriminating information about the president who pardoned him, and other political actions that have made cynics of many voters, it is imperative that the current allegations be investigated without any cloud of conflict of interest. The only way to remove all such clouds is for a special prosecutor to be appointed immediately to conduct a full investigation and to report his or her findings to the American public.

As a Democrat and a Clinton supporter, my hope is that a special prosecutor will find nothing improper, unethical or criminal in the Whitewater mess. As an American, I want the whole truth to emerge so that the voters can judge for themselves. Let there be a full and open investigation and let the chips fall where they may.

Alan Dershowitz, a professor at Harvard Law School, is a nationally syndicated columnist.

West again considers air strikes in Bosnia

By Juan J. Walte
USA TODAY

NATO, whose warplanes have patrolled the skies over Bosnia since last summer, today considers launching air strikes to stop the growing Serb bombardment of Sarajevo, capital of civil-war devastated Bosnia-Herzegovina.

"Such a step cannot be ruled out," Vice President Gore said Sunday on CBS's *Face the Nation*, noting the increased Bosnian Serb attacks on Sarajevo — 1,300 artillery shells rained on Sarajevo last week.

"Now we're very troubled by the events of the last several days," Gore said.

While NATO allies meet in Brussels, Belgium, peace talks between Bosnia's Muslim president, Alija Izetbegovic, and Croatian President Franjo Tudjman open in Bonn, Germany. A proposal on the table would give Muslims just over a third of Bosnian territory.

Talks on ending Bosnia's 21-month-old civil war have often been accompanied by an increase in fighting as the warring sides try to gain greater leverage at the negotiating table.

Serbs rebelled after Bosnia's Muslim-ruled government, allied with Croats who have since fought against Muslims, declared independence from Serb-dominated Yugoslavia.

Serbs, aided by Yugoslavia's army, since have seized 70% of Bosnian territory.

The United States and its NATO allies have threatened to bomb Bosnian Serb positions outside Sarajevo if the Serbs don't ease their shelling.

Secretary of State Warren Christopher repeated the August pledge on Sunday.

"Fundamentally, that conflict can only be resolved if the parties themselves have some incentive to try to deal with it and come to a resolution," Christopher said on ABC's *This Week with David Brinkley*.

Gen. John Shalikashvili, chairman of the Joint Chiefs of Staff, told NBC's *Meet the Press* that NATO allies are "watching very carefully" the growing shelling of Sarajevo.

"Those who are responsible for that ought to not ever underestimate the seriousness with which we view that."

Echoing Christopher's comments, he added: "It's time for us to pursue to ultimately resolve that. ... No one can do that for them."

But Sen. Sam Nunn, D-Ga., one of Congress' most influential voices on military issues, warned that if the United States and its allies launch air strikes in Bosnia, they must be willing to go all the way to Belgrade, capital of Yugoslavia, which has seen four of its six republics break away.

"The problems start in Belgrade," said Nunn, who also appeared on ABC. "They (the Serbs) are the ones who can stop their allies (in Bosnia) from continuing this kind of tragic slaughter."

Let Justice Dept. handle Whitewater

LOS ANGELES TIMES in an editorial: "All that Attorney General Janet Reno can do other than what she has done — order a department probe and promise that it won't be a joke — is to name some lawyers not working for the Justice Department to head up an investigation outside the department's walls. But would that necessarily prove superior to a departmental probe? We think not, and in fact there is a good chance that delay outside the department would be worse than any delay within it. Inside the department, Reno's feet no less than Clinton's will be held to the fire."



GARMENT

SUZANNE GARMENT, author, in *The Washington Post*: "Give them the papers. You say they have no right to the papers? Give them the papers anyway. ... The Clintonites are politically sophisticated folks. Yet to judge by their handling thus far of the Whitewater scandal ... administration officials were absent from class during this lesson. ... Again and again in recent scandals we see otherwise calculating, competent individuals lose their shrewd judgment and succumb to paralysis when they are dumped head-first into these pits. ... All the damage controllers and crisis managers in the world cannot fully save a political figure from these anxieties and their consequences."

individuals lose their shrewd judgment and succumb to paralysis when they are dumped head-first into these pits. ... All the damage controllers and crisis managers in the world cannot fully save a political figure from these anxieties and their consequences."

ARKANSAS DEMOCRAT-GAZETTE in an editorial: "When all is said and done, which will surely take months more, how serious is either Troopergate or Whitewatergate? How will one tell when these presidential scandals are getting serious? Easy. They'll be serious when the euphemisms have to be rolled out, and these matters have to be referred to delicately. Watch out for the first description of Whitewatergate, for example, not as an unsavory savings-and-loan connection, but as merely a problem, or the president's problem, or the Clintons' problem. That way, nothing specific need be alluded to. As in: 'South Vietnam would not have gone down the drain if I hadn't had my problem.' — Richard Nixon, alluding to Watergate in August of 1975."

CHICAGO SUN-TIMES in an editorial: "The irony in the calls for a special prosecutor ... is too delicious to ignore. When the White House was occupied by their guy, Republicans were against appointment of a special prosecutor. ... Same goes for the Democrats. ... No wonder Americans are cynical about politicians. ... But adding to even higher levels of cynicism are the meaty, substantial and pressing questions about the Clintons' involvement in the Madison Guaranty and Whitewater Development matters that demand to be answered. The questions are becoming so obvious about the Clintons' possible conflict of interest and involvement in these troubling financial dealings that it shouldn't take a genius to form them or ask them. Competent and committed career prosecutors in the Justice Department ought to be able to handle the job just fine."

WILLIAM SAFIRE, columnist, *The New York Times*: "No politician is so stupid as to try to hide something when there is nothing to hide. The Clintons' pattern of behavior in Whitewatergate is that of wheeler-dealers with something serious to hide. Let's hope it's only politically embarrassing."

THE DAILY OKLAHOMAN, Oklahoma City, in an editorial: "The truth is the independent counsel law ... never was a good idea. 'Independent' counsels all too easily become irresponsible counsels. ... There may be an occasional need for special prosecutors, insulated somewhat from daily political pressures, who remain ultimately accountable to a constitutional officer (preferably, the attorney general). This might be one of those times. With or without the old law, Attorney General Janet Reno can seek a special prosecutor. Turnabout is, indeed, fair play."

CARL ROWAN, syndicated columnist: "Our people cut leaders a lot of slack on sexual matters, but they draw a hard line on official abuses of power, corruption, tax dodges, cover-up conspiracies and brazen stonewalling. ... This whole convoluted mess of Arkansas financial incest and Washington skulduggery is doing egregious damage to (the Clintons). If they feel legally and morally safe, they ought to dump all applicable documents on the White House lawn and let the lawyers, politicians, GOP marauders and the media have a fact-finding orgy."

Moynihan Urges Prosecutor To Study Clinton Land Deal

By GWEN IFILL

Special to The New York Times

WASHINGTON, Jan. 6 — Senator Daniel Patrick Moynihan of New York today became the first Democrat to publicly urge Attorney General Janet Reno to appoint a special prosecutor to investigate President Clinton's involvement in an Arkansas real estate venture linked to a failed savings and loan.

Mr. Moynihan suggested that the only way to clear the air of questions that have been building about the President's involvement in the venture, the Whitewater Development Company, was for Mr. Clinton to "get some good lawyer working on that issue while we go ahead on other things."

"Just turn it over to the prosecutor and let him find out," Mr. Moynihan said on the NBC News program "Meet the Press." He also suggested that Mr. Clinton and his wife, Hillary, release all of the pertinent documents to the public to prove that they have "nothing to hide."

"Presidents can't be seen to have any hesitation about any matter that concerns their propriety," Mr. Moynihan said. "And this is an honorable man. We have a fine President. He has nothing to hide."

Previous Calls Rejected

The Administration has rejected a growing chorus of Republican demands that an outside investigator be appointed to examine the case, which centers on the business practices of James B. McDougal, an Arkansas businessman and Clinton supporter who owned the savings and loan, Madison Guaranty. He was also a partner with the Clintons on Whitewater, a failed effort to create a retirement community in the Ozarks. The Justice Department is now investigating whether Madison Guaranty improperly funneled money into Whitewater or into Mr. Clinton's 1984 re-election campaign for Governor of Arkansas.

Ms. Reno has said that any investigator appointed by her would be seen as biased. But her aides said on Friday that if Congress renews a law that would allow her to ask a court to appoint a special prosecutor she would do so.

The Clintons have said they lost \$69,000 on the investment and that there is no evidence of wrongdoing on their part. Last week, their lawyer, David Kendall, turned over five boxes of Whitewater-related documents to the Justice Department, but only after negotiating a subpoena that would protect all of the files from public scrutiny.

Asked today whether the Administration was stonewalling, Mr. Moynihan said his initial reaction was "What's going on here? Why isn't this all out in the open?"

White House officials have said the questions raised about the matter have been politically motivated and that there is little more to say. Appearing on the CBS News program "Face the Nation," Vice President Al Gore continued that line of defense today.

"There has been no wrongdoing," Mr. Gore said. "What there has been is a series of political attacks."

Politics as Defense

Referring to a recent spate of encouraging economic news, he said, "I think there's been a little bit of political panic about the fact that everything's going so well, and so they're unleashing these attacks on him."

White House officials have been debating the merits of cutting their political losses by allowing the appointment



Associated Press

Senator Daniel Patrick Moynihan, who called for a special prosecutor to investigate President Clinton's involvement in an Arkansas real estate venture.

of a special counsel, but Mr. and Mrs. Clinton have remained adamant in their opposition to such an approach.

As a result, Mr. Clinton's advisers have looked to other lines of defense. Last week, David R. Gergen, the counselor to the President, suggested that the Whitewater dispute was grounded in nothing more than political attack that was symbolic of an erosion of fair play in the nation's capital.

"We continue to believe that the special prosecutor standard has not been met," George Stephanopoulos, a senior adviser to the President, said today. "There has not been a specific allegation from a credible source." The White House, he said, was "fully cooperating" with the Justice Department's inquiry of Madison Guaranty.

Mr. Stephanopoulos would not say whether Mr. Moynihan's comments would influence White House thinking about full disclosure or the appointment of a special prosecutor.

But the New York Democrat's statements today could undermine the White House's assertion that the calls for independent investigation have been purely partisan, and make it increasingly difficult for officials to continue to hold the line for the Clintons who are traveling in Europe this week.

In an interview after his appearance, Mr. Moynihan said, "I was just stating my view that a situation such as this will stay there and stay there and stay there until you do the thing, which eventually you will do — turn the papers over, name a special counsel and get on with governing. We have a President with nothing to hide."

No one was quicker to leap on Mr. Moynihan's statement than Senator Bob Dole of Kansas.

"I know it's been a tough week for the White House damage control experts," Mr. Dole said in a statement he released after Mr. Moynihan's appearance. "But no matter how hard they try, they can't obscure this fact: much of the Whitewater controversy to date has been caused by their own blunders."

Ms. Reno has repeatedly emphasized that the career prosecutor at the Justice Department who has been assigned the Madison Guaranty investigation, Donald Mackinnon, is a Republican who served in the Reagan and Bush Administrations.

PM-AR--Ark Digest, 920

PMs Arkansas News Digest= Monday PMs, Jan. 10=

Here are the top Arkansas stories for PMs newspapers of Monday, Jan. 10. Peggy Harris comes in at 5 a.m., and Joel Williams takes over the Little Rock desk at 7:15 a.m. If you have any questions or contributions, call (800) 482-9480 or (501) 374-5536; members with electronic carbon modems are also encouraged to offer their stories. To fax a story to the Associated Press at Little Rock, call (501) 378-7511.

CLINTON:

McDougal and Lawyer: No Mystery to Foster File in White House

LITTLE ROCK It isn't ``any big mystery'' about why deputy White House counsel Vince Foster had a file on the president's partnership in an Arkansas real estate venture, a partner and his lawyer say.

Slug PM-AR--Clinton-McDougal-Foster. Should stand. 850 words.

By Joel Williams.

NEW FOR PMS.

1986 Audit Cites Arkansas S&L Problems Now Focus of Probe

WASHINGTON Nine months after Hillary Rodham Clinton's law firm told state regulators a troubled Arkansas thrift was heading for improvement, federal regulators warned that the institution was near insolvency because of risky land ventures and accounting irregularities, documents show.

Slug PM-Clinton S&L. Should stand; moved first for Monday AMs. 1080.

By Richard Keil.

Critics Say Public Misses `Troopergate' Implications

LITTLE ROCK (AP) Lawyers who represent two state troopers who claim to have helped arrange extramarital affairs for President Clinton when he was Arkansas' governor have written articles on it for newspaper editorial pages.

Slug PM-AR--Jackson Letters. Should stand. 500 words.

By Peggy Harris.

SCHOOL: District Holds Classes Despite Walkout

LITTLE ROCK Pulaski County School District planned to hold classes as usual today despite a planned walkout by some teachers.

Slug PM-AR--Pulaski School Walkout. Lede prospects uncertain. 550 words.

NEW MATERIAL FOR PMS.

GUNS: Higher Dealer Fees Won't Stop Crime, Prosecutor Says

LITTLE ROCK A prosecutor and some Arkansas gun dealers say a proposal to charge higher fees for a federal gun license won't stop violent crimes.

Slug PM-AR--Gun Fees. Should stand. 470 words.

TOWING: Wrecker Operators Want Tennessee Operators Barred From County

MARION A border skirmish among tow-truck operators may lead to a ban on Tennessee wreckers doing business in one Arkansas county.

Slug PM-AR--Wrecker Wars. Should stand. 440 words.

LT. GOV.: Huckabee Discusses Views on Family, Government

CONWAY Lt. Gov. Mike Huckabee started out talking about the role of the Republican Party in national government but ended up arguing about the definition of family.

Slug PM-AR--Huckabee-Family. Should stand. 320 words.

AIDS: Hospital Trying to Set Up Clinic

ROGERS While the number of people infected with the AIDS virus is increasing, some places have no clinics to help them. A hospital in Benton County is working to change that.

Slug PM-AR--AIDS-Benton County. Should stand.

DILLOS: Research May Explain Why Humans Shiver

CLARKSVILLE Biologist Frank Knight may joke about his armadillo research, claiming to have debunked the myth that armadillos are born dead on the side of the road. But, seriously, folks.

Slug PM-AR--Armadillo Research. Should stand.

SERVICE: David O. Dodd Funeral 130 Years Late

LITTLE ROCK David O. Dodd was 17 when he was executed as a spy by Union troops and buried without a funeral. That was 130 years ago. On Saturday, more than 300 people turned out for Dodd's funeral.

Slug PM-AR--Hero-Funeral. Should stand. 320 words.

DEFENDING: Two Lawyers Say Case Will Be a Big One

PARAGOULD The attorneys representing Jessie Lloyd Misskelley Jr. know they have a big case on their hands.

Slug PM-AR--Boys Slain-Lawyers. Should stand. 970 words.

A Dateline: Arkansas feature by Sharon Knight of the Paragould Daily Press.

NEW FOR PMS.

With:

Layout quotes, slugged BC-Boys Slain-Lawyers-Quotes, 120 words.

IN SHAPE: Bentonville Cops Trying to Get Fit

BENTONVILLE For officers and employees of the Bentonville Police Department, staying in shape should be made easier, thanks to a new fitness-assessment program.

Slug PM-AR--Fit Cops. Should stand. 460 words.

A Dateline: Arkansas feature by Russell Ray of the Benton County Daily Record. With AP Photo BTV1.

NEW FOR PMS.

With:

Layout quotes, BC-AR--Fit Cops-Quotes, 90 words.

IN SPORTS:

Hawgball

TUSCALOOSA, Ala. How does a team lose to College of Charleston by 23, Southern Mississippi by 17, South Carolina by 16, Tennessee-Chattanooga by 10 and then beat the nation's top-ranked team?

Slug PM-BKC--Improbable Alabama. Should stand. 640 words.

By Paul Newberry.

NEW MATERIAL FOR PMS.

Oaklawn

HOT SPRINGS When trainer Tony Reinstedler got a message to call the media

department at Oaklawn Park, he had a pretty good idea what was coming. "Is this in reference to War Deputy?" he asked.

Slug PM-RAC--Oaklawn-War Deputy. Should stand; moved first for Sun AMs, now available for PMs.

By Harry King.

The AP-Little Rock

**** filed by:APW-(AR) on 01/10/94 at 00:33EST ****
**** printed by:WHPR(JEL) on 01/10/94 at 08:01EST ****

New White House Strategy May Entail Selective Release of Documents

By Ann Devroy
Washington Post Staff Writer

BRUSSELS, Jan. 9—As President Clinton today began a week's performance on the European stage, senior aides in Washington were constructing a new offense to rebut charges relating to the president's involvement in the Whitewater land development project.

The strategy could include selective public release of documents turned over to the Justice Department under subpoena last week.

According to a senior adviser in Washington, key officials have been laying the groundwork for more than a week for a more aggressive White House defense of the president and Hillary Rodham Clinton against charges of possible financial wrongdoing in their partnership with James McDougal in an Arkansas land development firm financed by a failed savings and loan, Madison Guaranty, which was controlled by McDougal.

Sen. Daniel Patrick Moynihan (D-N.Y.) today urged Clinton to release all documents dealing with Whitewater and urged Attorney General Janet Reno to appoint a special prosecutor, echoing calls by key Republican legislators.

One element of the new White House strategy was reflected today when Vice President Gore used an appearance on CBS's "Face the Nation" to argue that Republicans have launched the Whitewater attack out of "political panic" because "everything's beginning to go right with the economy."

"They're going into an election year," said Gore. "They haven't been able to sustain any attacks on President Clinton's policies; the country's turning around; the president's doing a fantastic job and so they're going after him personally."

Just as Hillary Clinton deplored allegations of sexual improprieties by her husband that were raised by Arkansas state troopers during the Christmas holidays, Gore noted three times that Republicans were "attacking ferociously" on "the day that President Clinton was burying his mother in Arkansas."

"Now doesn't it bother you a little bit to have the president attending the funeral service of his mother and to have members of the political opposition, as the service is going on, on the airwaves making these attacks?" Gore said.

Senate Minority Leader Robert J. Dole (R-Kan.), who has called for a Whitewater special prosecutor, said he was "saddened" that Gore has "stooped" to suggesting criticisms are "inappropriate or unseemly" because of the death of the president's mother.

In a statement issued in Washington, Dole said that "no matter how hard [White House 'damage control']

experts] try, they can't obscure this fact: Much of the Whitewater controversy to date has been caused by their own blunders."

Gore's appearance was one of a series of television appearances in which senior officials—such as top advisers David R. Gergen and George Stephanopoulos—portrayed Whitewater as a partisan issue created and led by Republicans.

The strategy being worked on at the White House would also use public release of selective campaign, savings-and-loan and financial records to answer some of the questions surrounding the Clinton financial affairs that have increased in intensity the past two months.

The Clintons have staunchly resisted releasing additional private records, but some key members of the newly formed Whitewater defense team at the White House are expected to tell Hillary Clinton that the issue is unlikely to fade and that the White House ought to make what one official called selective "affirmative cases."

But Moynihan, appearing on NBC's "Meet the Press," urged Clinton to release all documents pertaining to the Whitewater project to avoid the appearance of covering something up.

"Presidents can't be seen to have any hesitation about any matter that concerns their propriety. And this is an honorable man. . . . He has nothing to hide. . . . Or nothing should be hidden. And everything, I'm sure, will be understood, excepting if there is that old phrase . . . 'stonewall,'" said Moynihan.

Asked whether Reno should appoint a special prosecutor to deal with Whitewater, Moynihan responded, "Yep. Yep. Nothing to hide. Do it. Come on. . . . Get some good lawyer working on that issue while we go ahead on other things."

Reno has told top aides that she would prefer to wait until next month, when Congress is expected to approve an independent counsel law. Unlike a special prosecutor, an independent counsel would have no access to the Justice Department.

For months the White House has turned aside most Whitewater questions and declined to provide documents. Officials said privately that providing more information would only keep the controversy in the news.

Clinton aides have maintained that many records were lost or unavailable. The controversy first arose during the 1992 presidential campaign. But under increasing political pressure, the White House assembled several boxes of records and announced last month it would voluntarily turn over records to the Justice Department, which is investigating Madison and its relationships with key Arkansas political figures. The White House did not divulge until two weeks later that the Justice Department had subpoenaed the records under an agreement worked out with Clinton's lawyer.

Federal investigators are examining whether Madison funds helped

pay off Clinton gubernatorial campaign debts. Federal thrust investigators have also found evidence that money from Madison was diverted to Whitewater and other McDougal companies and listed the Clintons among the possible beneficiaries.

Hillary Clinton's law firm represented Madison before Arkansas regulators trying to convince them in 1986 that the troubled thrift was on its way to financial health at a time when it was near insolvency because of bad loans.

By agreeing to the subpoena, the White House ensured that the records would not be released publicly. But administration officials said the Clintons are not prohibited from releasing their own records.

Sources said Saturday that officials have been cataloging the records at the White House and having them analyzed legally and politically in case the argument to release some of them prevails. It is unclear how many officials in the White House outside of the counsel's office, including those devising the new defense strategy, have seen any of the Whitewater documents.

The new moves are essentially part of an expanded public relations strategy in which the White House selects the allegations it wishes to rebut and releases documents that go to that issue alone. The question about whether Madison funds helped pay off Clinton campaign debt might be answered with some never-released campaign records, officials suggested.

But reporters here were cautioned that the Clintons have not approved, or even been fully briefed on, selective release of the documents because of the death of the president's mother and the concentration on the European trip, which began here in Brussels and will include stops in Prague, Moscow, Minsk and Geneva. Clinton returns to Washington next Sunday.

The damage control team left in Washington, deputy chief of staff Harold Ickes, senior advisers Stephanopoulos and Bruce Lindsey and lawyers in the White House are expected to discuss the issue with Hillary Clinton this week. She will stay in Washington until she joins the president in Moscow Friday.

bc-whitewater-post

(wap) (ATTN: News editors)

Clinton Aides Prepare to Rebut Whitewater Charges (Brussels)

By Ann Devroy= (c) 1994, The Washington Post=

BRUSSELS, Belgium As President Clinton Sunday began a week's performance on the European stage, senior aides in Washington were constructing a new offense to rebut charges relating to the president's involvement in the Whitewater land development project.

The strategy could include selective public release of documents turned over to the Justice Department under subpoena last week.

According to a senior adviser in Washington, key officials have been laying the groundwork for more than a week for a more aggressive White House defense of the president and Hillary Rodham Clinton against charges of possible financial wrongdoing in their partnership with James McDougal in an Arkansas land development firm financed by a failed savings and loan, Madison Guaranty, which was controlled by McDougal.

Sen. Daniel Patrick Moynihan, D-N.Y., Sunday urged Clinton to release all documents dealing with Whitewater and urged Attorney General Janet Reno to appoint a special prosecutor, echoing calls by key Republican legislators.

One element of the new White House strategy was reflected Sunday when Vice President Gore used an appearance on CBS's "Face the Nation" to argue that Republicans have launched the Whitewater attack out of "political panic" because "everything's beginning to go right with the economy."

"They're going into an election year," said Gore. "They haven't been able to sustain any attacks on President Clinton's policies; the country's turning around; the president's doing a fantastic job and so they're going after him personally."

Just as Hillary Clinton deplored allegations of sexual improprieties by her husband that were raised by Arkansas state troopers during the Christmas holidays, Gore noted three times that Republicans were "attacking ferociously" on "the day that President Clinton was burying his mother in Arkansas."

"Now doesn't it bother you a little bit to have the president attending the funeral service of his mother and to have members of the political opposition, as the service is going on, on the airwaves making these attacks?" Gore said.

Senate Minority Leader Robert J. Dole, R-Kan., who has called for a Whitewater special prosecutor, said he was "saddened" that Gore has "stooped" to suggesting criticisms are "inappropriate or unseemly" because of the death of the president's mother.

He said that "no matter how hard (White House 'damage control' experts) try, they can't obscure this fact: Much of the Whitewater controversy to date has been caused by their own blunders."

Gore's appearance was one of a series of television appearances in which senior officials such as top advisers David R. Gergen and George Stephanopoulos portrayed Whitewater as a partisan issue created and fed by Republicans.

The strategy being developed at the White House would also use public release of selective campaign, savings-and-loan and financial records to answer some of the questions surrounding the Clinton financial affairs that have increased in intensity the past two months.

The president and Hillary Clinton have staunchly resisted releasing additional private records, but some key members of the newly formed Whitewater defense team at the White House are expected to tell Hillary Clinton that the issue is unlikely to fade and that the White House ought to make what one official called selective "affirmative cases."

But Moynihan, appearing on NBC's "Meet the Press," urged Clinton to release all documents pertaining to the Whitewater project to avoid the appearance of covering something up.

"Presidents can't be seen to have any hesitation about any matter that

bc-foia - a1919

(ndy) (ATTN: National editors) (Includes optional trims)
Justice Department Reduces Access to White House Documents (Washn)
By Kathleen Kerr= (c) 1994, Newsday=

WASHINGTON Less than a month after President Clinton and Attorney General Janet Reno pledged a new openness in government last fall, the Justice Department reduced public access to documents originating in the White House.

A memo from Associate Attorney General Webster Hubbell to Freedom of Information Act officers at all federal agencies instructed them to return to the White House any documents that originated there and that were found in agency files during FOIA searches. The White House then would recommend whether those documents should be released.

While previous administrations have required individual agencies to route requests for White House-originated documents back through the White House, Hubbell's Nov. 3, 1993, memo expanded on a list of White House departments that may be eligible for exemptions from the Freedom of Information Act.

And the memo, obtained by Newsday, appears to weaken Oct. 4, 1993, memos by Clinton and Reno Hubbell's boss calling for enhanced public access to federal files through the Freedom of Information Act.

The Hubbell memo covers White House groups like the health care task force headed by first lady Hillary Rodham Clinton, Hubbell's former law partner.

(Begin optional trim)

For example, if files requested from the Department of Health and Human Services contained papers prepared by Hillary Clinton's health care task force, officials would now be required to send them to the Office of the Counsel to the President for recommendations on release.

Last year, the U.S. District Court of Appeals for the District of Columbia ruled the health care task force did not have to hold public meetings. But the court noted the task force's working groups may be subject to the open meetings provision of the Federal Advisory Committee Act.

(End optional trim)

Justice Department spokesman Carl Stern said Hubbell's memo encourages disclosure of government records and does not restrict access.

Stern admitted that the Bush administration had not included working groups and task forces among those eligible for possible FOIA exemptions. But Stern said Bush didn't make much use of such groups.

"It is still our intention to be as open as possible," said Stern.
"There was no intention to enlarge a structure of withholding."

However, Jane Kirtley, executive director of the Reporters Committee for the Freedom of the Press, said: "We've been very disappointed with the follow-through by the Clinton administration on open government In this instance, one would hope that the White House ... would be the first to say we should be as open as humanly possible. That's not the case."

Distributed by the Los Angeles Times-Washington Post News Service=

**** filed by:LAWP(--} on 01/10/94 at 02:35EST ****
**** printed by:WHPR(JEL) on 01/10/94 at 08:02EST ****

AM-AR--Ark Digest, 1st Ld-Writethru
Eds: ADDS Clinton-S&L--McDougal and BKC--Arkansas Loses
AMs Arkansas News Digest= For Monday AMs=

Here are the top Arkansas stories from The Associated Press. The desk supervisor in Little Rock is Peggy Harris. Tom Parsons comes on at 4 p.m. If you have questions, please call 1-800-482-9480 or 501-374-5536. To fax a contribution to the AP, the number is 501-378-7511. MC DOUGAL: Former Partner Says He Tried To Buy Clintons Out of Whitewater

LITTLE ROCK A former partner in an Arkansas real estate venture under federal investigation says he asked President Clinton to get out in 1986 because he wanted to avoid sharing a potential profit with him.

Slug AM-AR--Clinton-S&L--McDougal. Should stand. 840 words.
By Joel Williams

CLINTON-S&L: 1986 Audit Cites Problems Now Focus of Probe

WASHINGTON Nine months after Hillary Rodham Clinton's law firm told state regulators a troubled Arkansas thrift was heading for improvement, federal regulators painted a starkly different picture warning the institution was teetering near insolvency because of risky land ventures and accounting irregularities, documents show.

Slug AM-Clinton S&L. Should stand, about 900 words.
By Richard Keil.
New for AMs.

LT. GOV: Huckabee Discusses Views on Family, Government

CONWAY, Ark. Lt. Gov. Mike Huckabee started out talking about the role of the Republican Party in national government but ended up arguing about the definition of family.

Slug AM-AR--Huckabee-Family. about 320 words.
New for AMs.

BUSINESS: Wrecker Operators Want Tennessee Operators Barred From County

MARION, Ark. A border skirmish among tow-truck operators may lead to a ban on Tennessee operators doing business in one Arkansas county.

Slug AM-AR--Wrecker Wars. about 440 words.
New for AMs.

GUN CONTROL: Higher Fees Won't Stop Crime, Prosecutor Says

LITTLE ROCK A prosecutor and some Arkansas gun dealers say a proposal to charge higher fees for a federal gun license won't stop violent crimes.

Slug AM-AR--Gun Fees. about 470 words.
New for AMs.

SCIENCE: Armadillo Research May Explain Why Humans Shiver

CLARKSVILLE, Ark. Biologist Frank Knight may joke about his armadillo research, claiming to have debunked the myth that armadillos are born dead on the side of the road.

But seriously, folks.
Slug AM-AR--Armadillo Research. about 360 words.
New for AMs.

HEALTH: Hospital Working to Set Up Clinic For AIDS Patients

ROGERS, Ark. While the number of people infected with the AIDS virus is increasing, some places have no clinics to help them.

A hospital in Benton County is working to change that.

Slug AM-AR--AIDS-Benton County. about 350 words.

New for AMs.

HISTORY: David O. Dodd is Buried after 130 Years

LITTLE ROCK David O. Dodd was 17 when he was executed as a spy by Union troops and buried without a funeral.

That was 130 years ago.

On Saturday, more than 300 people turned out for Dodd's funeral.

Slug AM-AR--Hero-Funeral. about 350 words.

New for AMs.

IN SPORTS...

UNEXPECTED LOSS: Nobody Expected Alabama To Break Hog Win Streak

TUSCALOOSA, Ala. No one expected top-ranked Arkansas to go undefeated, but no one expected them to lose their first game to Alabama.

Slug AM-BKC--Arkansas Loses. Should stand. About 690 words.

By Paul Newberry

The AP-Little Rock

**** filed by:APW-(AR) on 01/09/94 at 16:46EST ****

**** printed by:WHPR(JEL) on 01/10/94 at 08:00EST ****

bc-media-trut

TAKE 2 OF 2; Gannett-More; xxx wait no longer.

Its cautious 4,500-word story repeated some of the raw material in the Spectator, but drew the line at dirt about Hillary Rodham Clinton and Vincent Foster, the White House lawyer who committed suicide last summer. (No, we won't repeat it here, either.) The Washington Post ran a story on Page One, rationalizing that because the troopers also had accused Clinton of trying to buy their silence, the issue was the abuse of power, not sex.

CBS Evening News found a reason to lead with the story, too.

The New York Times published a brief wire report on page A23. As its Washington bureau chief, R. W. Apple, declared, "The New York Times is not a supermarket tabloid."

The Wall Street Journal remained silent.

On C-SPAN, Brock discussed the allegations involving Hillary Clinton in detail, then primly pointed out that the evidence was merely "circumstantial."

In fact, nearly all the stories were uncorroborated, though the L.A. Times did find phone records showing that Clinton had called one woman frequently.

The next day, the news broke that in 1990, the two troopers had lied to try to collect \$100,000 in insurance money after wrecking their police car during a night of drinking. One of them also had been suspended from the force for allegedly beating his wife.

But the news about the troopers' credibility did not receive the same media attention as their accusations. And even if it had, the damage was already done.

When gossip is vivid and explicit, it's almost impossible to forget even if you later have reason to disbelieve it.

BEGIN OPTIONAL TRIM

The details in the Spectator are so vivid, so entertaining and, for a reader ready to believe the worst of Clinton, so confirming, that they are likely to have a life of their own, independent of any facts.

The same is true of the allegations of molestation against Michael Jackson, the details of which are known only because they were illegally sold to the news media.

The Jackson story has been a sad, sordid affair from the start. As recounted in the January issue of Vanity Fair, most of the players on both sides of the civil suit have been paid, or want to be paid, to talk to the media.

This includes Jackson's own father, who offered to appear on the tabloid TV show Hard Copy for a fee of \$150,000. (The negotiations fell through.) But the worst offender has been Splash News Service, created a year and a half ago by two British tabloid veterans in their 20s, and described by Vanity Fair as "a clearing-house for anyone with inside dirt" about celebrities.

Splash paid big bucks \$30,000 by some accounts for a confidential report by the Los Angeles child welfare caseworkers who had interviewed Jackson's accuser, a 13-year-old boy. Splash resold the report to The Sun, a London tabloid, which broke the story under the sublimely slimy headline, "Jack: Used Me As Sex Toy."

The "respectable" media, which don't pay for stories and can't or won't deploy enough reporters to dig up fresh dirt, were reduced to reporting the details secondhand.

As an owner of Splash News Service meowed to Vanity Fair, "People at The New York Times haven't got the resources of an outfit like us" "four people working flat out" on the Jackson story.

END OPTIONAL

The allegations about both Clinton and Jackson may, of course, turn out to be true. Certainly, some of them have the ring of plausibility, though of course the best gossip always does.

But whether they turn out to be true or false is not the point here. The

point is that so many members of the news media, lacking any real evidence of their truth, published them anyway.

As a result, lives were damaged and the news media's credibility further tarnished, merely so that some people could make money and a mass audience could be entertained.

Even if the truth eventually is learned, it is unlikely to catch up with the lies. In the great soup of memory, dirt like this never dies. Months or years from now, who will remember what was true and what was false, except the victims? Almost 30 years ago, journalist Walter Lippmann observed that "as the free press develops, the paramount point is whether the journalist, like the scientist or scholar, puts truth in the first place or in the second."

Now that we know the answer, the question seems almost quaint.

**** filed by:GN-F(--) on 01/10/94 at 00:11EST ****
**** printed by:WHPR(JEL) on 01/10/94 at 08:01EST ****