

Pruden on Politics

By Wesley Pruden



Down the avenue, a snowball from hell

The president's got a problem, and it may be wearing a skirt.

He dumped Bernie Nussbaum for botching the Whitewater muck-up (what our British cousins call a cock-up), and Webb Hubbell is said to be packing his law books, his adding machine, his clock, his shredder and all the other paraphernalia of a successful tort lawyer and checking the Greyhound schedules to Little Rock. David Gergen, loyal to any president with a job opening, has been looking for work at ABC-TV.

But how do you dump a first lady without lowering to frostbite levels the temperature in the master bedroom? And would her successor be subject to Senate confirmation?

Mr. Clinton tried to have a press conference yesterday with Eduard Shevardnadze about problems in Georgia, where a hard winter has put everybody through the wringer, but all everybody in Washington wants to talk about are events in Arkansas, where nearly everything goes through the shredder.

The president, who feigned barely controlled anger in defending Hillary (and thus keeping her and not himself as the focus of the controversy), tried to cast the dispute as one in which a bunch of bad men — the remnants of the Clinton gang at the O.K. Corral — are picking on the little lady.

"I have never known a person with a stronger sense of right and wrong in my life, ever," he said. (A lot of folks down home have been saying for years that he hangs out with a bad crowd.)

"I am just telling you," he said. "The American people can worry about something else. Her moral compass is as strong as anybody's in the country, and they will see that."

This is remarkably like the Whitewater defense he threw up during the 1992 primary campaign, when Jerry Brown first asked questions about it. "You're not fit to be on the same platform with my wife," he told Mr. Brown, who had asked the most relevant of questions, in the most respectful manner.

This was thought odd at the time, since Arkansans are taught not to think much of a man who hides behind his wife, or even his wife's reputation, when someone invites him out to the parking lot to settle an argument with tire tools. But since it worked then, why not try it again?

The president insists there's no comparison between Whitewater and Watergate, but nevertheless invokes a version of Richard Nixon's famous "I am

not a crook" defense: "There is no analogy except any hysteria [the Republicans] can gin up about it. . . . There will not be a cover-up. There will not be an abuse of power in this office and there is no credible charge that I violated any law. . . . This is going to be a very different thing."

This echoes Al Gore's remark on Sunday that nobody has produced "any

evidence" that anyone in the Clinton administration has done anything wrong. This is inaccurate, but more important, it's beside the point, "logic" and "reasoning" from the Queen of Hearts in "Alice in Wonderland": "Verdict first, evidence later." The Clinton administration, for all its fraudulent bucolic innocence, understands that investigations precede evidence, not the other way around.

Whitewater, whether as muck-up, cock-up or cover-up, is beyond the control now of the White House or anyone else. Events are building their own momentum. This newspaper began digging into the story in earnest more than a year ago when everyone else in the trade, drooling over Bill and Hillary like lazy libertines, insisted that the Whitewater business would have the half-life of a snowball from hell. "The Washington Times," reports The Times of London this morning, "has usurped [The Washington] Post's Watergate role as chief ferret."

The Post, in fact, is trying now to pretend it was interested in the story all along, as its ombudsperson reported on Sunday, and is doing it with such desperation that it can't get its story straight. Ms. Ombudsperson quotes one Post reporter as boasting, with breathtaking chutzpah, that Whitewater became a story only because The Post printed it first and everyone else is only now catching up.

But Leonard Downie, the executive editor, concedes that in order to meet The Post's "standards" his newspaper will be silent until it learns the score. "It looks petulant to say, 'There's nothing to the story in the other paper this morning,'" he says.

As fascinating as all this may be, the bad news for the president is that now nobody in the trade any longer pretends there's no story. Everyone wants a piece of it. The landscape, as Pentagon briefers might say, is "a target-rich environment."

Mr. Clinton worked himself into high dudgeon at his press conference yesterday about the inevitable comparisons between Watergate and Whitewater, spelled out yesterday in a front-page story in this newspaper. He's right to be miffed, but he's spinning Hillary's moral compass if he wastes that dudgeon on the newspapers.

Richard Nixon tried that, too.



Richard Nixon

The Washington Times TUESDAY, MARCH 8, 1994

Whitewater: Public policy and private ethics

By James A. Leach

I would like to take this opportunity to talk not of the issues of the day, but rather of the ethics of our time. In so doing, I would like to take as a starting point a scandal that has come to be dubbed "Whitewater" and suggest it is a central issue not because it is big, but precisely because it is small. In its very smallness, Whitewater evidences the shortcomings of public leadership in America today.

The German architect Mies Van Der Rohe, once suggested that "less is more." The simplicity of design that hallmarked his buildings revealed great aesthetic character. Analogously, for individuals, truth of character is more generally revealed in small acts than large gestures.

Recently a colleague came up to me on the House Floor and exclaimed: "Jim, what is Whitewater? My stomach tells me something's wrong, but I've got no idea what you're talking about. Can you describe it in plain English so a plain American can understand?"

In a nutshell, Whitewater is about the arrogance of power — political conflicts of interest that are self-evidently unseemly. It all began in the late 1970s when an S&L owner named James McDougal formed a 50-50 real estate venture with a young politician, the then-attorney general of Arkansas, Bill Clinton. In this venture called Whitewater, the S&L owner and S&L subsidiaries provided virtually all, perhaps all, the money; the governor-in-the-making provided his name.

Over the years, the company received infusions of cash from the S&L as well as from a small business investment corporation that diverted, allegedly at the governor's request, federally guaranteed funds from a program designed for socially and economically disadvantaged people to the governor's partners and thence, in part, to Whitewater.

Some of these funds were used to pay off personal and campaign lia-

bilities of the governor; some to purchase a tract of land from a company to which the state had just given a significant tax break. Whitewater records have apparently been largely lost. A review of the numerous land transactions, however, raises questions of what happened to the money that came into the company and a review of the president's tax records raises questions about tax deductions that were taken and taxes that were not paid.

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Under the governorship of Bill Clinton, the first lady of Arkansas was hired to represent the S&L before state regulators, the president of the S&L was placed on the state S&L commission, an attorney who represented the S&L was named the state S&L regulator, and the S&L was allowed to operate, despite being insolvent for an extended period, providing millions in loans and investment dollars to insiders and the Arkansas political establishment.

Under the governorship of Bill Clinton, the S&L was allowed to grow 25-fold until federal regulators forced its closing, at which time taxpayers picked up the tab for losses that amounted to approximately 50 percent of the institution's deposit base.

The story of Whitewater is thus part and parcel of the story of the greatest domestic policy mistake of the century — the quarter-trillion-dollar S&L debacle.

In the largest series of bank robberies in history, which precipitated an industry bailout larger than the taxpayers provided Lockheed, Chrysler and New York City times a factor of 10, it is fair to ask: What happened? Who is responsible?

An answer to these inquiries requires an understanding that those accountable are not only a few negligent and corrupt S&L owners, but attorneys, accountants, state and federal legislators, regulators and

assorted public officials. As wide-ranging as the responsibility is, however, it is a mistake to be so glassy-eyed as not to seek lessons for the future through a demand for individual accountability for breaches of law and ethics in the past.

Macro-economics aside, public responsibility for the S&L debacle is of a tripod nature, involving: 1) the conflict-ridden role of Congress in passing loose laws; 2) the ideological mistake of the Reagan administration in urging deregulation in an industry which requires responsible standards; and 3) the culpability of a small number of state governments, such as in California, Texas, Louisiana and Arkansas, which failed to rein in high-flying state-chartered, state-regulated institutions, which because of the federal nature of deposit insurance, precipitated a massive transfer of wealth from states with responsible governments to those without.

In Arkansas, it is impressive how the federal government was obligated to close more than 80 percent of state-chartered S&Ls in the 1980s and how large taxpayer losses were in relation to the state's S&L deposit base. The failure of the Clinton administration in Little Rock to fulfill its responsibility to police state financial institutions had the effect of increasing tax burdens on citizens of Arkansas as well as other states.

While taxpayers at the national level were forced to pick up the tab for the mistakes of politicians in whose elections they could not vote, citizens in states like Arkansas were doubly shortchanged. Not only did they have to share in eventual bailout costs, but when their home-based financial institutions frittered away the hard-earned deposit savings of their state to insiders, fewer resources were made available to potential homeowners and minority entrepreneurs.

What the Keating Five scandal was all about was the attempt of an S&L owner to compromise through political contributions significant political players, in this case five senators, to influence regulators to keep an insolvent, corruptly run institution from being closed. What makes Gov. Clinton's involvement with the breaching of the vaults of an Arkansas S&L philosophically at least equal to, but in reality more troubling than, the Keating model is that not only did the institution's management organize conflict-rid-

James A. Leach of Iowa is the ranking Republican member of the House banking committee. This piece is adapted from a speech he first delivered March 4 before the 42nd Ward Regular Republican Organization in Chicago, a slightly different version of which he delivered on the floor of the House yesterday.

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den fund-raising endeavors for the key politician in the state, but through Whitewater it put the governor in a compromising personal finance position as well.

What is remarkable is the hypocrisy of the circumstance. Time after time in the 1980s, alleged defenders of the little guy in American politics found themselves advancing the interest of a small number of owners of financial institutions which were run as private piggy banks for insiders. The intertwining of greed and ambition turned democratic values upside down.

In our kind of democracy, ends simply don't justify means. Just as a conservative, who may despise government, has no ethical right not to pay taxes, a liberal has no ethical basis to put the public's money in his own or his campaign's pocket just because he may have the arrogance to believe he is advancing a political creed that is in the public's interest.

Why does all this matter?

Perhaps it would be appropriate to paraphrase Ev Dirksen: a few thousand here and a few thousand there and pretty soon it adds up to a real scandal. Put another way, an ethical lapse here and an ethical lapse there and pretty soon it adds up to a real character deficit.

I have never known anyone in public life better able to put embarrassing episodes behind him than Bill Clinton. Accordingly, I couldn't have been more surprised by the discomobulation of the administration at the minority's restrained request last November for hearings and full disclosure.

As in most serious public scandals, coverups can prove as troubling as the crime.

The revelations of the past few days that officials of the Department of the Treasury and Resolution Trust Corporation briefed key White House aides on potential legal actions that independent regulatory agencies might be obligated to take against the president and first lady subvert one of the fundamental premises of American democracy — that this is a country of laws and not men.

In America, process is our most important product. No individual, whatever his or her rank, is privileged in the eyes of the law. No public official has the right to influence possible legal actions against himself or herself. For this reason, agencies of the government as well

as the White House have precise rules that govern their employees. Prohibitions against giving preferential treatment to an individual, losing independence or impartiality, making decisions outside official channels are standard and have patently been violated.

Seldom have the public and private ethics of lawyers in the White House and Executive Branch departments and agencies been so thoroughly devalued.

Can a president credibly rail against Michael Milken values if he has himself benefitted from Milkenesque deal-making?

It is no surprise that Special Counsel Robert Fiske Jr. initiated March 4 a series of subpoenas reaching into the White House. What these subpoenas indicate is the movement of an investigation from possible illegal acts committed by a president prior to taking office to possible illegal actions committed in office. Obstruction of justice is now clearly at issue.

It is also no surprise the special counsel has re-opened the investigation of the suicide of Vincent Foster, the deputy White House counsel. There are simply too many questions with too few answers.

The point of all this is that there is a disjunction in this administration between public policy and private ethics. Americans abhor privilege; hypocrisy gnaws at the American soul; it leaves a dispiriting residue of resentment.

Can, for instance, a president credibly rail against Michael Milken values if he has himself benefitted from Milkenesque deal-making?

Can a president credibly ask the people to pay taxes, let alone raise them, if he refuses to pay his own fair share?

Can a president credibly espouse open government if he applies a hide-and-seek standard to his own actions?

Can a president ask others to play by the rules — i.e., obey the law —

if he doesn't play by them himself?

Can a president credibly advance an ethic of national service if his own model is one of self-service?

Can a president credibly advocate campaign reform if his own campaign has been sullied by illegal contributions from an S&L, which, with its failure, had the effect of causing deferred federal financing of a gubernatorial election?

Can a president credibly lead an ethical society if he doesn't set an ethical standard?

Can, in short, a servant of the people put himself above the people in personal and public ethics?

This is not to say the president is wrong on all issues: nor that the Democratic Party doesn't have some thoughtful models of integrity — Sens. Bill Bradley, Dale Bumpers, Paul Simon and Daniel Patrick Moynihan leap to mind, as do many of my colleagues in the House — Don Edwards, Sid Yates, Neal Smith, Ron Dellums, Henry Gonzalez, Tony Beilenson, Dan Glickman, Bill Richardson, Tim Penny, John Lewis, Floyd Flake, to name a few.

But it is to suggest that it is no coincidence that the word "trust" appears in the nation's motto as well as in the names of so many financial institutions. Both our political and financial systems depend on the trust of those whom they serve. The American people need to be able to count on the integrity of the institutions and processes that structure their lives, just as they need to have confidence in the probity of the individuals who lead and control these institutions and processes.

While government derives its original legitimacy from the consent of the governed, it can maintain that legitimacy only if the governors operate under the same ethics and rules of conduct as the governed.

Finally, a personal note. Some have asked why a mainstream Republican like myself would lead an investigation so awkward for the president. All I can say is that ethics is not an issue of the left, right or center. It is an American concern relating to the fabric and foundation of our society. As for motivation, I would simply paraphrase a great American who once carried the Republican banner, not to victory, but nonetheless with honor and integrity: Moderation in the pursuit of truth is no virtue; vigilance in the defense of public ethics no vice.

GOP glimmer

The departure of Senate Majority Leader George J. Mitchell and other developments provide the potential for much deeper Democratic Senate losses than were expected, writes Charles E. Cook in Roll Call.

Mr. Mitchell's decision and the possibility that Sen. David L. Boren, Oklahoma Democrat, also will depart add to Democratic problems with open seats in Arizona, Michigan, Ohio and Tennessee and defending seats held by Charles S. Robb of Virginia, Frank R. Lautenberg of New Jersey and Harris Wofford of Pennsylvania.

Mr. Cook estimates Democrats could lose three or four seats and possibly five: "Even if Republicans were to pick up only a few seats, ideological control of the Senate would very clearly be in conservative hands."

"Beyond this year, who knows?" former top White House lobbyist Howard Paster told USA Today. "The Senate will be a very different place in 1995. . . . We don't know what the majority will be."

His very own rules

Although he says he broke no ethics rules, White House Counsel Bernard W. Nussbaum last summer issued ethics guidelines that generally bar the kinds of meetings that led to his resignation, the Philadelphia Inquirer reports.

Mr. Nussbaum's written rules are similar to long-standing codes of conduct used by previous administrations that prohibit contacts between White House staffers and agencies involved in pending investigations.

One Nussbaum rule: Avoid "the appearance of impropriety." Any exception to these rules would have to be cleared by the White House counsel's office, senior administration officials told writer Angie Cannon.

"At all times I have conducted the Office of the White House Counsel and performed the duties of Counsel to the President in an absolutely legal and ethical manner," Mr. Nussbaum wrote President Clinton in resigning.

Futures

Rep. Olympia J. Snowe, Maine Republican, will run for the Senate seat being vacated by Majority Leader George J. Mitchell. The Democratic candidate is expected to be Rep. Thomas H. Andrews.

Rep. Collin C. Peterson, Minnesota Democrat, decided against running for the seat of retiring GOP Sen. Dave Durenberger and said he will seek re-election in his rural district in the state's northwestern quarter.

Sen. J. Bennett Johnston indicated he will not run to succeed Mr. Mitchell as Senate majority leader. Mr. Johnston added that fellow Louisiana Democrat Sen. John B. Breaux would be a fine candidate.

How come?

"How did these Democrats, who came of age in the post-Watergate era and who were so critical of the ethical lapses of recent Republican administrations, get caught acting like their predecessors?" asked the Wall Street Journal.

The Journal said part of the answer may be that it is tougher to operate in Washington these days. Since Watergate, the media and public are less forgiving about "perceived ethical slips."

Robert Bennett, a Washington criminal lawyer who now represents Rep. Dan Rostenkowski, Illinois Democrat, was quoted on

the existence of "a Bermuda Triangle" of law enforcement, politics and the press that requires expert legal sailing.

The Journal observed, however, that it doesn't take a highly refined sense of ethics to see that something has gone askew and ticked off a list of ethical issues apart from the Whitewater case.

A major test of whether the White House intends to reform Washington as promised and really press for ethical change will be its choice to replace White House Counsel Bernard W. Nussbaum, the newspaper said.

Today's quote

Senior White House adviser George Stephanopoulos: "If you're asking me if the damage control team created a lot more damage than it controlled, I think that's probably right."

Party line

In writing about the political implications of Whitewater, the Boston Globe's David Shribman noted President Clinton's healthy standing in public-opinion polls.

"Republicans privately are grief-stricken, even terrified, in their apparent free-fall from grace," he wrote, parroting the line from the White House spinmeisters. "The GOP zeal to pursue Whitewater is fortified by the party's need to erode the Democrats' strong position in American politics for the moment."

"This may chip some support away," Harry McPherson, a top White House aide in the Johnson administration, told the Globe. "The more he looks defensive, trying to deny papers here and there to legitimate inquiry, the more it will cost him. But he knows that."

10 percent mistake

Freshman Rep. Dan Hamburg, California Democrat, criticized his 1992 opponent for reneging on a pledge to give part of his salary to charity and promised to "tithe" a portion of his income back to the community, Roll Call reported.

In January, Mr. Hamburg told newspapers in his Northern California district he would not meet his pledge. He said he needed the salary for expenses. Moreover, he didn't know "tithe" was defined as 10 percent of one's salary.

"I didn't understand what the word meant when I said it."

New York mystery ends

Sen. Alfonse M. D'Amato and New York Republicans have ended their search for "mystery candidates" and will back state Sen. George Pataki as the challenger to Democratic Gov. Mario Cuomo, said the New York Post.

Selection of the fiscally conservative, socially liberal Mr. Pataki is opposed by state Senate Majority Leader Ralph Marino. That resistance has, in turn, led to hard feelings toward Mr. Marino among other top GOP leaders.

One GOP state senator told the Post, "Marino represents our tax-and-spend past and Pataki represents our tax-cutting future. That's why Ralph is worried."

Today's quote II

"You've given a cartoon image of the White House which is just inaccurate," said Vice President Al Gore in response to a query on NBC's "Meet the Press" about Hillary Rodham Clinton. "President Clinton is in charge in a way that no president's been in charge of policies in this country for a long, long time."

Frisco's clean sweep

San Francisco education officials, hoping to get a fresh start, are planning to remove the entire staffs at three problem schools including cafeteria workers.

If a federal court approves as expected, the San Francisco system will transfer three principals and about 200 other people in an attempt to turn around the problem campuses, reported the Los Angeles Times.

The move is highly controversial. Critics denounce it as a meat-ax approach. Others maintain it is a proven reform. Officials say that a new staff will improve the chances of students who are struggling academically.

Standing room only

The Supreme Court, a surprise big box-office draw on the D.C. tourist circuit, hit a record 1-million-plus visitors last year.

Visitors wait in two lines: one line is for those who want to see an entire hour-long argument while the other provides a four-minute glimpse of a case before the court.

"The three- or four-minute line — sometimes that's enough for us, too," Justice David Souter quipped to lawmakers mulling a court budget request.

Gergen girding to go?

Columnist Bob Novak reported that presidential Counselor David Gergen "is quietly passing the word around the capital that he will not take on the burden" of being a spokesman on the Whitewater affair.

Friends quote Mr. Gergen "as saying he has a reputation in Washington and will not dissipate it on Whitewater." Mr. Gergen calls that a "false impression," noting that White House aides are "not supposed to be talking about Whitewater."

SWING ON HEALTH CARE

A Time magazine/CNN poll shows for the first time more Americans oppose President Clinton's health care plan than favor it. Yankelovich Partners conducted the survey March 2 and 3. The margin of error is 4 percentage points.

How do you feel about President Clinton's health plan?

	March	February	January
Favor	41%	43%	50%
Oppose	45	42	33
Don't know	14	15	17

What should Congress do with President Clinton's health plan?

	March	Feb.
Pass in current form	5%	4%
Pass with minor changes	35	37
Pass with major changes	32	31
Reject plan completely	19	19
If health reform passes, what will happen to the quality of care?		
Get better	16%	
Get worse	41	
Stay same	40	
Not sure	3	

The Washington Times

Texas today

In the final dash to today's Democratic primary in Texas, former Attorney General Jim Mattox and Rep. Michael A. Andrews concentrated on wealthy rival Richard Fisher, a former Ross Perot adviser now cam-

paigning against politics as usual.

Mr. Mattox criticized Mr. Fisher for trafficking with the GOP in "actively encouraging" Republicans to cross over and vote in the Democratic primary. Mr. Andrews blasted Mr. Fisher's membership in the all-white Dallas country club.

Hollings also

The U.S. Commission on Civil Rights followed Congress in condemning a speech by an aide to Nation of Islam leader Louis Farrakhan, calling it "outrageous hate-mongering of the most vicious and vile kind."

But unlike Congress, the commission also says it intends to prepare a resolution condemning recent derogatory comments by Sen. Ernest F. Hollings, South Carolina Democrat, about leaders of African nations.

Last year, Mr. Hollings joked to reporters about African leaders who attend trade conferences in Switzerland: "Rather than eat each other, they'd just come up and get a good square meal."

Rep. Kweisi Mfume, chairman of the Congressional Black Caucus, has pressed "leaders of good will" to denounce Mr. Hollings' statement. Mr. Mfume tried to introduce a separate resolution criticizing Mr. Hollings' comments but was prevented from doing so on procedural grounds.

Kitchen humor

NBC's Jay Leno on the resignation of the White House chef: "I guess he was upset that Hillary Clinton kept using his food processor to shred those Whitewater documents."

• Compiled by Alan McConagha.

Who's stupid?

Months before he announced he was stepping down as counsel to President Clinton, months before he was served with a subpoena to turn over his White House files, months before he was improperly briefed by Treasury Department officials on the status of the Whitewater-Madison probe and weeks before he entered Vince Foster's office to strip his late colleague's files of Whitewater documents, a smiling Bernard Nussbaum was photographed pointing to a sign in his White House office that read, "It's Ethics... Stupid!"

The same photograph, which we reprint here, accompanied the lead article of the summer 1993 Government Ethics Newsgram, announcing Mr. Nussbaum had become the Designated Agency Ethics Official for the White House.

Murder by proxy

Rep. William Ford, Michigan Democrat, is chairman of the House Education and Labor Committee. The other day, his committee was marking up his bill to revamp the Occupational Safety and Health Administration. Nearly a dozen Republicans were on hand offering amendments to soften the bill's effects on business, amendments routinely shot down by the majority. At one point, with Mr. Ford in the chairman's seat and not one of his Democratic colleagues in the room, a Republican amendment came up for a voice vote.

Mr. Ford: "All those in favor, please signify by saying 'Aye.'" (Loud chorus of Republican ayes.)

Mr. Ford: "All those opposed, please signify by saying 'No.'" (Silence.)

Mr. Ford: "In the opinion of the chair, the 'nos' have it."

The ensuing roll-call vote upheld Mr. Ford's judgment. Thanks to more than two dozen voting proxies tucked away in the chairman's pocket, the GOP amendment lost, 27-15.



The outgoing counsel, Bernard Nussbaum, was the White House's Designated Agency Ethics Official. Some would say that explains a lot.

And worth it too

The National Taxpayers Union says 72 senators and 231 congressmen are eligible as of right now to collect \$1 million in pension funds.

More biblical proof

"Regarding your item of March 4 deducing that God must not be a Democrat, I wonder why you overlooked the clear biblical evidence that God is a conservative," writes Gary Risdien of Annandale.

He attached Ecclesiastes 10:2 — "A wise man's heart is at his right hand, but a fool's heart at his left."

Instant fame

On the credenza behind President Clinton's Oval Office desk are many of his personal mementos:

gifts from Chelsea, campaign memorabilia, a photograph of Mother Teresa, a bust of Franklin Roosevelt, and eight or nine of Mr. Clinton's current favorite readings, including two biographies of Thomas Jefferson.

First-time author Sam Harris, founder of Results, a Washington-based citizens lobby on hunger and poverty issues, tells us he was "thrilled" to pick up the March 1994 issue of House Beautiful and see his book "Reclaiming Our Democracy" as the most prominently displayed of all the Oval Office books.

Real media star

No other network has done so little to call attention to itself. James Lardner writes admiringly of C-SPAN in the March 14 issue of the New Yorker.

Brian Lamb, C-SPAN's creator, chairman and CEO, is no differ-

ent — "a measured smile the only expression of on-air emotion he permits himself."

Unlike the media stars of other television networks, says Mr. Lardner, Mr. Lamb "practices an austere brand of reporting and interviewing. He doesn't chat. He doesn't philosophize. Just when everyone in journalism has agreed that objectivity is a snare and a delusion, Lamb refuses to convey even the slightest hint of his own views, or even whether he has any. ... In 15 years as a TV journalist covering Washington, he has never spoken his own name on the air."

But there was the time, during the 1992 Republican convention in Houston, that a woman complained to Mr. Lamb that she was seeing and hearing too many Republicans on C-SPAN.

"She really teed off at me, and I teed right back at her," admitted Mr. Lamb, who ultimately told the woman to switch channels.

"Lamb was so disgusted with himself over this outburst," Mr. Lardner writes, "that he left Houston that day, assigning others to fulfill his remaining interviewing commitments, and took himself off the air for the next two weeks."

Panning Peter

We're not the only city with Redskins problems. We learn that parents in Southampton, N.Y., are angry because school officials gave in to protests and canceled an intermediate school production of "Peter Pan."

The decision to nix the play, which children spent six weeks rehearsing, resulted from complaints by Shinnecock Indians who objected to the song "Unga-Wuhga-Meatball" because it contained words like "redskin." Thought was given to changing the lyrics, but school attorneys warned that the company that owns rights to the musical could sue.

The school now plans to stage "The Wizard of Oz" instead. Just wait until the wicked witches hear about that.

POLITICAL DISPATCHES

Only conservatives seek Oklahoma seat

By Colette Gergely
CONGRESSIONAL QUARTERLY

It might not matter to the voters of Oklahoma's 6th District whether their next U.S. House member calls himself a Democrat or a Republican, but he had better call himself a conservative — and it wouldn't hurt to have a mobile phone.

With a special primary election today, two Democrats and five Republicans have spent weeks attending candidate forums, speaking to local organizations, meeting with local reporters and giving radio interviews. Each has been touting his conservative credentials, proving he is tough on crime and showing his state roots.

And each has been hard pressed to stay in touch with voters while risscrossing a 25,000-square-mile district that reaches from Oklahoma City and its suburbs to the Panhandle and Oklahoma's southwestern extreme.

Ten-term Democrat Glenn Eng-

lish set off the scramble late in 1993 when he announced he would resign to become head of the National Rural Electric Cooperative Association.

The primary will be followed by a runoff, if necessary, on April 5 and a special election on May 10.

This will be the sixth special House election since President Clinton took office. Democrats have won three and Republicans two. Sen. Kay Bailey Hutchison, Texas Republican, won the only special Senate election since Mr. Clinton's inauguration.

Among those using a mobile phone in pursuit of the Oklahoma seat is 27-year-old Dan Webber Jr. of Okarche, a Democrat and former aide to Democratic Sen. David L. Boren.

Mr. Boren's help has boosted Mr. Webber into something of a Goliath among the Democrats, with former state Rep. Danny George of Butler traveling the district, picking up rocks for his slingshot.

While Mr. Webber and Mr.

CONGRESSIONAL QUARTERLY

George have only each other to worry about in the primary, the five Republicans are scrambling to set themselves apart.

The candidates — state Sen. Brooks Douglass, state Rep. Frank D. Lucas, state Rep. Tim Pope, petroleum engineer Thom Holmes and businessman Robert W. Carter — have similar views on many issues. They tout their opposition to the Clinton health care plan and tax increases. And they all define crime as the district's No. 1 concern.

The district's vast rural expanse includes historically Republican counties that border western and historically Democratic counties that border Texas.

Whichever party they call home, these Oklahomans have become increasingly comfortable

voting Republican in presidential elections; George Bush and Ronald Reagan won the past four campaigns here.

State elections have been mixed. GOP Sen. Don Nickles got about 64 percent of the district's vote in 1992. But the 6th supported Democrat David Walters in his successful 1990 gubernatorial bid and gave Mr. Boren 83 percent in his 1990 Senate re-election effort.

Both parties have their eyes on the district — open for the first time since Mr. English first won it in 1974.

"It's a district that everyone is saying a Republican should win when it's open," said Gary Copeland, associate director of the non-partisan Carl Albert Congressional Research and Studies Center at the University of Oklahoma.

And yet, he said, "Absent any big issues at the top of the ticket, the lower down you get, the likelier it is to vote Democratic."

• Distributed by Scripps Howard.

Fiske: Hearings would harm probe

Hill leaders told questioning could interfere with grand jury process

By Jerry Seper
THE WASHINGTON TIMES

Special counsel Robert B. Fiske Jr. urged congressional leaders yesterday to refrain from hearings on the Whitewater-Madison affair, but political pressure was building on Capitol Hill for Democrats to accede to Republican calls for the public airings.

Mr. Fiske, named by Attorney General Janet Reno to look into Whitewater-Madison, said congressional hearings would "pose a severe risk to the integrity of our investigation."

He told Senate and House leaders that hearings would overlap with an ongoing federal grand jury investigation into accusations of financial irregularities by Madison Guaranty Savings and Loan Association and its ties to President and Mrs. Clinton through Whitewater Development Corp.

Mr. Fiske said the possibility that congressional witnesses would be granted immunity from prosecution in exchange for their testimony could make premature public disclosures of "matters at the core of the criminal investigation."

"I am writing this letter to express my strong concern about the impact of any hearings that your committee might hold," Mr. Fiske said in a letter to Senate Banking

Committee Chairman Donald W. Riegle, Michigan Democrat, and Sen. Alfonse M. D'Amato, New York Republican and ranking GOP member of the panel.

"For these reasons, we request that your committee not conduct any hearings in the areas covered by the grand jury's investigation, both in order to avoid compromising that investigation and in order to further the public interest in preserving the fairness, thoroughness and confidentiality of the grand jury process," he said.

"The concerns you outline in your letter — that a parallel congressional investigation would interfere with your inquiry — are compelling and accurate," Mr. Riegle said in a return letter. "It is my view that the Banking Committee should defer to your investigation."

Rep. Henry B. Gonzalez, chairman of the House Banking Committee, who received a similar letter from Mr. Fiske, responded that he had "no intention of taking any action that might interfere with, compromise or otherwise hinder" the Fiske inquiry. But the Texas Democrat added that oversight hearings on the Thrift Depositor Protection Board are scheduled for March 24, and "I cannot prevent members from propounding questions" about the Whitewater-Madison affair.

Mr. Fiske also said he had "similar concerns" about congressional efforts to conduct ethics inquiries into revelations that secret Treasury Department briefings were held with White House officials regarding an inquiry by the Resolution Trust Corp. into the Clintons' ties to Madison, an Arkansas thrift seized by federal regulators at a cost to taxpayers of \$50 million.

Congressional Republicans, led by Senate Minority Leader Bob Dole of Kansas and Rep. Jim Leach of Iowa, ranking GOP member of the House Banking Committee, have demanded hearings in both the Whitewater-Madison affair and the RTC briefings.

Mr. Dole yesterday rejected Mr. Riegle's decision to defer any hearings, saying there were "more than 20 congressional hearings and investigations into alleged executive branch wrongdoing during the Reagan and Bush administrations."

"The Democrat-controlled Congress has never been shy about exercising its oversight responsibilities ... and there's no reason to make an exception for Whitewater," Mr. Dole said.

Mr. Leach agreed, adding, "It looks like the grass is now afire and it may be approaching the forest" unless something is done in Congress to at least attempt to dig

into the matter.

House Speaker Thomas S. Foley and other House Democratic leaders tentatively have agreed to hold a special meeting this week, possibly on Thursday, to discuss the Whitewater-Madison issue.

"Events are unfolding at a pace which makes it all the more imperative that the Congress carry out its congressional oversight function," House Minority Whip Newt Gingrich, Georgia Republican, said in letters to the Democratic leaders requesting the meeting.

Meanwhile, House Democratic chairmen may hold a separate meeting on Thursday to discuss the Whitewater-Madison tempest brewing in an election year.

"They are getting concerned that the [Democratic] leaders aren't doing anything to stop this thing before it gets worse," one senior Democratic aide said last night.

"Better to go on the offensive than sit around looking like we're helping to hide something for those bunch of clowns" at the White House, said one Democratic committee chairman.

"I don't give a damn about the Republicans," said a second Democratic chairman. But "it stinks what we're not doing."

• Paul M. Rodriguez contributed to this report.

Clinton hits charges questioning wife's ethics

Excerpts of President Clinton's remarks on the Whitewater-Madison affair at a joint news conference with Georgian leader Eduard Shevardnadze.

Question: Mr. President, there were at least three occasions where White House officials were briefed by federal regulators about the status of the Whitewater investigation. Were you and Mrs. Clinton aware of those contacts, what were you told about the content of those discussions?

President Clinton: Well, there were no briefings, and I didn't know about, for example, Roger Altman's meeting until he testified to it on the Hill. And one of the other contacts I think was a press contact of some kind; I was unaware of that one.

Sometime in October I was — I became aware of — I don't know when, but sometime in October I became aware of the RTC finding with regard to the question of — the referral, I think it's called, on the question of whether my campaign benefitted improperly from checks which allegedly came from the S&L. And I knew about that. That was — I don't remember

I knew about it or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government. And I didn't think much about it at the time. It was just something that I absorbed. It was

told to me as a — just as something that the government had decided to do. Otherwise I was not aware of any of these things.

Q: Mr. President, how do you feel about your wife becoming a focal point of the Whitewater investigation? And The Washington Times quotes three couriers as testifying that she ordered the shredding of documents. I know this is all very painful, but I wonder how it's affected you and your household —

Clinton: Well, let me say that the only thing that I want to say on behalf of both of us is that we want to support the special counsel's work, and we want to ask the American people to let the process work. Law firms dispose of their documents all the time. And I did not read the article, but I understand the article didn't purport to say what the contents of any of the files were.

I can tell you this, I believe I'm a better authority than anybody else in America on my wife. I have never known a person with a stronger sense of right and wrong in my life — ever. I could cite you chapter and verse over 20 years-plus now that I have known her when it would have been very easy for her to take a shortcut, to take an easy way out, to do something else when she has unfaithfully done the right thing. And I do not believe for a moment that she has

done anything wrong. I have — I — I just — if the rest of the people in this country — if everybody in this country — had a character as strong as hers, we wouldn't have half the problems we've got today.

Now, people can ask whatever questions they want, and we will do our best to comply. But I'm just telling you, the American people can worry about something else. Her moral compass is as strong as anybody's in this country, and they will see that.

Q: Mr. President, I'm wondering what goes through your mind when you hear critics — I guess especially Republican critics — compare this current controversy to Watergate and what goes through your mind when you hear someone like Senator Gramm formulate a statement by starting with a statement that "If the president wants to finish up his term?"

Clinton: Well, I wonder why you let him get away with it. I mean, frankly, when they say things, it doesn't really bother me.

They have been on the whole blatantly partisan, and it's obvious that they want to do something that I don't think the American people ought to let them get away with, which is to deter this administration and the entire federal government from meeting its responsibilities to the people.

I mean, it's a good excuse for why you don't have a health care

plan. Go down and have a health care retreat and can't agree on a plan? Come back and jump on this issue. And the American people will be outraged if anybody uses this as an excuse not to keep going and doing the people's business, first of all.

Secondly, the speaker of the House was very eloquent about this last weekend. There is a huge difference here.

Number one, we're not covering up or anything, we are opening up. We are disclosing. We are giving you information. Number two, no one has accused me of any abuse of authority in office. That's what Watergate was about.

Number three, there is no credible evidence and no credible charge that I violated any criminal or civil federal law eight or nine years ago when most of these facts that are being bandied around are discussed.

I mean, this is really about a real estate investment I made almost 16 years ago now that lost money and sputtered to a not-successful conclusion — several years ago.

So there is no analogy except any hysteria that they can gin up around it. That's why I say I have been forthcoming. I will continue to be forthcoming.

You're going to be confident in the way we handle this. There will not be a cover-up, there will not be an abuse of power in this office.

Whitewater merits special committees

Panels could sift through the controversies and let people decide.

When people talk about Clinton controversies now, they don't ask: "Who cares?" They whisper: "Cover-up." Two bombshells have transformed public perceptions of the Whitewater/Madison scandal: The resignation of White House counsel Bernard Nussbaum and news that special prosecutor Robert Fiske has subpoenaed 10 top officials for their conversations about Whitewatergate.

Blame the noble virtue of loyalty. The president's entourage has tried to shield its man from the slings and arrows of outrageous fortune. But zealous helpers have bent rules, misled the public and perhaps broken laws.

Where the president is concerned, White House officials seem to agree with Dickens' Mr. Bumble, who declared "the law is a ass — a idiot." When newspapers reported that Clinton minions met with independent regulators, the president's people conceded only that the gatherings looked bad. But the confab violated standards of conduct that govern the executive branch, and some meetings may have breached statutes that forbid revealing the contents of an ongoing investigation.



By Tony Snow, a Washington columnist for *The Detroit News*.

Even now, the administration defends the get-togethers on grounds that 1) no "secret" information was discussed and 2) Americans really want to hear about more edifying things such as health care, welfare reform, crime. . . .

These excuses ignore the importance of maintaining what John Adams called "a government of laws, and not of men." Friends of Bill regularly seek refuge in the assertion that they answer to a higher calling, and that small transgressions pale in comparison to the majesty of their cause. When David Koresh talked that way, of course, the feds torched his place.

Although independent prosecutor Fiske has agreed to look into Whitewater-related problems, that hardly exhausts the catalog of Clinton-era irregularities. In order to clear the air, Congress ought to establish Iran-contrast-style select committees to unravel not only the mysteries of the pre-presidency Whitewatergate mess, but also a series of post-inaugural follies, including:

► **The first lady's finances:** Three House Republicans have asked the administration to quell fears that Hillary Rodham Clinton benefited financially from her assault year on health-care, insurance and pharmaceutical companies. If she did, the first lady tested conflict-of-interest statutes far more vigorously than former attorney al Edwin Meese, who spent several years in the purgatory of an independent counsel probe.

► **The Vince Foster case:** Within hours of the death of former deputy White House counsel Vincent Foster, three administration officials visited his office — Nussbaum; Patsy Thomasson, the person in charge of the White House computer system; and Margaret Williams, Hillary Clinton's chief of staff. They spent two hours sifting through his effects and took some things away.

Nussbaum misled the press for several months about that evening's activities, especially the removal of files. Other meddling contributed to botched or second-rate investigations into just about every particular of Foster's:

1. West Wing employees may have obstructed federal investigations of his tragic end and violated laws governing the preservation of White House documents.

► **Improper work for the first family:** Foster clearly performed "personal" legal work on behalf of the first family, in violation of federal law. Nussbaum may have done the same. From the start, the White House has insisted that the president enjoys rights of privacy that chief executives simply don't have, and thus have created for him legal problems that he doesn't need.

► **Missing documents:** Press accounts claim Hillary Clinton's former employer, the Rose law firm, has shredded Whitewatergate documents, including files spirited from Foster's office. And congressional investigators have not been able to find records of such incidents as the firing of Travel Office officials last year.

Stoppiness abounds. The White House has not enforced a law that requires aides to keep copies of the work they do. And, Fiske has not demanded that officials write records and computer files as a matter of standard operating procedure. (He also might want to subpoena Secret Service records and videotapes.)

The president complains that Republicans have purged Whitewater allegations out of partisan motives, and in some cases he is right. But most of his inquisitors have purer motives, like trying to protect the office of the presidency. Nobody suffers more from the water torture of press revelations than Bill Clinton. The best way to calm the waters would be to establish select committees, sift through the controversies and let the people decide.

Anything less would just deepen the gathering impression that this administration of men-not-laws has something — and maybe a lot of somethings — to hide.

► Whitewater controversy, 1A

Today's debate: POSTAL RATE INCREASE

Post office: Threatened, inefficient — and needed

OUR VIEW The Postal Service needs to be tough and aggressive against competitors that are nibbling it to death.

Like a Tyrannosaurus Rex up to its tail in a tarpit, the U.S. Postal Service is struggling to survive in a changing world.

Its predators? Technology, competition and a sometimes crippling mission of providing reasonably priced mail delivery to every community in the United States.

The Postal Service — a self-supporting, quasi-independent government agency — is losing more money and larger hunks of its market every year.

So today's anticipated move by the Postal Board of Governors to raise the cost of first-class stamps from 29 cents to 32 cents in 1995 is painful but necessary. The Postal Rate Commission should approve.

U.S. rates remain the industrial world's cheapest. Japan charges 74 cents; Germany 57 cents; Italy 44 cents. A U.S. rate increase now buys time for overdue changes.

Once deliverer of 100% of the first-class mail, the Postal Service now gets only 65%. That could drop to 35% by 2000.

Faxes, electronic mail, automatic check deposits and other technological advances are stealing the business. With the informa-

tion superhighway, losses will multiply.

Meanwhile, private delivery services with fleets of jets, huge ad budgets and the ability to adjust prices overnight have taken over the quick-delivery market. The Postal Service — a lumbering giant that never has shown the ability to beat nimble competitors — gets just 7%.

To survive, the Postal Service will need to use the time this rate increase buys to slim down and get competitive.

Postmaster General Marvin Runyon — known as "Carvin' Marvin" during budget-slashing at the Tennessee Valley Authority — certainly knows how to trim a 707,000 workforce. That effort has begun. But even with belt-tightening, Runyon expects only to hold losses at \$1.3 billion for 1994.

Figuring out how to make the stodgy, old Post Office innovative and competitive is a taller order. And even that improvement may not be enough.

Those companies nibbling away at postal profits go after only lucrative markets.

They will not be offering affordable-to-all, six-day-a-week mail service to farms in rural Iowa, tough neighborhoods in Chicago or fishing camps in remote Alaska.

That is both the beauty and the burden of the U.S. Postal Service.

It guarantees the only information highway available to tens of thousands of U.S. citizens who have no home computer, no fax modem, no electronic mail and no hope of ever getting them.

That is worth supporting — even if it costs more than 32 cents.

What do you see in the future for the U.S. Postal Service? What services should it provide in the age of electronic communications? (See "To comment," right).

Privatize Postal Service

OPPOSING VIEW Sell off the Postal Service and let the public benefit from true competition.

Because the U.S. Postal Service is a monopoly, consumers are paying more and

more money for less and less service. Just ask Vice President Gore, whose Christmas cards to his old neighbors in Tennessee arrived a few days ago, 10 weeks after they were mailed in Washington.

A year earlier, many invitations to the Clinton inaugural arrived in Arkansas months late. Most Postal Service foul-ups are less dramatic, but the inefficiency and stagnation of this government monopoly cost our economy untold billions of dollars.

As information whizzes around the world at the speed of light, the mail has actually slowed down: The average first-class letter took 22% longer to be delivered in 1990 than in 1969. The Postal Rate Commission concluded that "postal productivity peaked in 1978 . . . and has generally declined . . . since that time." Yet "since 1971,

the Postal Service's real [inflation-adjusted] unit operating expenses have risen 14%."

While USPS loses more than a billion pieces of mail a year, its workers make 84% more than state-government mail clerks.

The USA is rapidly becoming a 21st-century economy with an 18th-century communications system. More and more of us avoid the USPS by using Federal Express, fax, electronic mail and other new technologies. So why should we keep paying taxes to keep a stagnant bureaucracy in business?

If we've learned anything from Eastern Europe, it is that government monopolies don't work. That's why in 1990 the Polish parliament ended the Polish government's postal monopoly — but here in the USA the law forbids other companies from carrying first-class mail in competition with the USPS.

Before we arrive at the 21st century, we should privatize mail delivery. Sell the USPS to private investors and let it compete with Federal Express, United Parcel and a host of other companies. Everything we know about economics tells us competition will give us better service, for less money, with vastly improved technology.

If we can't actually sell off the USPS to the private sector, let's at least allow other firms to compete with it. It shouldn't be illegal to offer consumers better service at a better price — and without competition we can wish for better postal service all we want, but wishing won't make it so.



By David Boaz, executive vice president of the Cato Institute and co-editor of *Market Liberalism: A New Paradigm for the 21st Century*.

WHITE HOUSE UNDER SIEGE

Hillary Clinton's roles as lawyer and investor

Hillary Rodham Clinton has three key roles in Whitewater:

► **Whitewater.** She was one of the original investors in the 230-acre piece of land — called Whitewater Estates — that gave the controversy its name. Other investors were Bill Clinton, Madison Guaranty Savings & Loan owner James McDougal, and his wife, Susan McDougal. Hillary Clinton played an active role in the investment; Bill Clinton's involvement appears minimal.

For example, Hillary Clinton borrowed \$30,000 in her own name in 1981 to build a model home at Whitewater.

She also requested a power of attorney in 1982, which would have given her control over Whitewater. She did not get it. James McDougal continued to make the key decisions.

Questions have been raised about whether the Clintons received a sweetheart deal.

► **Legal work.** Hillary Clinton was a lawyer for Madison S&L when it got regulator's OK to raise money from investors to prop up its crumbling finances. The S&L regulator, appointed by Gov. Bill Clinton, responded in a

"Dear Hillary" letter.

McDougal claims that Bill Clinton asked the banker to throw some business Hillary's way. As a result, McDougal says, he put her law firm on a \$2,000 monthly retainer. Clinton denies the claim.

Madison failed and cost taxpayers more than \$47 million.

In another case, Hillary Clinton was a lawyer for federal regulators who had sued Clinton family friend Dan Lauster. Lauster owned a Little Rock investment firm that sold bad investments to an Illinois S&L. The government sued for \$3.3 million and settled for \$200,000.

Critics say it was a conflict of interest for Hillary Clinton to represent regulators against Lauster, who contributed to Clinton campaigns and employed his brother Roger.

► **Missing documents.** The McDougals say they sent all Whitewater records to the Governor's Mansion.

The Clintons say they do not have all the records. The White House denies a *Washington Times* report that Hillary Clinton had documents from her former law firm shredded in 1992.

— Dennis Cauchon



McDOUGAL: Owned Madison Guaranty

Congressional probe discouraged

By William M. Welch and Leslie Phillips
USA TODAY

Despite GOP calls for hearings into President Clinton's Whitewater affair, special counsel Robert Fiske cautioned Monday that a congressional probe could jeopardize his own investigation.

Fiske's warning came in a letter Monday to House and Senate banking committees.

Democrats were relieved by Fiske's request and pointed to the way congressional hearings tainted prosecution of Iran-contra figures during the Reagan administration.

House Speaker Thomas Foley, D-Wash., agreed to meet with Republicans to hear their request for special hearings, but said he remained opposed to the sessions.

Barring formal hearings, Republicans plan to use a scheduled March 24 House banking committee meeting on the savings-and-loan scandal to press the issue.

Rep. James Leach, R-Iowa, ranking Republican on the panel, prepared a list of witnesses from the administration and elsewhere that he intends to call. He promised "blockbuster" disclosures but declined to characterize his evidence.

"We've got a White House that's stonewalling and a group of congressional Democrats that is also stonewalling and not letting the character of the matter come forward," said Rep. Bill McCollum, R-Fla. "This is bad for the office of the presidency."

Sen. Alfonse D'Amato, R-N.Y.,

said: "We cannot simply accede without attempting to work out a manner in which we can hold hearings and conduct them."

Long noted as one of the most moderate and least partisan of House Republicans, Leach's dogged pursuit of the Whitewater scandal has energized Republicans while dismayed congressional Democrats.

"In a nutshell, Whitewater is about the arrogance of power — political conflicts of interest that are self-evidently unseemly," Leach said.

"Can a president ask others to play by the rules, i.e., obey the law, if he doesn't play by them himself? ... Ob-

struction of justice is now clearly at issue."

House Republican Whip Newt Gingrich called on Attorney General Janet Reno to suspend Webster Hubbell, an associate attorney general and Clinton confidant. Reno rejected the move.

Gingrich also pressed for hearings, saying that while Fiske can determine the legal issues, Congress should act because of "the public's right to know."

Rep. Henry Waxman, D-Calif., opposed hearings unless new evidence surfaces. "The press is hyping this like it's another Watergate," he said.

But Rep. Timothy Penny, a retiring Democrat from Minnesota, said, "The best way to get this issue behind us is to get the facts on the table" by having congressional hearings. He criticized the White House for employing a "bunker mentality" to Whitewater.

Contributing: Jessica Lee of USA TODAY and Norm Brewer of Gannett News Service



By John Duricka, AP

PUSHES PROBE: House GOP Whip Newt Gingrich has been the driving force for Republicans demanding a hearing into the Whitewater affair.

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Now this is the way to fight a trade war.
With the French trying to ban our mov-
ies, cartoons, TV shows, rock music and
even our language, we have finally found a
way to retaliate. When our commander in
chief swears off French cuisine, the reper-
cussions will be felt all the way into
France's teetering agricultural economy.
Unfortunately, chef Pierre Chambrin
and his kitchen staff had to be sacrificed in
this nasty game of international diploma-
cy. But, quite frankly, the president was
getting tired of hearing, "Non, vous ne
pouvez pas avoir des frites avec ça!" ev-
ery time he sat down for a meal. (For you
cultural imperialists, that translates: "No,
you cannot have fries weeez dot!")
Of course, the official spin on this story
was something altogether different.

caused a reporter to
wonder: "What is Amer-
ican cuisine?"
"I don't know," said
Lattimore.
But quickly added, "It's not heavy."
Not heavy, as in bacon cheddar double
cheeseburgers, five-way chili and 16-
ounce, medium-rare sirloin steaks?
This is why the press has grown so cyni-
cal and negative. We are constantly forced
all these lame cover stories, half-
truths, fbs, canards, prevarications and
phony excuses which any other red-blood-
ed American-food-eating American would
recognize as outright fish tails.
Since when has the president preferred
things that were "not heavy"?
He scored a huge diplomatic break-
through by complimenting German Chan-

the chef's motto is "Abbondanza!"
The two , whose combined weight
estimated by *The New York Times* at
close to 500 pounds, dined on hot and cold
antipasti; fried calamari; ravioli stuffed
with veal, cheese and spinach, topped with
marinara sauce; Tuscan soup with white
beans; red wine; cappuccino; mixed ber-
ries and zabaglione!
Do you know the fat and oil content of
zabaglione? A single serving is the differ-
ence between Kate Moss and Mama Cass.
Italians use it as engine lubricant in their
Fiat's after 10W-40 no longer does the job.
All that was for lunch. Afterward, each
man had Filomena's pack a large German
chocolate cake — to go.
Bill, no doubt, was thinking ahead to din-
ner. And a light alternative to all that
"heavy" French food.

VOICES ACROSS THE USA

Question: Is Hillary Rodham Clinton an asset or a liability to the president?

President Clinton Monday defended the first lady and her involvement in the so-called Whitewater affair, saying "her moral compass is as strong as anybody's in this country." But increasing public criticism and diminishing support for a health-reform plan she crafted threaten her effectiveness. USA TODAY asked readers their opinions. Story, 1A



Jannie Anderson, 30
Asst. radio producer
Alexandria, Va.



Carolyn Embry, 50
Property manager
Muskogee, Okla.



Richard Walker, 44
Assn. technical director
Medina, Ohio



Gloria Centeno, 26
Social worker
Chicago, Ill.



Louis Thuringer, 79
Retired manager
Green Valley, Ariz.

She is a liability to the president, and I have always been concerned about her role and the clout she wields in the White House. I think there is a lot more to the Whitewater situation than we know, and it makes me very suspicious.

She's an assertive female and a go-getter who is trying to get something done, and I think she's an asset to the White House. No one is perfect. She has gone the extra step in trying to accomplish something on health-care reform.

She could've been a tremendous asset to the White House, but because she hasn't come clean on the Whitewater investigation, her credibility has eroded. She's a brilliant lawyer who should know better than to be involved in what seems to be a conflict of interest.

At this point, her role in the government has been more positive than negative. She has done a good job in terms of planning for health-care reform, and it will be interesting to see what she does in the future.

She's been a detriment because she is trying to act as the assistant president of the United States. She's not even a paid employee of the government. She should act more like Mrs. Nixon or Mrs. Eisenhower and less like Mrs. Roosevelt.

Furor over the first lady



“I have never known a person with a stronger sense of right and wrong in my life — ever.”

Emotional president defends first lady

COVER STORY

Issue shows dilemma of changing role

What Hillary did do, **2A**

Whitewater nothing like Watergate, says aide, **3A**

By Richard Wolf and Patricia Edmonds
USA TODAY

Just as Hillary Rodham Clinton stood by her man during the darkest days of the 1992 presidential campaign, President Clinton came to the first lady's defense Monday in podium-pounding fashion.

With flushed face and misty eyes, he said, "I have never known a person with a stronger sense of right and wrong in my life — ever. ... I do not believe for a moment that she has done anything wrong."

But it will take more than her husband's testimonial to ease concerns about Hillary Clinton's myriad roles: loyal wife, loving mother, acclaimed lawyer, activist adviser — and now, controversial player in the Whitewater land deal.

Until now, some have deemed her detractors sexist, too old-fashioned to see that a modern first lady can be an integral part of an administration. But the real problem, analysts say, is that she cannot be treated like any other aide — not by the president, the staff or the Congress.

And most important, they say: She cannot be fired.

"It points up the conundrum with respect to Hillary Rodham Clinton's position," says Linda Chavez, a former Reagan administration official.

"Under normal circumstances, if you appoint somebody and they get involved in a personal scandal, they can resign, they can be removed," Chavez says. "But you can hardly remove somebody who's the first lady."

From health-care policy to personnel appointments, this first lady enjoys unprecedented clout in the White House.

And given her central role in Whitewater — by all accounts she was far more involved in the real estate investment than her husband — the talk in Washington circles has shifted from substantive debates over Hillary Clinton's health-care plan to scandals and coverups.

Monday, as her husband defended her — "Her moral compass is as strong as anybody's in this country," he said — Hillary Clinton stayed out of the public eye.

No wrongdoing has been charged in Whitewater.

But Hillary Clinton's involvement is complex: She was active in the Clintons' 50% investment in the 230-acre property, on which they claimed a \$69,000 loss. She was a lawyer for Madison Savings & Loan, which failed and cost taxpayers more than \$47 million.

And *The Washington Times* reported that she had documents — whose contents were not known — shredded in 1992 at her law firm. The White House denies it.

She has reacted to the unfolding drama with judgments some have found politically flawed. She fought fiercely, some say, the idea of a special counsel to carry out an independent investigation. She fought turning over documents. And she fought to keep White House counsel Bernard Nussbaum on board after it was clear he would have to go.

"Maybe they'll fire Hillary," went the quip at Washington office water coolers. But it would take a divorce, not a pink slip, to lessen her influence at 1600 Pennsylvania Ave.

And so, the question behind the quip: What happens when loyal spouse and top adviser are rolled into one?

The answer for the president is a double-edged sword. When the first lady is good, she is a wonderful spokeswoman — as when she crows a congressional panel or wows a community

TUESDAY, MARCH 8, 1994 • USA TODAY

forum with her cure for a troubled health-care system.

But when she is part of the problem, it's double trouble for the president.

Some critics warned of this from the start. The first lady, they said, should not be given a top policy role, such as shepherding her husband's top legislative priority — health care — on the hustings and Capitol Hill.

Paul Greenberg, editorial page editor of the *Arkansas Democrat and Gazette* in Little Rock, says Whitewater makes him "yearn for the good old days of Bess Truman and Grace Coolidge ... spouses of a president who have stepped in and done important work. But they did not step in in their own right."

Supporters, however, sing Hillary Clinton's praises, insisting she can take the heat without retreating to the White House mess. Her off-the-cuff dissertations on health care, for example, have become the stuff of legend; last September's primer for hundreds of lawmakers was labeled a "tour de force."

But while some question her role, others sympathize with the pressure she has been under and insist the real Hillary Clinton — politically savvy, personally charming and a calming influence on the president — will win out.

One former first lady who felt the lash of changing political fortunes has urged this one to "just keep working."

"I applaud her efforts," says Rosalynn Carter. "Having been a first lady, you realize that there is some influence in that position, and I applaud those who take advantage of that."

Hillary Clinton sounds like she's taking that advice. In an interview to be published in the May issue of *Elle* magazine, she asserts her innocence and lashes out at her critics.

"This is a well-organized and well-financed attempt to undermine my husband, and by extension myself, by people who have a different political agenda or have another personal and financial reason for attacking us," she says.

"I know nothing bad happened," she adds. "But I am just not interested in spending my days falling into the trap that the fomenters of all this want us to ... to become isolated and on the defensive and diverted."

Her reviews in the media mirror the decline, with a headline in the upcoming *Hillary Clinton Quarterly* putting it succinctly: "Can Hillary Be Saved?"

Quarterly publisher Frank Marafiotte ventures an answer. "There's a sort of hidden delight I think a lot of people are feeling about this woman's fall from grace. ... Because of the way that she assumed the position of power and authority that she had, it made it easier for people to gloat to see her fall."

But personal friends say Hillary Clinton is cool in the face of controversy. When Diane Blair picked up the phone Monday morning and heard the first lady, she was "relieved and glad ... to hear a voice that was not so beaten down by it all that she's lost herself. I would think it would be hard to stay focused, but if anyone could do it, she could."

Blair, a professor at the University of Arkansas, says the two caught up on family and talked briefly "about tough times."

For her own part, Hillary Clinton is "reading and watching" the news about Whitewater, says spokesman Neel Lattimore.

But at the same time, Lattimore says, she's "keeping focused on what the administration is all about."

Contributing: Richard Benedetto, Dennis Cauchon, Mimi Hall, Judi Hasson and Bill Nichols

The public is left to wonder: If there's smoke, is there fire?

By Richard Benedetto
USA TODAY

A woman was spotted Sunday in Phoenix proudly sporting a T-shirt that read "Impeach Clinton."

Of course, the unfolding Whitewater affair is still light-years away from that and could quickly fade out just as the Carter peanut warehouse bomb did some 16 years ago.

But people outside the Washington, D.C., beltway, although they still don't grasp the particulars of Whitewater, have begun to focus on the issue.

They remember that Watergate was at first dismissed as a "third-rate burglary."

And they recall that members of the Reagan White House implicated in Iran-contra engaged in lies and deceptions to protect the president.

So they naturally wonder if the wisps of smoke emerging from Whitewater — questionable staff meetings, allegations of document shreddings and charges of cronyism and conflict of interest — signal another smoldering fire that could seriously damage or destroy the Clinton presidency.

There's concern a wounded Clinton could set back attempts to change the health-care system, drag Democrats to defeat in November, and over the long haul, enable the GOP to reclaim the White House in 1996.

"It's not a serious political problem yet, but it may be just around the corner from being one," says Democratic pollster Alan Secrest. "Once people start hearing words like 'resignation,' 'subpoena,' 'shredding' and 'grand jury' it moves onto a broader stage."

Democratic consultant Brian Lunde says "people are not being judgmental yet, but they're getting curious."

Indeed, Whitewater, which for the past three months has been covered sporadically in the national media, has led the network news and graced front pages in recent days as appearances of a cover-up began to emerge.

The heavier exposure was fueled by accusations White House counsel Bernard Nussbaum improperly used his office to defend Clinton. Acting as if he were personal attorney to Bill Clinton, rather than legal advisor to the president, Nussbaum aggressively built walls to block prosecutors from looking into the case and held meetings with Treasury officials to learn what investigators were up to. He resigned under fire Saturday.

Some Democratic analysts continue to dismiss the brouhaha as just a lot of partisan carping by petty Republicans, envious because the economy is improving and Clinton is slowly but surely proving that Democrats can govern.

"It's full of sound and fury, signifying nothing," says Democratic pollster Mark Mellman.

Mellman says the public is having trouble understanding Whitewater, and tends to dismiss it as the usual mudslinging of which they've long grown tired. He says voters want Clinton to stay focused on problems — like crime, health care and the economy — and not be sidetracked by Whitewater.

But Republican pollster Nell Newhouse says Whitewater "is unlikely to go away soon," now that it's a media hit.

Kenneth Duberstein, the Reagan chief of staff who sat in a hot seat during the dog days of Iran-contra, says Democrats should heed the lessons learned in the Reagan and Nixon White Houses: "The White House has to be pro-active and leapfrog ahead rather than appearing to be continually reacting to the events or allegations of the day."

Beyond that, GOP consultant Eddie Mahe, who watched Watergate unfold while working in the bunker of the Republican National Committee, says the best thing the Clinton White House can do is make a clean breast of things.

"If they've really done nothing illegal, they should get everything out, open every window in the building and let in all the fresh air they can."



By Gary Cameron, Reuters
CLINTON: Declares that Whitewater is no Watergate

Term-limit backers ready for high court

By Debbie Howlett
USA TODAY

Limits on the number of terms a member of Congress may serve violate the U.S. Constitution, the Arkansas Supreme Court said Monday.

The ruling — the second time in a month a court has held term limits unconstitutional — offers the swiftest route to a showdown over the issue at the U.S. Supreme Court.

Any finding by a state's highest court that a law is unconstitutional may be appealed directly to the nation's top court.

And that's where term limit advocates will immediately go.

"I am confident the people will ultimately prevail before the Supreme Court," said Paul Jacob of U.S. Term Limits. "Politically, there's no question — the people want term limits and they want them now."

The Arkansas high court ruled that while citizens of a state may limit state elected officials to 12 years in office, they cannot limit the term of federal officials, including members of Congress, because the U.S. Constitution applies to them.

Judge Steele Hayes dissented, saying, "I start from the premise that all political authority resides in the people."

By a 3-2 ratio, Arkansas voters passed Amendment 73 in November of 1992, joining 14 other states in adopting term limits. As many as eight more states are likely to vote on the issue this year.

Soon after the vote, the state League of Women Voters sued.

Monday's decision echoes a ruling last month by a federal judge in Seattle who said Washington's term limit law was unconstitutional. That decision — prompted by a suit filed by House Speaker Thomas Foley and others — is being appealed by term limit advocates to the entire 9th Circuit Court of Appeals and could take years to reach the Supreme Court.

ALSO IN WASHINGTON

Chicago largely undecided about Rostenkowski bid

A Chicago Tribune poll Monday showed a large number of voters undecided on next Tuesday's Democratic primary election for the seat of embattled Rep. Dan Rostenkowski, D-Ill.

He and state Sen. John Cullerton are close — Rostenkowski with 27% and Cullerton with 23%, ahead of four other candidates — but 32% of likely Democratic voters are undecided. The poll of 501 potential primary voters taken Feb. 27-28 has a four-point margin of error.

Shortly after his 1992 primary win in his closest-ever race, Rostenkowski's name surfaced in an investigation of a cash-for-stamps embezzlement scheme at the House Post Office. Chicago newspapers have reported he paid "ghost" employees, made personal use of public and campaign money, and paid his family rent for office space. He denies the allegations.

Rostenkowski, chairman of the House Ways and Means Committee, is seeking his 19th term. He is a playing a key role in shepherding President Clinton's health-care bill. Clinton has not endorsed Rostenkowski but appeared with him in Chicago last week to push the bill.



Reuters
ROSTENKOWSKI: 27% support in poll

SNOWE TO RUN FOR SENATE: Rep. Olympia Snowe, R-Maine, said Monday she'll run for the Senate seat being vacated by Majority Leader George Mitchell. The move by the eight-term House member threatens Democrats with loss of a seat they considered safe until Mitchell's surprise announcement Friday that he won't run again. Democrats hold a 56-44 majority in the Senate but must defend 21 of the 34 seats up for election. Their likely candidate in Maine is Rep. Thomas Andrews.

GAY LAWSUIT: Civil liberties groups have filed suit to block the Pentagon from enforcing its new rules on gays in the military. The complaint was filed in New York by the American Civil Liberties Union and the Lambda Legal Defense and Education Fund on behalf of five gay men and one lesbian in the armed services. It contends the policy of "don't ask, don't tell, don't pursue" violates the Constitution's guarantee of equal treatment.

CLINTON'S JOB: President Clinton returned to a favorite jogging route on Washington's Mall on Monday for the first time since a man was arrested late last month for allegedly stalking out the path and plotting to assassinate him. Clinton, with a larger than usual security detail, jogged from the Capitol to the White House via Mall, a lengthy, grassy park in central Washington.

Clinton comes out fighting

By Adam Nagourney
USA TODAY

AI

President Clinton, forced to respond to Whitewater, vigorously defended his wife, rejected comparisons to Watergate and blasted Republican attacks as "blatantly partisan."

"We're not covering up or anything — we are opening up," Clinton told reporters.

"If I did something wrong, it will come out in the special counsel. That's what the Republicans said they wanted. That's what most of your media outlets said you wanted."

Just hours after the president hammered congressional critics, special counsel Robert Fiske urged senators not to conduct a hearing into Whitewater — saying it would "pose a severe risk" to his probe.

Fiske's fears include grants of immunity, which caused overturned convictions in the Iran-contra case.

But House Republican Whip Newt Gingrich, R-Ga., a supporter of hearings, said, "As long as a committee does not offer immunity it does not in any way endanger a case."

House Speaker Thomas Foley, D-Wash., said he and leaders of both parties would meet to discuss hearings.

Clinton noted no one has "accused me of abuse of authority in office. That's what Watergate was about."

Pressed by reporters, Clinton for the first time faced a lingering question in the case — whether he had improper advance word that the Justice Department had launched an investigation of Whitewater.

Six White House aides, and four current and former Treasury Department officials, are to testify Thursday at least about three conversations they had last fall on the topic.

Clinton said he knew about two of them.

He said he learned in October that the case had been referred to the Justice Department, but could not remember when or from whom.

Meanwhile, Lloyd Cutler, a long-time Washington Democrat, was reported to be Clinton's choice to replace outgoing White House counsel Bernard Nussbaum, at the center of the latest charges. Cutler held the position under Jimmy Carter.

Parody hits right note with court

By Tony Mauro
USA TODAY

AI

The Supreme Court put in a plug for parody Monday, ruling that 2 Live Crew could not be stopped from making a rap version of the Roy Orbison classic *Oh, Pretty Woman*.

Acuff-Rose Music, which owns *Pretty Woman*, blanched at the rap version. It shares the same first line as the 1964 song, but then launches into lyrics about "big hairy woman" and "bald-headed woman."

2 Live Crew's version was on its *As Clean As They Wanna Be* album; Acuff-Rose sued, and won in appeals court.

But the high court Monday said that parodies are a "fair use" of an original, requiring no permission or royalties.

Parody "can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one," Justice David Souter wrote.

The case was a high-stakes battle in the music business:

► Artists ranging from Michael Jackson to Dolly Parton said they'll lose millions when parodies sap the market for their originals.

► Satirists including Mark Russell and the Capitol Steps said their lifeblood is quick, free access to tunes they transform into parodies.

"If Roy Orbison were living today, I don't think Roy Orbison would have a problem with it," said Luther Campbell, leader of 2 Live Crew.

In a cautionary note, the court said a total ripoff just "to get attention or to avoid the drudgery in working up something fresh" isn't protected.

That gives Acuff-Rose hope it will still win when the case returns to lower courts — which decide whether the parody harms the market for the original song.

"Neither side has won this case yet," said Acuff-Rose lawyers Sidney Rosdeitcher.

Post office to seek 32¢ first class stamp

By Sandra Sanchez
and Lori Sharn
USA TODAY

AI

The Postal Service today is expected to recommend increasing the cost of mailing a first class letter to 32¢ in 1995.

The 10.3% across-the-board hike was voted Monday during a secret meeting of the Postal

Service Board of Governors, said American Postal Workers Union executive vice president William Burris.

A breakdown of increases for different mail classes is expected today in Washington. Postmaster General Marvin Runyon, on CNN's *Larry King Live* Monday, wasn't specific: "It's going to be less than the rate of inflation... less than 35 (cents) and more than 30."

The recommendation still must pass the independent Postal Rate Commission. The process could last 10 months. The increase could add \$5 billion in annual revenues to the cash-strapped agency, said Gene Del Polito of the Advertising Mail Marketing Association, which represents 400 big business mailer companies.

"This across-the-board increase (will) satisfy their need for immediate cash," said Del Polito. The Postal Service is expected to lose \$1.7 billion in fiscal 1994 despite attempts to make it competitive by automating. "They have a very expensive, labor intensive system. They have to get the money somewhere," said Del Polito. New rates are expected to hold for two years, he said. Most increases last three years. Runyon has avoided one since 1991 — when first class rose 4¢ to 29¢ — by cost-cutting and trimming 48,000 positions during a 1992 reorganization.

What's News—A1

Business and Finance

MARTIN MARIETTA agreed to buy Grumman for \$1.9 billion, or \$55 a share, increasing pressure in the beleaguered defense industry for further consolidation. The purchase would make Martin Marietta the nation's largest aerospace-electronics concern and caps a series of major acquisitions by the company, whose chairman has emerged as a leader in the industry's realignment.

Grumman's stock climbed 8.5% Friday, ahead of yesterday's announcement. Three other target firms in major deals in the past month have seen their stocks climb sharply before any merger announcements were made.

(Articles on Pages A3, B6 and C1)

USAir urged union leaders to accept new concessions, saying its losses are widening mainly because of steep fare cuts initiated last month. The struggling carrier also disclosed that its big shareholder, British Airways, won't invest an additional \$450 million until the labor talks are completed.

(Article on Page A3)

An increase in the payroll tax and an expansion of Medicare are possibilities under a Democratic-backed health-care plan that a House Ways and Means Committee subcommittee will begin considering today.

(Article on Page A2)

The antitrust division of the Justice Department is investigating whether cigarette manufacturers have illegally agreed to keep certain types of cigarettes off the market. The probe centers on "fire-safe" cigarettes, which are less likely to cause fires.

(Article on Page A2)

A bond market rally buoyed stock prices. The Dow Jones Industrial Average advanced 23.92 points to 3856.22. The Treasury's benchmark 30-year issue rose more than 1/8 of a point, while its yield slipped to 6.79%.

(Article on Page C1)

Metropolitan Life agreed to a precedent-setting \$20 million fine with more than 40 states to settle charges surrounding its sales tactics. The settlement, one of the biggest involving an insurer, is believed to be the first time state insurance commissioners agreed jointly on disciplinary action.

(Article on Page A5)

Microsoft's Bill Gates is asking publishers for \$2.5 million for a book about the information superhighway, people in the publishing world said.

(Article on Page B8)

Gold is trading near a three-month low, partly reflecting selling by hard-pressed hedge funds hurt in international bond and currency markets. Some traders said that if gold, which closed yesterday at \$376.90 an ounce, down \$1.70, falls below the \$374-\$375 level, it could tumble to \$365.

(Article on Page C1)

Goldman Sachs's 1993 pretax profit jumped 82% to \$2.7 billion, ranking the New York private investment bank not only as the most profitable firm on Wall Street but as one of the most profitable companies in the world.

(Article on Page A6)

Microsoft and Tele-Communications plan to launch a TV channel for news, information and training about computer and software products.

(Article on Page B10)

Markets—

Stocks: Volume 285,570,790 shares. Dow Jones Industrials 3856.22, up 23.92; transportation 1741.35, up 3.98; utilities 213.49, up 1.39.

Bonds: Lehman Brothers Treasury index 5349.65, up 27.67.

Commodities: Oil \$14.10 a barrel, off 47 cents. Dow Jones futures index 144.91, off 0.14; spot index 130.95, off 0.12.

Dollar: 105.55 yen, off 0.10; 1.7195 marks, up 0.0005.

World-Wide

CLINTON KNEW in advance that the RTC sought a criminal probe of Madison.

Raising new questions about whether the White House may have meddled in an investigation of Madison Guaranty, the president said he was told about a criminal referral in the case before the action was made public. His disclosure provides the first evidence that he and his staff were warned of the RTC's decision to request a criminal inquiry into whether funds from Madison may have been improperly diverted into his gubernatorial campaigns or into Whitewater. (Article on Page A3)

The special counsel investigating Whitewater yesterday expressed a "strong concern" about any congressional hearings into the Whitewater affair, saying such an inquiry would "pose a severe risk" to his probe.

The Postal Service board voted to propose a 10.3% rate boost for almost all classes of mail. The price of mailing a first-class letter would rise to 32 cents. The proposal now goes to the Postal Rate Commission, which has 10 months to decide whether to approve the rates. (Article on Page A2)

The Supreme Court gave greater legal protection to parodies, marking a defeat for copyright owners. The unanimous ruling in a case involving the rap group 2 Live Crew was the court's first clear statement that musical, written or visual parodies may be permissible. (Article on Page B16)

Medical research should focus more on the way diseases affect women and minorities, according to guidelines that the National Institutes of Health plans to publish this week. (Article on Page B9)

More than black men in corporate America, according to an analysis of EEOC data. Black female professionals number almost 200,000 in the 38,000 companies that report to the commission. (Article in Column 6.)

Israeli soldiers shot dead two Palestinians in the West Bank and guerrillas killed nine people in Israeli-held south Lebanon, officials said. Meanwhile, Muslim extremists warned they will initiate suicide attacks on Jewish settlements in the occupied territories, saying Israelis will "cry in blood" for the Feb. 25 mosque massacre in Hebron.

PLO leader Arafat met with an Israeli envoy in Cairo to discuss terms for resuming talks on limited Palestinian self-rule. It was the first such face-to-face meeting since the slayings in Hebron.

President Clinton said the U.S. is inclined to support a U.N. peacekeeping force in the ex-Soviet republic of Georgia if warring parties can make progress on peace talks. Clinton, who met with Georgia's Shevardnadze, said no Americans would be included in any peacekeeping force.

The U.S. is reconsidering sanctions imposed last year that prevent China from launching a U.S.-made satellite. Secretary of State Christopher said. The move would send a mixed signal to Beijing, where Christopher is due to begin talks Friday in an attempt to get China to improve its human rights record. (Article on Page A12)

China denied that it had engaged in sweeping detentions of dissidents over the past week, and it labeled the reports "rumor." However, the U.S. State Department said three dissidents had been arrested and may be charged with crimes, a fourth man was taken into custody, and 19 others were picked up and released.

The U.N. deployed peacekeeping troops around Serb-besieged Tuzla airport in preparation for an airlift into the northern Bosnian town. But Serb forces shelled the nearby town of Maglaj and blocked aid shipments. Meanwhile, Croat and Muslim troops withdrew more weapons from the front lines in central Bosnia.

A black homeland confirmed that it would boycott South Africa's elections in April, prompting an African National Congress official to accuse Bophuthatswana of hindering democracy efforts.

California's Gov. Wilson signed a "three strikes, you're out" anticrime bill. The law requires a life prison term with no chance of parole for 25 years for any third-time felons previously convicted of two violent crimes.

A five-man interim coalition took power in Liberia, composed of leaders of rival factions that have fought for four years. Peacekeeping troops from nine African countries began disarming guerrillas.

Observer

RUSSELL BAKER

Eptitude Not Awesome

On health care the Republicans bring to mind an old Leo Durocher story: After watching a rookie infielder make three or four consecutive errors at third base, old pro Durocher steps onto the field, sends the rookie to the sidelines, says, "Let me show you how to play third base, kid." Next ball bounces down to Durocher, skids off his shins, caroms into the outfield. Durocher turns to the kid and screams, "You've got third base so screwed up nobody can play it!"

On health care the Republicans will apparently have to be satisfied with yelling a similar curse at Bill Clinton, a Democratic President who could have been designed at Republican headquarters, such is his genius for making a mess of the governing game.

By common agreement, the name of that game this year is health care, and Republicans with their famous governing experience under Nixon, Ford, Reagan and Bush have a golden opportunity to wave the amateurish Clintons off the field and show the country how real professionals run a government.

With the Clinton bill going down the tubes, you might think the Republicans would now cunningly establish themselves forevermore as the party that delivered the goods while Democrats strutted, blustered and bumbled.

So what do they do? Meet in Bob Dole's office and bicker ineffectually among themselves. Go over to Annapolis, presumably to brace their souls with fresh Chesapeake air, and come away with nothing more inspiring than agreement to pursue their usual policy of making life as wretched as possible for the President.

This doubtless means that in coming weeks we shall hear them repeatedly abusing the rookie Clinton with accusations that he has governing so screwed up that nobody can do it.

The President's people tell you his problem is not ineptitude but a blood-thirsty press, a mean-spirited Republicanism and a touch of bad luck. Maybe so, but the eptitude level is anything but lofty.

What it has done to the prospects for a decent health-care bill has been so damaging that people who want to see progress in this bleak area might sensibly hope everybody would forget the whole thing until another government comes to power.

This is unlikely to happen, alas. Politics now demands something — anything — that can be called "a

health-care bill," and we probably cannot escape it, nor the perpetuation of the insurance industry's grip on the fate of a nation's liver and lights.

Now of course the Clintons' Whitewater troubles have intervened. Not long ago we all read that Harold Ickes, a can-do New York lawyer, was coming to the White House to save health care. Next time we read about Ickes, he had been assigned to "damage control" on the Whitewater case.

He is now one of ten — ten! — Administration big shots subpoenaed to discuss Whitewater with a grand jury. Which raises another question of eptitude. If health care is, as advertised, the great centerpiece of the Clinton Presidency, why bring a can-do guy to Washington to tend to it, then bury him in Whitewater?

Whitewater, of course, is almost incomprehensible to common human-

The Republicans and health care.

ity, and the fact that hardly anyone can understand it makes it a political tar baby the Clintons may never be able to escape.

There was a similar incomprehensible business scandal in the 1950's when Vice President Gore's father, Albert Gore Sr., was a Senator from Tennessee. It was called "Dixon-Yates." As with "Whitewater," heavy reporting made it seem sinister stuff.

The senior Senator Gore was against "Dixon-Yates" and found it a political blessing. On a visit home, he once told me, a constituent had approached him saying, "Isn't it just awful about this Dixon-Yates business?" Sure was, said the Senator. Whereupon the constituent asked, "What's it all about anyhow?"

With something as confusing as "Whitewater," the Clinton Administration might conceivably spend the next three years just trying to explain the thing. (Though it hasn't made much explanatory effort so far.)

The Republicans obviously hope that the nation will remain appalled about this puzzlement and that this will help them rout the rookie Clinton without having to prove Republicans can do better since, on the evidence to date, they can't. □

Nussbaum Cast as All-Star, in Another League

By DAVID MARGOLICK

Special to The New York Times

Even as Washington writes off Bernard W. Nussbaum, who was forced to resign on Saturday as the White House counsel, his once and future colleagues in the upper echelons of the New York bar, where he has 27 years' experience as a top corporate litigator, are rallying around him. Indeed, most say the sin that cost him his post is actually a point in his favor: his inability to adapt to what they regard as the backstabbing ways of the nation's capital.

Promised anonymity, some of Mr. Nussbaum's many friends nonetheless concede that he brought certain liabilities to the White House job. In corporate litigation, they note, hand-holding with individual clients looms less large, disputes remain more private and the game, though still played with a hard ball, is largely about the law and almost devoid of the kind of politics that permeates Washington.

These friends also note that for the first time since he was the senior associate special counsel to the House Judiciary Committee during its Watergate investigation, when he first met Hillary Rodham, then on the committee's staff, Mr. Nussbaum was without the advice of his loyal colleagues at Wachtell, Lipton, Rosen & Katz. The firm is an intense and intimate place known for attracting some of New York's premier legal talent, rather than, as in the White House, people of varying abilities and agendas.

Washington Work Is Done

In a telephone interview from his White House office on Sunday night, Mr. Nussbaum said that he planned to return to his old law firm after he left the White House on April 5.

"I am proud to have been able to work in the White House as long as I did, but I've always known that the cornerstone of my good fortune was not in my job in Washington but in my friends and family in New York and elsewhere," he said. "My work in Washington is now done, and I look forward to coming home. And an important part of my home has always been Wachtell, Lipton."

"It was a marvelous experience," Mr. Nussbaum said of his White House tenure. "Very few people get a chance to play even a small role in history. I am happy that I had that chance."

The 57-year-old Mr. Nussbaum is well liked, even beloved, in the loftiest perches of the Manhattan bar. His forced resignation has prompted condolences from dozens of callers, among them Gov. Mario M. Cuomo and Mayor Rudolph W. Giuliani. If, fairly or not, he will be remembered as a bungler in the capital, he is



Paul Huse/for The New York Times

Bernard W. Nussbaum working at his desk in his White House office shortly after announcing his resignation as counsel.

viewed among his peers in New York as a savvy and honest lawyer — too honest for his own good, too unwilling to point fingers at others, too willing to fall on his sword for his client.

Fiasco or Tragedy?

While Mr. Nussbaum's critics deem his one-year tenure a fiasco, his friends see the abrupt end of that tenure as a personal tragedy, the snuffing out of his lifelong dream of public service. Such was his excitement over the White House job, they say, that in the end it may have compromised his judgment and independence.

Mr. Nussbaum's supporters think the mistakes attributed to him in his handling of personnel and the Whitewater affair were not his fault, were made at his client's behest, were no big deal or were the product of a gaping cultural gap between New York and Washington.

"If Bernie made any errors at all, it was in devoting his enormous intellect too enthusiastically to representing the President," said Ira Milstein of Weil, Gotshal & Manges, one of New York's largest law firms.

Andrew Maloney, a former United States Attorney in Brooklyn and now a partner at the Manhattan law firm of Brown & Wood, said much of the criticism had resulted from Mr. Nussbaum "taking it on the chin for his client."

'Buy a Dog'

"If Bernie had one weakness, it was that he was a bit naive about life inside the Beltway," Mr. Maloney said. "There's that old expression, 'If you want a friend in Washington, go buy a dog.' Any decent, honorable man would have a problem moving in that kind of milieu."

Anyone who visited him at the White House or heard him during his periodic trips back to New York over the last year knew that Mr. Nussbaum, who grew up in a household of modest means on the Lower East Side, had avidly sought the White House job and had remained almost intoxicated by the realization that it was actually his.

Both that enthusiasm and an eagerness to remain ingratiated with his clients, his supporters say, may have prompted him to give President and Mrs. Clinton advice that they wanted — like opposing the appointment of a special counsel in the Whitewater matter. "There's a certain desperate quality to Bernie," said one prominent New York litigator, "and when you're needy, you sometimes lose your independence."

New Yorkers Need Not Apply

Another New York lawyer, Robert Morvillo, suggested that under current conditions nobody with a telephone number beginning with the area code 212 could handle the White House job. "You really need someone with a fine ear for the political process, someone very plugged into the ways of Washington," he said. "Right now, I wouldn't send anyone from New York."

Martin Lipton, a founding partner of Wachtell, Lipton, said the firm would welcome Mr. Nussbaum back. "Bernie is as street-smart and politically wise as any lawyer in the country," Mr. Lipton said in an interview. "But he is also totally honest, and because of his forthrightness and unwillingness to dodge and duck, he's ended up being the target of this."

Another of Mr. Nussbaum's New York admirers, Charles Stillman, predicted that the departing counsel's time in a town "filled with Gillio-lys" ready to kneecap their enemies would only enhance his reputation.

"Bernie will come back to the embrace of people who know him, who admire him, who care about him, and he'll get over this," Mr. Stillman said. "And if I'm a client, I want this guy to be my lawyer. He took a grenade for the President of the United States."

Bringing Another Presidency and Inquiry to Mind

By R. W. APPLE Jr.
Special to The New York Times

WASHINGTON, March 7 — His own travails in the Whitewater affair have nothing in common with the Watergate scandal that drove Richard M. Nixon from office 20 years ago, President Clinton insisted today at a news conference in which he fought his political corner as tenaciously as Mr. Nixon ever did.

News Analysis "We're not covering anything up," he said. "We are opening up."

Had the Clinton White House been as forthcoming as the President suggested it had, Mr. Clinton might have had no reason to dispute the parallel.

In that case, the focus would have remained on the Whitewater transactions themselves, long ago and far away, which are hard to follow and lacking in evident drama. The whole thing might have dried up. But now the spotlight has shifted from the Ozarks to Washington, and words like "subpoena" and "cover-up" have caught public attention. There is now no chance that things will quiet down this year, and little that they will do so next year.

The shift in focus, which also happened in Watergate, is of much greater importance this time than two decades ago. The original accusations against Mr. Nixon related to actions during his term as President, but those against Mr. Clinton predated his election in 1992. Suspicions of a cover-up, however, have taken investigators right into current White House activities.

The two cases have obvious differences. Watergate involved gross abuses of power, including the misuse of the F.B.I. and the C.I.A., among other agencies. Whitewater, on the record to date, has produced nothing approaching that.

Grudging Responses

It is certainly true that Bill Clinton did not dig in his heels as hard or as long as Richard Nixon did. So far, there is less evidence of an effort to block investigators. But Mr. Clinton and his staff did not react to the first set of Whitewater disclosures, or the second or third, by "opening up."

For weeks the White House resisted the appointment of an independent prosecutor. It admitted only in December that crucial documents had been removed in July from the files of Vincent M. Foster Jr., the Clinton aide who killed himself, and given to the Presi-

The Meetings in Question

President Clinton today acknowledged that he was briefed some time last October on the decision by the agency overseeing failed savings and loans to ask for a criminal investigation by the Justice Department into the failure of Madison Guaranty Savings and Loan in Arkansas, a request that named the Clintons as possible beneficiaries of illegal actions. While Mr. Clinton said he did not remember who briefed him or when, the meeting was one of a series that have recently come to light concerning the referral by the agency, the Resolution Trust Corporation.

Sept. 29, 1993 Jean Hanson, the Treasury Department's general counsel, meets in the office of Bernard W. Nussbaum, the White House counsel, to warn him of the R.T.C.'s plan to ask for a Justice Department investigation.

Oct. 8, 1993 R.T.C. formally asks the Justice Department to look into the matter.

Oct. 14, 1993 A meeting is held in Mr. Nussbaum's office to

discuss how to handle inquiries from news organizations about the status of the Whitewater investigation. In addition to Mr. Nussbaum, the meeting includes Mark D. Gearan, the White House director of communications; Bruce Lindsey, a senior adviser to Mr. Clinton; Ms. Hanson; Josh Steiner, now chief of staff to Treasury Secretary Lloyd Bentsen; and Jack DeVore, then Mr. Bentsen's press secretary.

Oct. 31, 1993 First press reports of the R.T.C. referral appear.

Feb. 2, 1994 Deputy Treasury Secretary Roger C. Altman, also the acting head of the R.T.C., meets with Mr. Nussbaum, Ms. Hanson, Harold M. Ickes, the deputy chief of staff, and Margaret A. Williams, Hillary Rodham Clinton's chief of staff. Mr. Altman acknowledges the meeting before a Senate committee on Feb. 24, saying he held the briefing to give the White House a "heads up" on how the R.T.C. would proceed on potential civil claims arising out of Madison's failure.

dent's private lawyer. For a time, Bernard W. Nussbaum, the soon-to-depart White House counsel, said Mr. Clinton might refuse to yield Whitewater documents on grounds of attorney-client privilege.

At every turn, the White House responses to inquiries from reporters investigating the matter have been late, incomplete and grudging.

There are other similarities between Watergate and Whitewater, starting with controversy over documents and whether they have been shredded.

Mr. Nixon liked to dismiss the Watergate scandal as "a third-rate burglary," long after it was clear that it was not the break-in but the abuses of power associated with it that constitu-

ed the biggest liability. Mr. Clinton, likewise, often says that the Whitewater episode is rooted in a small-time land deal 16 years ago in which he and his wife lost money.

Defending his wife as a woman who has a "moral compass as strong as anybody's in America," Mr. Clinton sounded every bit as defensive as Mr. Nixon used to sound in proclaiming the virtues of those who worked alongside him.

Two days after Mr. Nussbaum was cast to the wolves, Mr. Clinton found himself answering Whitewater questions at what was supposed to be a news conference on problems in Russia and other former units of the Soviet

Union. He said he had more important things to do than defend his conduct, and he asserted that "the American people will be outraged if anybody uses this as an excuse for not doing the people's business."

On April 30, 1973, the day he announced the departure of H. R. Halde- man and John D. Ehrlichman, among others, Mr. Nixon said much the same thing.

"It is essential," he said, "that we not be so distracted by events such as this that we neglect the vital work before us, before this nation, before America, at a time of critical importance to America and the world."

Pressure on Democrats

Mr. Nixon was never able to turn back, full time, to the business of governing. More and more revelations, some directly related to Watergate but most not, kept him on the defensive until he finally resigned. In Mr. Clinton's case, much will depend on what new disclosures, if any, lie ahead.

Democrats on Capitol Hill have maintained a more-or-less united front so far, refusing demands from Republican colleagues for an investigation even though they investigated similar episodes during the Reagan and Bush eras with considerable relish. But that front may be cracking under the pressure of charges that the Democrats are guilty of applying a partisan double standard.

Representative Dan Rostenkowski of Illinois, the chairman of the Ways and Means Committee, became on Sunday the first ranking Democrat on the Hill to suggest that he would consider the possibility of Whitewater hearings.

If disclosures keep coming, and especially if there are any further hints that the White House is trying to steer the investigation, some Democrats' partisan loyalties will surely give way to self-preservation. All of the seats in the House and a third of those in the Senate, after all, will be up for grabs this November, long before Bill Clinton faces the electorate.

Similar Reputations

Like Mr. Nixon, Mr. Clinton is vulnerable in a crisis of this sort because of the ambiguous reputation that preceded him into Presidential politics.

Both men have always been widely admired for their intelligence, their political skills and their grasp of complex public questions. But both have long been dogged by questions of trustworthiness. One brought the nickname "Tricky Dick" into the Oval Office, the other "Slick Willy."

The events of last weekend were sufficiently striking that top Republicans and Democrats have for the first time begun wondering aloud, discreetly of course, whether Whitewater could eventually become serious enough to cost Mr. Clinton a second term.

Early as it is, with so many more events to unfold before 1996, the damage is already substantial, if not necessarily to the President's standing with the public, then clearly to his ability to influence legislators. And if he is unable to push through his already beleaguered legislative proposals, ranging from health care reform to the reorganization of the welfare system, he could lose ground with voters.

The consensus so far, voiced by an influential Democratic senator: "A second term looks less routine, especially if the economy turns sour."

Special Counsel Opposes Senate Hearing on Case

WASHINGTON, March 7 (Reuters) — The special counsel in the Whitewater case, Robert B. Fiske Jr., today urged Congress not to hold hearings on President Clinton's investment in an Arkansas land venture, the Whitewater Development Company.

In a letter to both Senator Donald W. Riegle Jr., the Michigan Democrat who heads the Senate Banking Committee, and Senator Alfonse M. D'Amato of New York, the panel's senior Republican, Mr. Fiske said a Congressional inquiry would "pose a severe risk" to the integrity of his own investigation.

Republican pressure for a Congressional investigation has been growing, and Mr. Fiske told the Senators that he

was concerned that the Banking Committee would seek to interview people who were central to his criminal inquiry.

Congressional involvement also raised the possibility that people involved in the case might be granted immunity from prosecution and that "matters at the core of the criminal investigation" might be prematurely disclosed, Mr. Fiske said.

"For these reasons, we request that your committee not conduct any hearings in the areas covered by the grand jury's ongoing investigation," he wrote.

In a response to Mr. Fiske's appeal, Senator Riegle wrote: "It is my view

that the Banking Committee should defer to your request."

Senator D'Amato told Mr. Fiske in his reply that he was sensitive to the special counsel's concerns, but that the committee "has a duty to the American people to examine the facts."

The Senate majority leader, Senator George J. Mitchell of Maine, echoed Mr. Fiske's concerns, saying an inquiry by Congress would inevitably thwart the criminal investigation.

In the House, Representative Newt Gingrich of Georgia, the deputy Republican leader, asked for a meeting with the chamber's leaders to discuss the matter, saying that Congress's responsibility was "public trust and public right to know."

A UPI News Update!

The death toll in that South African train wreck has now risen to at least 46 with an estimated 220 people hurt. A crowded commuter train derailed near Durban and there are fears the death toll will go higher.

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Whitewater special prosecutor Robert Fisk doesn't want Congress to start its own inquiry into the matter because he doesn't want a re-run of the Iran-Contra hearings. Nevertheless, Republican leader Bob Dole wants to hold hearings and is accusing Democrats of blocking them.

The Whitewater spotlight has focused on the role played by first lady Hillary Rodham Clinton... and THAT brought a lectern-thumping response from the President. During a news conference yesterday on another matter, he if everybody in this country had a character as strong as hers we wouldn't have half the problems we have today.

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Panicking Japanese consumers have flooded the government's Food Agency with questions and complaints over a sudden decision to blend domestic rice with rice imported from Thailand for sale at retail outlets. The agency says it is an emergency measure to try to stop the hoarding of Japanese rice.

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Eleven miners have been killed in a methane explosion in a pit near Ukraine's coal-producing capital. Reports from the scene say five people were injured and two are still missing.

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An inquiry into the Hebron massacre has opened at Israel's Supreme Court. The investigating committee, headed by Israel's top judge, is probing the circumstances which led to the massacre 11 days ago of 30 Palestinians by a Jewish settler.

Meanwhile, Jewish settlers continue to move freely about the West Bank, while a curfew has Palestinians restricted to their homes.

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The oldest production Bentley, built in 1921, and six other vintage Bentleys have been destroyed in a fire at a workshop in central England where they were being renovated. The value of the cars, which were completely gutted in the blaze, has been estimated at \$9 million.

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By Tom Gauger (UPI)

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AM-Whitewater, 6th Ld-Writethru, a0762,980

Clinton Defends Wife, Self; 'No Credible Charge' in Whitewater

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By TERENCE HUNT= AP White House Correspondent=

WASHINGTON (AP) President Clinton made an extraordinary and impassioned defense of his wife against any suggestion of wrongdoing in the Whitewater affair Monday. Defending himself, he declared, "There is no credible charge that I violated any law."

Amid news accounts that Hillary Rodham Clinton had ordered the shredding of documents at an Arkansas law firm, Clinton said, "I have never known a person with a stronger sense of right and wrong in my life ever."

"And I do not believe for a moment that she has done anything wrong," he said, heatedly thumping the lectern at a news conference.

Hammered by Republican comparisons of the Whitewater episode with Richard Nixon's Watergate scandal two decades ago, Clinton vowed, "There will not be a coverup, there will not be an abuse of power in this office."

There was a glum mood of disbelief and defeat at the White House following Friday's sudden subpoena of 10 administration officials and the forced resignation of counsel Bernard Nussbaum. Most if not all of the officials were seeking legal counsel before appearing Thursday at U.S. District Court to testify.

Although the administration had received no further word from the special counsel, White House officials expected Chief of Staff Mack McLarty to be subpoenaed, too, because he helped arrange one of three meetings in which federal regulators discussed the Whitewater affair with Clinton aides.

White House staff were ordered to scour trash cans, burn bags and files for subpoenaed paperwork and computer files possibly related to the investigation by a special prosecutor, Robert Fiske.

The president and first lady agreed that their personal files were covered by the subpoena, aides said.

An senior administration official, speaking on condition of anonymity, said late Monday that Clinton would name Lloyd Cutler to succeed Nussbaum. Cutler was a well-known attorney who was Jimmy Carter's White House counsel.

Separately, Mrs. Clinton told "Elle" magazine that much recent criticism was based on "the wildest kind of paranoid conspiracies."

In an interview, which took place before the subpoenas were issued, she said, "This is a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

George Stephanopoulos, a senior adviser to the president, denied that the first lady or the president were involved in any shredding of documents at Mrs. Clinton's former law firm.

"The White House had absolutely nothing to do with that; the Clintons had absolutely nothing to do with that," Stephanopoulos said on the MacNeil/Lehrer Newshour.

Clinton's news conference, with visiting Georgian leader Eduard Shevardnadze, was dominated by Whitewater questions.

Clinton said he had been unaware of two White House meetings where his advisers discussed the Whitewater investigation with federal regulators.

Yet, he acknowledged being informed last October that the Resolution Trust Corp. was investigating whether his gubernatorial campaign had received improper donations from a Little Rock savings and loan. He was hazy about the details.

"I don't remember when I knew about it or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government," the president said. "And I didn't think much about it at the time. It was just something that I absorbed."

Mrs. Clinton did not know about the meetings or the investigation of possible improper donations until she read about them in news accounts, deputy press secretary Neel Lattimore said.

Attorney General Janet Reno rejected a Republican request to suspend Webster Hubbell, an associate attorney general and Clinton confidant, until questions are resolved about his involvement in Whitewater. Reno said there was no basis for suspending Hubbell.

Over the objections of Democrats, Republicans pressed for congressional hearings into Whitewater, a tangled Arkansas land deal in which the Clintons were co-owners with James McDougal, the owner of a failed savings and loan now under investigation.

"If there's been no wrongdoing," Senate Minority Leader Bob Dole, R-Kan., said, "there should be nothing to hide."

However, Fiske, the special counsel, said in a letter that congressional hearings into Whitewater "would pose a severe risk to the integrity of our investigation."

He said there would be a danger if witnesses were granted congressional immunity and if premature disclosures caused witnesses to alter their future testimony.

The letter was sent to Senate Banking Committee Chairman Donald W. Riegle Jr., D-Mich., and the ranking Republican, Alfonse D'Amato of New York. D'Amato, a vigorous critic of Clinton, scheduled a meeting with Fiske on Wednesday to discuss the matter.

Clinton used his news conference to go on the offensive, accusing Republicans of "blatantly partisan" tactics to focus on Whitewater to derail his legislative agenda.

"The American people will be outraged if anybody uses this as an excuse not to keep going and doing the people's business," the president said.

Acknowledging it had been a mistake for his staff to consult with federal regulators, Clinton said that a "firewall" of new guidelines had been erected to prevent improper contacts.

"I think the evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper," Clinton said.

Increasingly, Mrs. Clinton's role in the Whitewater affair has come under scrutiny.

She managed the family's financial affairs, including the Clinton's involvement in Whitewater. Also, as a Little Rock attorney, she represented McDougal's Madison Guaranty Savings and Loan with ties to Whitewater. She reportedly resisted giving Whitewater files to federal investigators and also the appointment of a special prosecutor.

Clinton brushed aside allegations that she had ordered documents shredded at her old law firm in Little Rock. "Law firms dispose of their documents all the time," he said.

Clinton said there should be no question about Mrs. Clinton's conduct.

"I'm just telling you, the American people can worry about something else. Her moral compass is as strong as anybody's in this country, and they will see that."

As for himself, Clinton promised to be forthcoming in the investigation.

"You're going to be confident in the way we handle this," the president said in a message to Americans.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

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BC-BILLCLINTON national editors:TB
Clinton tries to stanch the wound of Whitewater
(HAS TRIMS)

By Mitchell Locin
Chicago Tribune

WASHINGTON President Clinton casually stuck his hands in his pockets, then folded them on the lectern. Except when he passionately vouched for the character of Hillary Rodham Clinton, he sounded curiously low-key Monday in the face of persistent questions about the Whitewater controversy.

But what appeared to be a premeditated attempt to seem cool and unruffled belied the pace of events rapidly reeling out of his control, including a hectic search for subpoenaed documents within the White House.

Despite his attempt to convey an air of calm, it was hardly a routine day for Clinton.

For the second time in four days, Clinton stood next to an important foreign leader at a news conference designed to showcase his leadership on the world stage only to be sidetracked by nagging questions inspired by an Arkansas real estate venture.

"I have been forthcoming, I will continue to be forthcoming. There will not be a cover-up. There will not be an abuse of power in this office. And there is no credible charge that I violated any law," Clinton said as President Eduard A. Shevardnadze of the former Soviet republic of Georgia, who was there to discuss economic aid and United Nations peacekeeping troops in Georgia, stood blank-faced next to him.

Clinton underwent a similar grilling Friday in the presence of Ukrainian President Leonid Kravchuk.

Clinton stoutly defended his wife against a report in The Washington Times that she ordered papers shredded during the 1992 presidential campaign at her office at the Rose Law Firm in Little Rock, Ark.

"I have never known a person with a stronger sense of right and wrong in my life," Clinton said in his only display of emotion. "Her moral compass is as strong as anybody's in this country."

As he spoke, garbage cans in the White House were filled to overflowing, waiting for top officials to review their paper records, computer files, "burn bags" and even their wastebaskets to comply with subpoenas that special counsel Robert Fiske issued Friday.

What brought Clinton and his administration to this point were recent disclosures that his aides had met at least three times with Treasury Department officials to discuss the failure of Madison Guaranty Savings and Loan Association and its relationship to Whitewater Development Corp., a real estate venture in which the Clintons shared an interest with James McDougal, the thrift's owner.

The meetings led to the resignation over the weekend of White House counsel Bernard Nussbaum and to subpoenas issued to him and nine other current and former administration officials.

The subpoenas asked that anything related to the meetings be turned over to a federal grand jury by Thursday. Deputy White House counsel Joel Klein issued six pages of instructions to the approximately 400 officials who work in the White House and are thus covered by the subpoenas, which instructed them to turn over their records to Klein by Monday night for review.

A senior administration official, who briefed reporters on condition of anonymity, suggested that it was unlikely that Clinton would invoke any claim of executive privilege and refuse to turn over his papers, though he said there had not yet been a final determination. Such a claim would surely launch a constitutional battle between the White House and Fiske and recall the fight over such claims made by President Richard M. Nixon during the Watergate scandal.

The official added that the Clintons may not have any additional materials to produce since they had already complied with a Justice Department subpoena in December for all Whitewater-related documents.

PM-Whitewater Gloating, 700

God Bless Bill and Hillary ... For Raising Circulation

By JILL LAWRENCE= AP Political Writer=

WASHINGTON (AP) ``Dear God, please bless and keep Bill and Hillary Clinton far away from any federally insured savings and loan.''

That was the third invocation Monday night at The American Spectator's annual dinner, a smorgasbord of red meat, free cigarettes and Whitewater needling from the conservative magazine that brought the nation ``Troopergate'' and this month's ``Whitewater Sociopaths.''

The evening began a few hours after Clinton's podium-pounding defense of his wife's ``moral compass''; it ended bare minutes before word leaked that Lloyd Cutler would be the new White House counsel.

No wonder then that the talk of the Spectator crowd was Whitewater the infamous Arkansas vacation development the Clintons no doubt wish they'd never invested in. The one with ties to Madison Guaranty, a failed savings and loan.

As the guests walked in, one suggested to another that they stage ``a seminar on how to cope with the trauma of a special prosecutor.''. His friend replied: ``They are getting their turn in the box a box of their own construction.''

That theme ran through much of the cocktail and dinner chatter: The relentless investigative apparatus is finally chewing up a Democrat.

``The Democrats built this machine under the assumption that only Republicans would get caught in it. Now they'll find out it's not so,''. said former assistant secretary of state Elliot Abrams, who got trapped in the gears during the Iran-Contra affair.

``Nobody would be happy to see another administration go down the tubes, but if anybody deserves it, these people do,''. the scrappy Abrams added.

Let's face it, though, Bill and Hillary Clinton have been good for The American Spectator, an enfant terrible of the magazine world. Circulation has more than doubled over the past year from 114,000 to 258,000.

And the magazine's national profile has never been higher, due in large part to the contributions of David Brock the investigative writer whose stories send adrenalin shooting through the veins of the faithful.

His book attacking Anita Hill drove feminists and liberals crazy. His article alleging Arkansas state troopers arranged sexual liaisons for Clinton when he was governor had an equally dramatic effect, rippling through the mainstream media and wrecking Christmas for the administration.

The February issue features a long piece, ``Beyond Whitewater,''. that tracks damaging real estate and S&L records. Another piece is described as ``a partial list'' of ``Criminal Laws Implicated by the Clinton Scandals.''

``It raises questions and it raises hackles, and I like to see the reaction to both,''. said dinner guest Janie Shattan, a research librarian at the Education Department.

Conservative grunts and stars alike turned out for the annual food-and-dagger event, including Abrams, failed Supreme Court nominee Robert Bork, former U.N. Ambassador Jeane Kirkpatrick, humor writer P.J. O'Rourke and former Republican Party chairman Frank Fahrenkopf.

Sen. Richard Lugar, R-Ind., the senior Republican on the Senate Foreign Relations Committee, gave a serious talk accusing Clinton of ``ignoring the plain truth'' that the United States and Russia are not partners but rivals.

His speech was the only heavy fare in an evening more inclined toward Cole Porter, hors d'oeuvres, tasteless jokes and the occasional Whitewater smirk.

It was the kind of gathering where one could hear phrases like ``drip torture'' and ``amateur hour''; where one could catch this punch line ``Tonya Rodham Harding'' and watch a small group of people collapse into laughter.

It was a setting, thanks to Spectator contributor Philip Morris, that said ``it's OK to smoke.''. Small glass jars of cigarettes awaited guests at reception tables and flanked floral centerpieces at their dinner tables. Billows of smoke filled the air.

Bork, a man who knows all too well what bad publicity can do to

a person's career, hovered around one table having a cigarette. ``I can't believe they didn't learn anything from that other maelstrom,'' he said of the Clintons. He said he meant Watergate where Bork, as President Nixon's solicitor general, fired Watergate prosecutor Archibald Cox in what became known as the ``Saturday Night Massacre.''

Do the Clintons deserve what they're getting? ``Oh, more,'' Bork said.

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BC-Whitewater Chronology, 890
COLUMBIAN NOTE

By The Associated Press

Events in connection with the controversy surrounding 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 half owners, along with McDougal and his wife Susan.

October 1986 - McDougal is 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, is found dead of an apparent suicide. Documents related to Whitewater are among those taken from his office by administration officials and turned over to David Kendall, Clinton's personal attorney.

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 Kendall.

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.

Jan. 13 - Attorney General Janet Reno vows that special counsel investigation will be "rugged and independent."

Jan. 14 - Clinton, in Moscow for a summit with Russian President Boris Yeltsin, grouches that "the media's been obsessed with this. ... It never crosses by mind."

Jan. 20 - Robert B. Fiske Jr., a Manhattan lawyer, is selected by Reno to be special counsel in the Whitewater case. Fiske pledged a "flat out" investigation and said the Clintons should be questioned under

oath as part of the probe.

Jan. 26 - Saying ``there is no evidence of any credible nature pointing to misconduct by the president or the first lady,' ' House Speaker Thomas S. Foley declared there was no need for congressional hearings on Whitewater.

Feb. 3 - Federal Deposit Insurance Corp. spokesman David Barr confirmed a published report that Hillary Rodham Clinton represented federal regulators in a savings and loan case against a family friend and political supporter.

Feb. 4 - Documents released by Rep. Jim Leach, R-Iowa, showed that a company tied to Madison Guaranty Savings and Loan Association covered a \$7,322.42 payment on a 1985 loan to then-Gov. Clinton.

Feb. 9 - The Senate voted 95-0 extend the deadline for civil fraud actions against failed savings and loans a victory for Republicans demanding a more extensive probe of the Whitewater case.

Feb. 16 - At the request of Fiske, a federal judge in Little Rock, Ark. agreed to empanel a special grand jury to look into Clinton's real estate investment.

Feb. 17 - Clinton declared that the Whitewater criminal investigation would cost taxpayers millions even though ``most of it has nothing to do with me.' '

Feb. 25 - Deputy Treasury Secretary Roger C. Altman announced he has removed himself from the investigation of a failed Arkansas savings and loan and would step down March 30 as head of the savings and loan cleanup agency. Altman had acknowledged giving the White House a private briefing on the status of the S&L agency's investigation.

March 2 - Associate Attorney General Webster Hubbell, the No. 3 official at the Justice Department and friend of the Clintons, acknowledged that he had been questioned by his former law firm, the Rose Law Firm, about his billings in past cases. Hubbell denied ever overcharging the Resolution Trust Corp. or any other clients.

March 3 - Clinton ordered White House aides to ``bend over backward' ' to avoid meddling in a federal investigation of him.

March 4 - The FBI served subpoenas on six of Clinton's senior White House aides seeking testimony and documents related to the probe of Whitewater and the failed Madison Guaranty Savings and Loan Association.

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PM-White House Counsel,450

Clinton Will Name Cutler as New Counsel, Source Says

With PM-Whitewater Bjt

EDS: Lead prospects uncertain

By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) Ending a hasty search for a lawyer with ``unquestioned integrity,'' President Clinton has selected former Carter White House counsel Lloyd Cutler to be his chief lawyer, a senior administration official says.

Cutler, 76, would succeed White House counsel Bernard Nussbaum, the scrappy mentor to first lady Hillary Rodham Clinton who resigned Saturday, a victim of the Whitewater affair.

Nussbaum attended three meetings at which Treasury Department officials briefed the White House about confidential investigations into a failed Arkansas thrift and its ties to the Clintons. A prominent Wall Street attorney, Nussbaum was regarded by some as having a blind eye to the political ramifications of his decisions.

Cutler fills Clinton's need for a Washington veteran with a solid reputation who can quickly soothe a shaken White House staff. In a news conference Monday, Clinton said he wanted ``someone of unquestioned integrity and a lot of experience in dealing with the kinds of issues that have to come into the White House.''

Cutler could not be reached for comment Monday. The official, speaking on condition of anonymity, said Cutler's appointment likely would be announced today.

He served as Jimmy Carter's White House counsel from 1979 to 1981, and is a partner in the Washington firm of Wilmer, Cutler & Pickering.

In February, Cutler represented conservative Rep. Henry Hyde, R-Ill., in a federal court challenge in Washington state to the term-limits law and argued that states cannot add more requirements for serving in federal office than outlined in the Constitution.

In December 1992, four weeks before the inauguration, Cutler gave this jocular opinion of Clinton: ``In Bo Derek terms, I'd give him a 10.''

He served as a lawyer for George P. Shultz in 1992 while the former secretary of state's role in the Iran-Contra affair was examined by a special prosecutor.

From 1968-69, he served as executive director of the National Commission on the Causes and Prevention of Violence. He served as a member of the President's Commission on Federal Ethics Law Reform in 1989.

Cutler is a graduate of Yale University and Yale Law School.

Nussbaum resign as White House counsel under pressure, one day after 10 top administration officials were subpoenaed in connection with an investigation by special prosecutor Robert Fiske into a failed Arkansas savings and loan tied to the Clintons and their Whitewater land venture.

Speaking to reporters Monday, Clinton said he sought a replacement ``who will inspire confidence in me and in you, the press, and most importantly, in the American people that we are going the extra mile not only in this case, but in all cases, to deal with all matters in the appropriate way.''

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BC-CLINTON-WHITewater (SCHEDULED)

CLINTON SEEKS NEW COUNSEL; REPUBLICANS WANT WHITEwater HEARINGS

By Jim Adams

WASHINGTON (Reuter) - President Clinton was reported trying to enlist veteran Washington lawyer Lloyd Cutler as White House counsel Tuesday to help him to quell the mushrooming Whitewater affair.

But Republicans pressed to expand an investigation over Clinton's role in the failed Whitewater land deal, demanding congressional hearings on it.

A senior White House official said he did not know if Cutler had accepted the job but presidential counselor David Gergen appeared to stop just short of saying Clinton would announce the appointment Tuesday.

"I think I'll leave the announcement to the president," Gergen replied when asked on ABC's "Nightline" if Cutler would get the job.

"I'll only say this: if it is Mr Cutler he would be a person of enormous stature coming to the White House and he would send exactly the right signal to Congress and to the country," Gergen said.

Cutler, 76, who has been called "the ultimate Washington lawyer," was appointed to the same White House job by former President Jimmy Carter and helped Carter manage ethics allegations against several Carter aides.

He would replace Bernard Nussbaum, who resigned Saturday over his handling of the Whitewater affair.

In a lectern-thumping defense, Clinton accused Republicans Monday of whipping up hysteria to make Whitewater look like former President Richard Nixon's Watergate scandal but said it is not and denied any wrongdoing by himself or his wife.

"There is no analogy (to Watergate) except any hysteria they can gin up about it," the Democratic president said.

"... There will not be a cover-up," Clinton said. "There will not be an abuse of power in this office and there is no credible charge that I violated any law."

He thumped his lectern for emphasis in an emotional defense of Hillary Rodham Clinton, who was a partner in a Little Rock law firm that handled some Whitewater matters.

"Her moral compass is as strong as anybody's in this country, and they will see that," he said.

But Republicans were unimpressed and pushed their demand for congressional hearings on the affair.

Special prosecutor Robert Fiske urged Congress in a letter not to hold such hearings, saying they could jeopardize his investigation of the Whitewater affair.

Chairmen of the Senate and House banking committees quickly assured Fiske they would not undermine his inquiry.

But the Senate Banking Committee's senior Republican, New York Senator Alfonse D'Amato, said he told Fiske his "opposition is premature and overly broad."

D'Amato said on CNN's "Crossfire" that he obviously would not seek immunity for witnesses that could undercut Fiske's investigation. But he said he would meet with Fiske Wednesday on Republicans' request for Whitewater hearings.

Senate Republican Leader Robert Dole said that if Congress does not hold hearings on what he called "the Whitewater mess" it would be open to charges of being a willing accomplice to any wrongdoing it failed to investigate.

Clinton has repeatedly said his only role in the Whitewater land deal was to lose his investment in it and that no one has accused him of any specific wrongdoing.

But the affair now threatens to engulf the White House in a political firestorm because of disclosure that some top aides were tipped off on aspects of a federal investigation of the case.

Investigators are trying to find out if the failed Madison Guaranty Savings and Loan Association improperly funneled money into Clinton's 1984

re-election campaign when he was governor, or into Whitewater.

There are also questions about whether Clinton used his influence as governor to try to save Madison from bankruptcy.

REUTER

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pleaded with reporters to reduce the intensity of coverage of the spreading scandal. "I am fully cooperating with the special counsel," Clinton said. "They (Fiske's investigators) will find the truth"

In another day of furious fallout from the spiraling Whitewater controversy, aides throughout the White House combed through overflowing trash receptacles and computer files in search of material that might be covered under subpoenas of the special counsel.

Late last week Fiske subpoenaed nine current and one former administration official to produce testimony and records related to several meetings between White House and Treasury officials about Whitewater.

Monday, in a move that at least indirectly benefits the White House, Fiske expressed in a letter to congressional leaders his "strong concern" about the possibility of hearings on the Whitewater scandal.

(Optional add end)

On Capitol Hill, Democratic leaders used the Fiske letter to rebuff increasingly strident Republican calls for congressional hearings.

Sen. Donald W. Riegle Jr., D-Mich., chairman of the Senate Banking, Housing and Urban Affairs Committee, quickly responded to Fiske's letter, saying that his committee would "defer to your investigation" and hear no testimony on Whitewater while the controversy is under criminal investigation. House Banking, Finance and Urban Affairs Chairman Henry B. Gonzalez, D-Texas, gave a similar response.

Republican lawmakers expressed outrage at what they called Democratic efforts to stonewall their attempts to conduct their own investigation.

Senate Minority Leader Bob Dole, R-Kan., threatened that Republicans would hold up the confirmation of Ricki Tigert, Clinton's nominee to head the Federal Deposit Insurance Commission, until Riegle's committee agrees to hearings on Whitewater.

Rep. Jim Leach, R-Iowa, ranking minority member of the House Banking Committee, said in an interview that, while Fiske's letter "looks thoroughly reasonable, its implications are chilling for the constitutionally mandated oversight responsibility of Congress and for free speech."

Later, in a scathing speech on the House floor, Leach questioned Clinton's ethical fitness. "Whitewater is about the arrogance of power, political conflicts of interest that are self-evidently unseemly," Leach said, adding that the White House handling of the scandal has proved that "cover-ups can be as troubling as the crime."

Leach said that the subpoenas issued by Fiske last Friday showed that the focus of the investigation has shifted "from possible illegal acts committed by a president prior to taking office to possible illegal actions committed in office" and that "obstruction of justice is now clearly at issue."

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

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bc-whitewater times 1stld-writethru a2116

(ATTN: National editors) (Includes optional trims)

Adding information on when Clinton knew of RTC inquiry and other changes throughout

By John m. Broder and Michael Ross= (c) 1994, Los Angeles Times=

WASHINGTON With pressure mounting for congressional hearings into the Whitewater controversy, Special Counsel Robert B. Fiske Jr. Monday implored the legislative leadership to avoid such sessions because they would "pose a severe risk to the integrity" of his inquiry.

Fiske argued that Congress would want to interview the same witnesses, running the risk of "premature disclosures" and "tailored testimony." He also said that congressional grants of immunity to witnesses would seriously undermine his efforts to conduct a full and impartial inquiry.

Democrats immediately cited the Fiske plea to ward off the rising tide of Republican calls for open-ended congressional hearings into the legal and financial dealings of President Clinton and first lady Hillary Rodham Clinton when they lived in Arkansas and the behavior of the administration during the current investigation.

As Congress sparred over the Whitewater investigation, officials at the White House narrowed their list of candidates for White House counsel, with Lloyd N. Cutler, former counsel to President Carter, and Harry C. McPherson Jr., who served as counsel to former President Johnson, viewed as the leading contenders. A final decision is expected as early as Tuesday.

The appointee would replace Bernard W. Nussbaum, who submitted his resignation Saturday after a series of missteps on Whitewater and other matters.

Clinton acknowledged at a press conference Monday that he was told "sometime in October" that federal savings and loan regulators from the Resolution Trust Corp. were investigating the possibility that his 1984 Arkansas gubernatorial campaign had received illegal contributions from a Little Rock savings and loan owned by a business partner, James B. McDougal.

The RTC was investigating possible criminal conduct in the failure of McDougal's Madison Guaranty Savings & Loan, which collapsed in 1989 at a cost to taxpayers of more than \$47 million. The Clintons and McDougal were partners in the Whitewater Development Corp., an unsuccessful Arkansas real estate project.

At an East Room appearance with Georgian leader Eduard A. Shevardnadze that was dominated by questions about Whitewater, Clinton insisted that he and Mrs. Clinton had done no wrong and repeatedly stressed his intention to cooperate fully with the special counsel's investigation. Clinton said that he could not remember who told him about the RTC inquiry or when he learned of it. Both memory lapses could be significant.

If he was informed that he was named in an RTC referral by an official of the Treasury Department, it could represent an improper tip-off from a federal regulator to the possible target of a criminal investigation. Similar discussions between regulators and White House staff at a lower level led to Nussbaum's forced resignation.

The timing of the disclosure to Clinton raises another important question. The Madison Guaranty case was referred to the Justice Department for possible criminal prosecution in late October. If Clinton was informed before the referral date, he would have been granted highly unusual and favorable treatment not accorded ordinary citizens.

Clinton said that he took no action as a result of the information and could not be accused of any wrongdoing or breach of ethics.

"We are not covering up or anything, we are opening up. We are disclosing," Clinton said. "No one has accused me of any abuse of authority in office There is no credible evidence and no credible charge that I violated any criminal or civil federal law."

He said that comparisons to the Watergate scandal that drove Richard M. Nixon from office are "hysteria" promulgated by partisan Republicans. And he

Democrats reject GOP call for Whitewater hearings

Joan Lowy

Script: Howard News Service

WASHINGTON — Democrats Tuesday rejected Republican calls for congressional hearings on the Whitewater case, charging the demands are politically motivated. Senate Republican leader Bob Dole of Kansas said GOP senators may seek a vote on a resolution demanding a congressional investigation. House Republicans are seeking to expand an upcoming Banking Committee hearing on the Resolution Trust Corporation's failure over Madison Guaranty after its failure to include testimony from witnesses relating to the case. Floyd Coffer, President Clinton's new counsel, in his first appointment Tuesday, said that in

the Banking Committee calls White House witnesses, "it would be my recommendation that everyone in the White House cooperate." Senate Democratic leader George Mitchell of Maine and House Speaker Tom Foley, D-Wash., said congressional hearings are unwarranted at this time and noted that special counsel Robert Fiske Jr. said such hearings might jeopardize potential prosecutions. "We should be extraordinarily careful about interfering with the work of (a special) counsel," Foley said, noting that Republicans had demanded appointment of the counsel in the first place. Mitchell called the demands for hearings "purely a political stunt by Republicans."

Nussbaum misses the point

THE ISSUE:
White House
counsel dis-
misses critics

OUR VIEW:
Actually, his
own blunders
brought him
down

Forced to resign last weekend over his chronic mishandling of the Whitewater scandal, White House counsel Bernard Nussbaum dismissed his critics with contempt. It was another mistake. Nussbaum offered just one reason for deciding to leave office, despite his "absolutely legal and ethical" performance of his job. The reason: "controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House counsel."

But there is another point of view. Abundant evidence suggests that Nussbaum himself confused the functions of a private-sector lawyer with those of the top attorney at the White House. Evidence emerged early on in several confirmation battles. But it was most glaringly demonstrated around the apparent suicide of his deputy, Vincent Foster, last July.

In a confidential report, the United States Police, who investigated the death of Nussbaum of impeding their inquiry.

He failed promptly to seal Foster's office; and he personally removed and gave to the president files relating to the Whitewater Development Corp. — a private investment of the Clintons — that had no business in the White House deputy counsel's office.

Most damagingly, Nussbaum insisted that lawyers from his staff sit in while investigators interviewed employees about Foster. This may have impeded candid testimony and brought vigorous protests from Philip Heymann, then deputy attorney general.

Nussbaum failed to see that his aggressive tactics to protect his "client" only aggravated suspicions that the president and Mrs. Clinton had something to hide. Thus, Nussbaum helped arrange for the Justice Department to subpoena Whitewater files in order to keep them away from reporters. Finally, sealing his fate, he met three times with Treasury appointees who briefed him and other top aides on the status of supposedly confidential inquiries by the Resolution Trust Corporation.

Nussbaum's subpoena to appear before a grand jury investigating Whitewater — and the subpoenas of five other White House and four Treasury officials — are the fruit of his job but of his own blunders.

Rocky Mountain News

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MR. FIX-IT STEPPING IN

Old hand tapped to end troubles as new Clinton counsel

By Scott Shepard
WASHINGTON BUREAU

Washington — President Clinton turned to Lloyd Cutler, a pillar of the Washington establishment, on Tuesday to help dig him out of the Whitewater mess.

Cutler, 76, is in the same league with Clark Clifford and Robert Strauss, Washington lawyers with long experience working behind the scenes for presidents while doing their best to fix what's broken — or at least cut the losses.

"He will provide a firm, uncompromising and steady hand in a position of the utmost importance to me and to my administration," Clinton said at a White House news conference announcing his appointment of Cutler to replace Bernard Nussbaum, who is resigning as White House counsel after mishandling the Whitewater investigation.

Cutler said he lacks the vigor to remain in the job more than a few months, and he will serve only 130 days while a permanent counsel is sought.

"I am a senior citizen, you can see, and from direct experience I know the intensity and the rigors of this job," Cutler said, though he joked about having a "young, peppy wife" — Polly Kraft, a well-known painter in her mid-60s who is the widow of the late Washington columnist Joseph Kraft. Cutler, whose wife of 47 years died in 1988, married Kraft in 1989.

In a sense, the new job is a homecoming: Cutler served as President Jimmy Carter's White House counsel from 1979 to 1981.

He was brought into the Carter White House under similar circumstances, replacing Atlan-

The Lloyd Cutler file

► Age: 76; born Nov. 10, 1917.

► Education: Graduate of Yale University, 1936, and Yale Law School, 1939.

► Experience: Partner in Washington law firm of Wilmer, Cutler & Pickering. Served as counsel to President Jimmy Carter, 1979-81.

► Family: Widowed in 1988; three daughters and one son from first marriage. Married the former Rhoda Winton Kraft in 1989.

► Tuesday quote: "Trust is the coin of the realm."

ta lawyer Robert Lipschutz, who reportedly was overwhelmed by the duties of White House counsel. At a time of general disarray amid a youthful Carter staff, Cutler played the role of elder statesman.

Cutler was on the team that negotiated the release of Americans held hostage by Iranian students at the U.S. Embassy in Tehran. He also worked, with mixed results, to organize a boycott the 1980 Olympic Games in Moscow to protest the Soviet invasion of Afghanistan in 1979.

Jody Powell, Carter's press secretary, recalled that Cutler came to work early and stayed late, "just like everybody else."

"When we burned the midnight oil, he would sit by the lamp just like the rest of us."

The distinguished-looking Cutler, with his trademark snowy hair and horn-rimmed glasses, is a virtual central-casting image of Washington probity. He received his undergraduate degree from Yale in 1936 and his

law degree there in 1939, seven years before Clinton was born.

"I wanted a Lloyd Cutler type of lawyer," Clinton said, "so I decided to go to the original and see how I would do."

The selection of Cutler reflects the degree to which the White House has been shaken by a special investigation into the failed Whitewater real estate development involving Clinton and wife Hillary in the 1980s.

Cutler has a reputation for integrity and ability to work with Republicans and Democrats alike. His new role is intended not only to calm the turbulence of the Whitewater affair but also to get Clinton's presidency back on track toward reforms in health care and welfare.

Although a leader of the Democratic establishment, Cutler came to the defense of President Ronald Reagan's Supreme Court nomination of Robert Bork, represented former Secretary of State George Shultz in the Iran-contra investigation and defended Henry Kissinger before a Senate committee that looked into suspicions that he had ignored reports of missing Americans being held in Vietnam.

"He will be a real asset to this president," Powell said Tuesday. "He has a wealth of experience in the sometimes peculiar ways in which this town operates."

Hearst News Service contributed to this article.

THE ATLANTA CONSTITUTION

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Gloom, disbelief beginning to lift at White House

By GEORGE E. CONDON Jr.
Copley News Service

WASHINGTON — In pulling the respected Lloyd Cutler back into government service and in — finally — devoting a full news conference to questions about the Whitewater morass, President Clinton has taken two important steps toward getting his administration back on track.

Barring fresh disclosures of inappropriate White House actions, future evidence of financial improprieties in Little Rock or new displays of staff stupidity, the president has a chance to get at least some of his aides refocused onto his legislative agenda.

Since Friday, too many of those aides have had their eyes set on grand jury dates, their ears tuned to their personal lawyers, and their heads

ANALYSIS

Analysis

Clinton helped his case
during news conference

Continued from A-1

quite literally in their wastebaskets looking for discarded notes and memos.

Whitewater — which has become a code word for anything to do with Clinton's pre-presidential friends or finances in Arkansas — is not going to go away just because of one appointment or one news conference. Neither special counsel Robert B. Fiske Jr. nor the Republicans would let that happen.

But the sense of gloom and disbelief that had enveloped the building when six White House aides were subpoenaed by Fiske has lifted somewhat, replaced by a more workmanlike approach toward climbing out of the political hole dug by more than a year of less-than-surefooted responses to Whitewater questions.

The most ballyhooed of the president's moves yesterday was his recruitment of the veteran Cutler to come out of semi-retirement to replace Bernard Nussbaum as White House counsel for the next few months. Nussbaum, with his abysmal lack of understanding of how politics and law intersect in the capital city, was forced out of his post last week after a long series of missteps.

"In this culture of Washington, Cutler is a superstar. They could not have done better for what they're seeking," said Stephen Hess, a presidential scholar at the Brookings Institution.

Ann Lewis, a veteran Democratic strategist, praised Cutler as having "both the scholar's knowledge of the Constitution and the practitioner's knowledge of how to get things done." Both were traits sorely missing in Nussbaum, an aggressive corporate attorney often blinded to political realities by his personal friendship with Bill and Hillary Clinton.

"Cutler brings his experience," said Lewis, adding that, under Nussbaum, "the single biggest problem was inexperience — not understanding the rules of Washington."

Hess was more blunt, stating Cutler "is lending the president his reputation."

But, as important as it is that Cutler is coming on board, the behavior of the president is more sig-

nificant in the long run. And, by fielding questions in a limited session Monday and a more extended forum yesterday, Clinton almost certainly helped his case.

Where he had been emotional on Monday, he was poised and relaxed yesterday. Where questions were cut off Monday, White House Press Secretary Dee Dee Myers boasted yesterday, "He took all the questions until there was nothing left out there."

Perhaps the most insightful comment by the president yesterday came when he reflected on the need to bring in an old hand like Cutler. "When we started out this administration," he said, "we had a lot of Washington experience in the Cabinet and not as much in the White House."

He added, "And I think that the culture here and the whole procedures here are quite different than they are in most any other place in the country, and I think it's something we have to be very sensitive to."

Just as he turned to a White House veteran in David Gergen last year when that inexperience got him in trouble, the call went out to Cutler this time.

But Terry Eastland, who served as spokesman for then-Attorney

General Edwin Meese III at a time when Meese was under heavy fire, warned yesterday that bringing in Cutler is only the first step that Clinton needs to take.

"He can put out edicts and he can try to get people to behave better. But there seems to be a level of arrogance on the part of the White House... and it's a tall order to expect Cutler to change that ethos."

That, said Eastland, will only be changed if "the president sits down with his aides and talks to them, and tells them they need to be a little more humble."

That, of course, is a long-term solution. In the short term, Clinton must deal with a Republican demand for both hearings and blood and a press corps that, said Hess, is "smacking its lips over a good story."

For the first time in weeks, the GOP has been knocked off stride by Fiske's opposition to any public hearings. And Republican strategists misstepped as well by giving such a high profile to Sen. Alphonse d'Amato in his call for congressional hearings, permitting Clinton to sarcastically allude to the many past ethical allegations against the New York senator.

The San Diego
Union-Tribune

Under fire, Clinton gets new counsel

*Washington insider Cutler
will fill in at White House*

By AMY BAYER
Copley News Service

WASHINGTON — President Clinton, moving quickly to try to stanch the political bleeding from Whitewater, appointed veteran Washington lawyer Lloyd Cutler as his temporary counsel yesterday and promised full cooperation from the White House.

Cutler, who also served as White House counsel for President Carter, will act only as a stopgap attorney for the Clinton administration, now under scrutiny in a special counsel's investigation of Whitewater and under fire for its handling of the controversial land investment deal.

Citing the "intensity and rigors" of the job, Cutler, 76, agreed to serve only 130 days. He said he would concentrate on "the procedures and actions necessary to maintain public confidence in the integrity and the openness of the presidency."

Cutler replaces Bernard Nussbaum, the hard-driven New York lawyer and friend to both the president and Hillary Rodham Clinton who never quite mastered Washington politics and was accused of having a political tin ear.

Clinton said Cutler would help him "secure, maintain and deserve the trust of the American people."

The president, calmer than he was during a lectern-pounding defense of his wife the previous day, added that no one in the White House had done wrong or abused authority "in any way."

Clinton

Cutler is expected
to raise trust level

Continued from A-1

shape or form."

He acknowledged additional White House contacts with federal regulators looking into the Whitewater deal but insisted that they were incidental and had nothing to do with the substance of the investigation.

"I am very relaxed about this," Clinton said of the investigation, which has led to the subpoenaing of 10 current and former administration officials.

"I did not do anything wrong. There is nothing here. I made an investment and I lost money ... And that's all there is."

Clinton said the White House had not attempted to cover up any information.

"I'm not going to do anything to abuse my authority," Clinton said. "I'm not going to knowingly ever do anything to undermine the respect of the American people for the presidency."

The president suggested that he would not invoke executive privilege to avoid participating in the investigation.

"My interest here is to get the facts out," Clinton said. "It's hard for me to imagine a circumstance in which that (invoking executive privilege) would be an appropriate thing for me to do."

Clinton again accused Republicans of using Whitewater for political gain. Republicans are calling for congressional hearings into Whitewater and accusing the administration of unethical behavior in its handling of the investigation.

The House Banking Committee has scheduled a Resolution Trust Corp. oversight hearing for March 24 that some in the GOP hope to use as a hearing on Whitewater.

For the first time, a Republican, Rep. James Quillen of Tennessee, said yesterday that Clinton should quit, accusing him of "trying to whitewash the Whitewater affair."

Clinton, however, dismissed the need for congressional hearings, saying the investigation is best left to the special counsel, Robert B. Fiske Jr.

He was supported in that view Monday by Fiske, who warned Congress that such hearings could interfere with his investigation. But, should Congress ignore Fiske's advice and schedule hearings, Cutler said, he would advise the White House to cooperate in any such inquiry.

Cutler assumes the White House counsel's office as it prepares to turn over thousands of documents

collected from aides to comply with subpoenas seeking more information about contacts between administration aides and federal regulators.

The president, who said he learned of the meetings only after they took place, said he had no such documents in his possession. He added that he neither tape-records Oval Office discussions nor keeps a diary.

Cutler said he will enforce new rules that require White House staff members to clear through his office any discussion or meeting that could be viewed as an improper in regard to the Whitewater investigation.

Clinton could persuade Cutler to serve only for a limited time, at least through this initial period of investigation, when six White House aides will be called to testify and others could be subpoenaed.

Cutler joked that he has limited his commitment because "I married fairly recently to a very young and peppy wife and I want to spend some more time with her."

But earlier in the day he hinted that he was less than enthusiastic about his new assignment.

"You're asked to do it and you have to do it," Cutler told reporters.

After his appearance with Cutler in the White House briefing room, the president summoned almost his entire staff to the East Room for a noon session designed to

lift spirits that had been sagging since the subpoenas were issued Friday.

Clinton and Cutler were joined by Hillary Clinton, Vice President Al Gore and Chief of Staff Thomas F. "Mac" McLarty. One aide said the president stressed the importance of adhering to high ethical standards and of returning to a focus on issues such as health-care reform.

A wealthy, powerful and politically connected attorney, Cutler he planned to serve without pay, perhaps turning any compensation over to the Treasury to reduce the public debt.

Cutler is a consummate Washington insider who used his Carter administration credentials to build a lucrative career.

His clients have included a host of large corporations and special interests, as well as Washington VIPs such as Henry Kissinger and George Shultz, both former secretaries of state.

Cutler has served on a number of commissions and advisory boards, including the Trilateral Commission and the Council on Foreign Relations.

In 1989, Cutler served on President Bush's Commission on Federal Ethics Law Reform, which Bush established early in his term to draw a distinction between his administration and the perceived ethical problems of the Reagan administration.

The San Diego

Union-Tribune.

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Even if the Clintons have done nothing wrong, said the aide, "what's wrong about it is that the White House has allowed itself to be overwhelmed by this thing. It doesn't matter what the thing is. ... The White House is not in a governing mode, it is in scandal-defense mode. It is not in control of its own work."

(Optional add end)

What makes the "Hillary factor" so unpredictable is that no first lady has ever assumed such an active role, both before and after coming to Washington.

The Clintons have described themselves as innocent bystanders as James B. McDougal, the owner of Madison Guaranty Savings & Loan, drove his S&L into the ground and lost nearly \$70,000 of their assets on the Ozark Mountain resort project called Whitewater.

Hillary Clinton's role as a former attorney for the savings and loan is at the center of the controversy. The White House has acknowledged that, while on a \$2,000-a-month retainer, she worked with Madison Guaranty on a proposal to sell stock, a step that required approval of state financial regulators who had been appointed by her husband.

But it says her role was minimal. And although regulators ultimately approved the stock sale, the S&L did not carry it out.

Thus Mrs. Clinton's integrity as well as the president's will be on the line as Fiske, the special counsel, seeks to determine whether Whitewater involved any wrongdoing by high government officials. The outcome could matter not only to Mrs. Clinton personally she is said by associates to be concerned that legal defense costs could bankrupt the family, whose assets are modest by presidential standards but also to the administration policy to which she has devoted much of her time.

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BC-CLINTON-WHITEWATER-SHREDDING (PICTURE)

COURIERS SAID TO SHRED PAPERS AT HILLARY FIRM

WASHINGTON, March 8 (Reuter) - Two couriers at first lady Hillary Clinton's old law firm say they were ordered to shred a box of former White House aide Vincent Foster's files after a special Whitewater prosecutor was appointed, ABC News said Tuesday.

Foster committed suicide at a park outside Washington last year, according to police, but no reason was given except that he was depressed about news stories critical of him.

Foster and Mrs Clinton had been partners at the Rose Law Firm in Little Rock that did some legal work related to the failed Whitewater land deal.

One of the couriers, Jeremy Hedges, said in the ABC News report that he told a federal grand jury that he and Clayton Lindsey were instructed to shred a box of files that had Foster's initials, VWF, ``all over it.''

ABC quoted Lindsey, the other courier, as saying he told FBI agents that the two shredded the documents in the firm's basement.

It quoted a former courier for the law firm, Christopher Cordero, as saying shredding by all the lawyers at the firm became routine after Clinton became a candidate for president in the 1992 elections.

The television news report said none of the couriers knew what was in the shredded files and it quoted the law firm as saying it has not shredded any documents related to the Whitewater land deal.

The New York Times in a similar report quoted Ron Clark, chief operating officer of the Rose law firm, as saying in an interview that the documents Hedges shredded were internal firm papers that did not come from Foster's files.

He said the firm had four witnesses who support this account. He declined to identify them but said they were prepared to testify under oath.

Special Prosecutor Robert Fiske is investigating President Clinton's role in the land deal.

Clinton has denied any wrongdoing, saying he and Mrs. Clinton only lost money on his investment and that no one has accused them of any specific wrongdoing.

REUTER

**** filed by:RB--(--) on 03/08/94 at 22:54EST ****
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Angry Clinton defends wife's 'moral compass'

By Scott Shepard
WASHINGTON BUREAU

Washington — President Clinton delivered a stirring defense of his wife's integrity Monday as he tried to control further political damage from disclosures about the first couple's involvement in an Arkansas real estate development that failed five years ago.

Hammered by Republican comparisons of the Whitewater episode to Richard Nixon's Watergate scandal two decades ago, Clinton vowed, "There will not be a cover-up; there will not be an abuse of power in this office."

"There is no credible charge that I violated any law," the president said.

There was a dark mood of disbelief and defeat at the White House following Friday's sudden subpoenas of 10 administration officials and the forced resignation of White House counsel Bernard Nussbaum. Most if not all of those subpoenaed were seeking legal counsel before appearing Thursday at U.S. District Court to testify.

White House staff members were ordered to scour trash cans, burn bags and files for subpoenaed paperwork and computer files possibly related to

the investigation by independent counsel Robert Fiske.

Speaking at a news conference with visiting Georgian leader Edward Shevardnadze, Clinton appeared angry and thumped the lectern in response to questions about his wife, Hillary Rodham Clinton, who was a partner in the Arkansas law firm that handled some Whitewater matters.

"The American people can worry about something else," he declared. "Her moral compass is as strong as anybody's in this country, and they will see that."

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Up a creek in Whitewater

If there's nothing to the Whitewater scandal, why are the folks in the Clinton White House scurrying around like burglars who hear a siren in the distance?

It's a question that Republicans are asking publicly, and gleefully. Clinton supporters are asking the same question privately, and nervously.

What's going on? As Vice President Al Gore pointed out over the weekend, there has been no allegation, let alone proof, of wrongdoing by anyone in the White House regarding Whitewater, an Arkansas land deal in which Bill and Hillary Clinton invested during the '80s.

But that makes the behavior of the White House all the more bizarre. Most of the mounting suspicion about Whitewater has been inspired not by facts or documents, but by the way the White House has mishandled the case.

And most of that can be traced to White House Counsel Bernard Nussbaum, who resigned over the weekend.

Nussbaum's resignation, while welcome, came about eight months too late. He should have been fired last summer, when he obstructed the investigation of the suicide of his assistant, Vincent Foster.

After Foster was found dead, Nussbaum removed Whitewater-related documents from Foster's files before investigators could seal the office. Nussbaum then tried to keep the existence of those documents secret. It was the discovery of Nussbaum's activity, and the publicity that followed, that forced Attorney General Janet Reno to name an independent prosecutor into Whitewater.

That move should have put Whitewater onto the political back burner while the independent prosecutor, Robert Fiske, did his job. And for a while it did.

However, Nussbaum and other top White House aides then compounded their previous errors by meeting three times with Treasury Department officials to get briefed about Whitewater-related criminal probes.

Those meetings were clearly inappropriate and unethical, and perhaps illegal. As U.S. Sen. Robert Dole so helpfully pointed out, it's dangerous to mix politics with law enforcement. The American public may not understand or care much about complicated land deals, but they do understand cover-ups.

Now, Nussbaum and nine other White House and Treasury officials have been served with subpoenas by the independent prosecutor; they will talk to a grand jury this week. That development has increased Republican demands for a congressional probe into Whitewater. More important, perhaps, it also has reduced the ability and willingness of congressional Democrats to fend off such demands.

The least damaging explanation of Nussbaum's behavior is to attribute it to a lawyer's instinct to protect his clients, in this case the Clintons. If so, Nussbaum ended up hurting those he sought to help.

The most damaging interpretation — now being advanced by the Republicans — is that Nussbaum was being so protective because the Clintons have something important to hide.

The Clintons continue to insist that isn't so, and there's no evidence to prove them wrong. They also protest that Republican suggestions of wrongdoing are unfair and partisan.

Maybe so. But in its mishandling of Whitewater, the White House has given its enemies a large stick. In the rough-and-tumble world of Washington, the Clintons can't complain much when that stick is used to beat them about the head.

SSBD:AS:STUFFM-NEWSDAY
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BY MARTIN KASINDORF
WASHINGTON BUREAU

WASHINGTON PRESIDENT BILL CLINTON EMOTIONALLY DEFENDED HIS WIFE YESTERDAY FROM GROWING SUGGESTIONS THAT SHE HAS ACTED IMPROPERLY IN THE WHITEWATER AFFAIR A SAGA HE TERMED FAR LESS SERIOUS THAN WATERGATE WHILE ACCUSING REPUBLICANS OF INFLATING IT FOR PARTISAN REASONS.

DURING A JOINT WHITE HOUSE NEWS CONFERENCE WITH GEORGIAN CHAIRMAN EDUARD SHEVARDNADZE, IN WHICH AMERICAN REPORTERS ASKED ONLY ABOUT WHITEWATER, CLINTON GREW MISTY-EYED IN COMMENTING ON A WASHINGTON TIMES REPORT YESTERDAY THAT FIRST LADY HILLARY RODHAM CLINTON ORDERED THE SHREDDING OF DOCUMENTS DURING THE 1992 PRESIDENTIAL CAMPAIGN.

I CAN TELL YOU THIS, I BELIEVE I'M A BETTER AUTHORITY THAN ANYBODY ELSE IN AMERICA ON MY WIFE," CLINTON SAID. I HAVE NEVER KNOWN A PERSON WITH A STRONGER SENSE OF RIGHT AND WRONG IN MY LIFE EVER ... AND I DO NOT BELIEVE FOR A MOMENT THAT SHE HAS DONE ANYTHING WRONG. IF EVERYBODY IN THIS COUNTRY HAD A CHARACTER AS STRONG AS HERS, WE WOULDN'T HAVE HALF THE PROBLEMS WE'VE GOT TODAY."

CLINTON CONTINUED, OCCASIONALLY POUNDING THE LECTERN FOR EMPHASIS: NOW, PEOPLE CAN ASK WHATEVER QUESTIONS THEY WANT, AND WE WILL DO OUR BEST TO COMPLY. BUT I'M JUST TELLING YOU, THE AMERICAN PEOPLE CAN WORRY ABOUT SOMETHING ELSE. HER MORAL COMPASS IS AS STRONG AS ANYBODY'S IN THIS COUNTRY, AND THEY WILL SEE THAT."

AS THE PRESIDENT SPOKE, THE WHITE HOUSE WAS PREOCCUPIED WITH WHITEWATER. THE CLINTONS AND HUNDREDS OF STAFFERS BEGAN COMBING FILES TO COMPLY WITH A SUBPOENA FROM WHITEWATER SPECIAL COUNSEL ROBERT FISKE FOR PRODUCTION OF DOCUMENTS IN COURT THURSDAY. IN ADDITION, 10 CURRENT AND FORMER WHITE HOUSE AND TREASURY DEPARTMENT OFFICIALS ARE TO REPORT TO A WASHINGTON GRAND JURY ROOM THAT DAY TO DETAIL THEIR KNOWLEDGE OF CONTROVERSIAL MEETINGS TO RELAY INSIDE INFORMATION ON WHITEWATER.

THE CLINTONS ARE COVERED BY THE SUBPOENA FOR DOCUMENTS AND MUST SEARCH DIARIES, ELECTRONIC MAIL AND OTHER SOURCES FOR RELEVANT MATERIAL.

FOR 14 YEARS, STARTING BEFORE HE WAS ELECTED ARKANSAS GOVERNOR, CLINTON AND HIS WIFE WERE PARTNERS IN THE WHITEWATER DEVELOPMENT CORP., AN ALLEGEDLY MONEY-LOSING OZARK MOUNTAINS REAL-ESTATE VENTURE, WITH JAMES MCDUGAL, OWNER OF MADISON GUARANTY SAVINGS AND LOAN.

CCI FAX 434-6355-011-554
From: NEWSDAY
To: FAX 1-2024566485

7 MAR 1994

THE THRIFT, WHICH COLLAPSED IN 1989 AT A COST TO TAXPAYERS OF MORE THAN 47 MILLION, WAS REGULATED BY CLINTON-APPOINTED STATE OFFICIALS AND WAS ONCE LEGALLY REPRESENTED BY HILLARY CLINTON.

FISKE WAS APPOINTED BY ATTORNEY GENERAL JANET RENO TO TAKE OVER THE JUSTICE DEPARTMENT'S INVESTIGATION INTO WHETHER MADISON DEPOSITORS' FUNDS WERE WRONGLY USED TO BENEFIT WHITEWATER OR CLINTON'S 1984 GUBERNATORIAL CAMPAIGN.

CLINTON REITERATED YESTERDAY THAT HE AND HIS WIFE DID NOTHING WRONG IN WHITEWATER AND THAT HE WANTS HIS ADMINISTRATION TO COOPERATE FULLY WITH FISKE'S INVESTIGATION. ON THAT BASIS, HE DIFFERENTIATED WHITEWATER FROM THE NIXON ADMINISTRATION'S WATERGATE SCANDAL AND SAID REPUBLICANS WERE BEING BLATANTLY PARTISAN IN COMPARING THE TWO.

THERE IS A HUGE DIFFERENCE HERE, CLINTON SAID. NUMBER ONE, WE'RE NOT COVERING UP OR ANYTHING, WE ARE OPENING UP. WE ARE DISCLOSING. WE ARE GIVING YOU INFORMATION. NUMBER TWO, NO ONE HAS ACCUSED ME OF ANY ABUSE OF AUTHORITY IN OFFICE. THAT'S WHAT WATERGATE WAS ABOUT.

ALSO, CLINTON SAID, THERE IS NO EVIDENCE THAT HE BROKE ANY CRIMINAL OR CIVIL FEDERAL LAW DURING THE 1980S, WHEN HIS INVESTMENT LOST MONEY AND SPUTTERED TO A NOT-SUCCESSFUL CONCLUSION.

INDICATING THAT HE WANTED FISKE TO UNDERTAKE HIS INVESTIGATION WITHOUT CONGRESSIONAL HEARINGS ON THE SUBJECT, CLINTON GIBED THAT REPUBLICANS WERE JUMPING ON WHITEWATER AS A GOOD EXCUSE FOR FAILING TO AGREE ON A PLAN FOR HEALTH-CARE REFORM.

AT ANOTHER POINT IN THE NEWS CONFERENCE, CLINTON SAID THAT LAST FALL HE LEARNED THAT HE AND HILLARY CLINTON WERE MENTIONED IN AN OCT. 8 RESOLUTION TRUST CORP. CRIMINAL REFERRAL, ASKING THE JUSTICE DEPARTMENT TO INVESTIGATE POSSIBLE CRIMINAL ACTIVITY IN CONNECTION WITH MADISON'S FAILURE. THE REFERRAL SAID THE CLINTONS MAY HAVE BENEFITED BUT DID NOT ACCUSE THEM OF WRONGDOING. ORIGINALLY, THIS INFORMATION WAS GIVEN TO THE WHITE HOUSE COUNSEL BY A TREASURY OFFICIAL AT ONE OF THREE INSIDER MEETINGS. CLINTON, SAYING HE COULDN'T RECALL DETAILS OF BEING TOLD, ASSERTED, I DIDN'T THINK MUCH ABOUT IT AT THE TIME.

IT WAS UNCLEAR YESTERDAY WHEN AND FROM WHOM CLINTON LEARNED THE CONFIDENTIAL INFORMATION CONTAINED IN THE RTC'S REFERRAL TO THE JUSTICE DEPARTMENT.

HILLARY CLINTON HAS EMERGED AS A CENTRAL FIGURE IN WHITEWATER AND CONTROVERSY OVER THE WHITE HOUSE'S POLITICALLY CLUMSY HANDLING OF THE MATTER.

REPORTEDLY, SHE LONG OPPOSED THE NAMING OF A SPECIAL COUNSEL IN THE TANGLED CASE AND WAS FINALLY OVERRULED BY HER HARD-PRESSED HUSBAND AS REPUBLICANS LAUNCHED A SO-FAR LARGELY FRUITLESS CAMPAIGN FOR CONGRESSIONAL HEARINGS.

HILLARY CLINTON'S CHIEF OF STAFF, MARGARET WILLIAMS, AND HER PRESS SECRETARY, LISA CAPUTO, WERE AMONG SIX WHITE HOUSE OFFICIALS SUBPOENAED BY FISKE LAST WEEK.

THE WITNESSES, WHO INCLUDE OUTGOING WHITE HOUSE COUNSEL BERNARD NUSSBAUM, DEPUTY CHIEF OF STAFF HAROLD ICKES AND DEPUTY TREASURY SECRETARY ROGER ALTMAN, ALL ARE HIRING PERSONAL LAWYERS

WITH THEIR OWN FUNDS, BUT WHITE HOUSE LAWYERS ARE CHECKING IF LEGAL MEANS EXIST TO REIMBURSE THEM, AN ADMINISTRATION OFFICIAL SAID.

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Clinton defends wife, self over Whitewater

By Carl P. Leubsdorf
Washington Bureau of The Dallas Morning News

WASHINGTON — A grim, lectern-pounding President Clinton defended his and his wife's integrity Monday and said there is no evidence that anyone in his administration interfered with the Whitewater inquiry.

"There will not be a cover-up, there will not be an abuse of power in this White House," Mr. Clinton declared.

Rejecting GOP suggestions that he is presiding over a scandal akin to Watergate, which toppled Presi-

dent Richard Nixon 20 years ago, Mr. Clinton said, "There is no analogy except any hysteria that they can gin up around it."

He said that, although it might have been better if three controversial White House meetings on Whitewater had not occurred, "The evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper."

Last week, it was disclosed that federal regulators had briefed senior White House staff three times on the Whitewater investigation, prompting allegations of special

treatment of Mr. Clinton.

With some Republicans raising allegations of a White House cover-up and renewing demands for congressional hearings, the president reiterated that all aides have been instructed to comply fully with Special Counsel Robert Fiske Jr. Mr. Fiske was appointed by Attorney General Janet Reno to look into the circumstances surrounding the failed Arkansas real estate venture.

He also delivered a fervent defense of first lady Hillary Rodham Clinton, who played a role in some of the legal activities related to the case. See CLINTON on Page 10A.

Clinton defends self, wife

(Continued from Page 1A)

"I have never known a person with a stronger sense of right or wrong in my life — ever," he said. "I do not believe for a moment that she has done anything wrong," the president declared, pounding his fist on the lectern.

Mr. Clinton also disclosed that he learned in October that the Republican Trust Corp. had referred to the Justice Department allegations that the Fiske-Madison County Survey and Loan may have caused funds to be sent to the Clinton campaign. Madison was owned at the time by James McHugh, a partner with the Clintons in the Whitewater development.

But he denied knowledge of any of the controversial Whitewater meetings and said he couldn't remember when he first learned of the case. He said the Justice Department, which is a senior official, who asked him to be named, said he apparently learned of it from journalistic inquiries after the referral was made Oct. 10.

The White House, meanwhile, moved to comply Monday with Mr. Fiske's directive to provide all relevant documents in the Whitewater inquiry. It was issued Friday along with subpoenas to 10 current and former administration officials.

Aides spent much of the day combing their files and trash, reportedly mentioned Deputy Counsel William French Smith's directive telling all officials that they could provide any information about the Clinton case free of charge — and about any others that might have occurred.

As he got out the word it is an understatement of justice to get the documents or an understate in the official said.

The official, who also spoke anonymously, said that the directive to provide all relevant documents applied to Mr. and Mrs. Clinton, as well as the six White House staff members who have been subpoenaed to turn over documents and answer before a Washington grand jury Thursday.

The officials declined to say whether there had been additional meetings.

Republicans on Capitol Hill meanwhile, sought to use the presidential commission created by Senate's recent investigations of White House Counsel Bernard Berenson in turn of the best on Whitewater.

"The public cares more about this issue this week than it did last week," Rep. Newt Gingrich, a second-ranking GOP leader in the House, declared at a news conference. "Someone last week we missed the forest for the trees."

Mr. Gingrich's letter to Mr. Reno, in which he requested that Attorney General General Robert Fiske, a former law partner of Mrs. Clinton's, be suspended from his involvement in the "Clinton inquiry." Justice Department spokesman said Fiske is a key figure in the case. Mr. Clinton said there



President Clinton fields questions Monday during a news conference at the White House. Georgian President Eduard Shevardnadze appeared with Mr. Clinton, but questions focused on the continuing Whitewater investigation.

"I do not believe for a moment that she (Hillary Rodham Clinton) has done anything wrong. Her moral compass is as strong as anybody's in this country."

— President Clinton

Mr. Clinton said he had no basis for such a step because "Mr. Hubbell has not had any responsibility relating to the Whitewater investigation."

Mr. Gingrich also released letters to House Speaker Tom Foley, D-Wash., and Majority Leader Dick Gephardt, D-Mo., demanding that they convene a bipartisan congressional leadership meeting to debate GOP demands for special hearings on Whitewater.

The Democrats have steadfastly refused such proposals, arguing that any comprehensive congressional hearings could interfere with Mr. Fiske's investigation.

But House Speaker Tom Foley, D-Wash., said "I wouldn't oppose any hearings," and ABC News said Monday night that Democratic leaders planned to meet with their GOP counterparts this week to discuss possible hearings.

Meanwhile, Mr. Fiske said in a letter to the chairman and ranking Republicans on the Senate Banking Committee that congressional hearings into Whitewater "would pose a severe risk to the integrity of our investigation."

He said there would be a danger if witnesses were granted congressional immunity and if premature judgments caused witnesses to alter their future testimony. The ranking Republican Sen. Al

From New York, said he wanted to meet with Mr. Fiske, a fellow New York Republican, to discuss the matter.

Meanwhile, Mr. Clinton again found himself answering questions on Whitewater during a White House news conference with a visiting foreign leader, this time Georgian President Eduard Shevardnadze.

As when Ukrainian President Leonid Kravchuk visited Friday, virtually every question to Mr. Clinton dealt with Whitewater. Asked how he felt to hear Sen. Phil Gramm, R-Texas, raise the prospect he might not be able to complete his term, Mr. Clinton replied, "I wonder who you let him get away with it."

But he added that, "Frankly, when they say things, it doesn't really bother me. Adding, 'They have been on the whole blatantly partisan.'"

Separately, Mrs. Clinton told Ely magazine that much recent criticism was based on the "wild kind of paranoid conspiracies."

In an interview, which took place before the subpoena was issued, she said, "This is a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

Staff writer Richard Whitte can be reached at this report.

Unconventional views on sports by Galloway, Blackstone, Harasta, Sherrington and Sherrard. Find them in Sports Day in The Dallas Morning News. To subscribe call 745-8333.

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TUE 1:56

white water inquiry 'Obstruction' is a key word

Boston
Globe
3/8/94

By Anthony Farrell
Globe Staff

BOSTON — When presidential counsel Bernard W. Nussbaum met with Jean Hanson, his Treasury Department counterpart, last Sept. 29, he exposed President Clinton to an allegation that has terrified elected officials here since the Watergate scandal: obstruction of justice.

The meeting, at which Nussbaum was told that the president's name had been linked by federal investigators to possible criminal behavior in the case of the Arkansas savings and loan, has suddenly become a focal point in the turbulent Whitewater saga.

Special counsel Robert Fiske's subpoenas last week of Hanson, Nussbaum and eight other current or former White House administration aides are designed to determine what the Sept. 29 meeting and two subsequent meetings, described by the White House as "briefings," were in fact sessions to coordinate a cover-up.

If Nussbaum or any of his colleagues acted to thwart the federal investigation, then an analogy to former President Nixon — despite Clinton's insistence yesterday that Whitewater is not Watergate — may indeed be accurate.

And so now, when Clinton's staff suddenly find themselves sifting through files and computer disks for any relevant information to the three meetings, and taking written notes on even casual conversations with their colleagues.

Nussbaum met with Hanson at a crucial point in the case.

The meeting took place 11 days before banking examiners at the Resolution Trust Corporation, a public corporate watchdog established to investigate and clean up the savings and loan scandals of the 1980s then being supervised by Hanson and other top Treasury aides, reviewed the case of an Arkansas savings and loan and sent the U.S. Justice Department for possible prosecution.

The so-called "Fiske referral" mentions Clinton and his wife Hillary Rodham Clinton as possible beneficiaries of improper acts. But, according to White House aides, it says nothing of their knowledge of or participation in these activities.

In the course of the year-long probe into the affairs of the Madison Guaranty savings and loan, RTC investigators uncovered evidence that the thrift — which was owned by James McDougal, a friend and business partner of the Clintons — used its funds

to benefit Arkansas politicians, including Clinton and Arkansas Gov. Jim Guy Tucker.

The referral, White House sources say, addresses the RTC's concern that Clinton's 1984 gubernatorial campaign may have benefited from illegal campaign contributions channeled through the Madison savings and loan.

No cover-up evidence

Did the Clinton administration try to orchestrate a cover-up? Republican critics have suggested that they did, but if so there is no evidence they succeeded.

The RTC referral was forwarded to the Justice Department on Oct. 10 and now is being handled by special counsel Fiske. The referral, and others that did not mention the Clintons but involve their old associates in Arkansas, remain at the core of the Whitewater investigation.

In contrast, a 1992 referral by the RTC regarding Madison — which also mentioned Clinton — was never acted on by the Bush administration and eventually declined by Justice, reportedly for lack of evidence.

Merely for meeting with Hanson at such a critical juncture, Nussbaum has paid a heavy price.

But the Sept. 29 meeting itself, while ethically and politically questionable, is not proof of obstruction of justice — nor are the Oct. 14 meetings of White House and Treasury officials, or a third meeting last month.

White House lawyers in the Bush administration, for example, phoned federal prosecutors in Atlanta to keep tabs on the simmering Inaggate scandal. Although the Bush White House paid a political cost for those contacts — in the form of campaign attacks waged by some who are now acting as Clinton's loyal defenders — no legal sanctions were ever warranted.

The briefings themselves are not enough, says a veteran former federal prosecutor with experience in cover-up cases.

'Perfectly normal action'

"You have to ask them to do something material, either to delay or derail," the former prosecutor said. "Simply finding out information should not be considered obstruction."

Carl Stern, spokesman for the Justice Department, said "obviously Bernie" Nussbaum "would have had considerable interest knowing as much as possible about Whitewater and Madison and so on, yet that gets portrayed as some sort of reconnaissance mission for the purpose of concealment or camouflage."

"The perfectly normal action of a decent human

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being is now getting portrayed as the machinations of a corrupt and devious mind," Stern said. "It is journalistic and political mayhem."

Unless pressure was exerted by his aides with his knowledge and intent to squash the investigation, Clinton faces no legal problems from the briefings, legal experts say.

The president said yesterday that he found out about the RTC inquiry in October, but "I don't remember when I knew about it, or who told me about it.

"It was just sort of presented as a fact, a decision that had been made," Clinton said. "I didn't think much about it at the time. It was just something I absorbed."

Senior administration officials, speaking only after asking for anonymity, say that Nussbaum was definitely not the one who told Clinton of the RTC action. They believe that Clinton was informed sometime between Oct. 10, when the referral was made, and Oct. 31, when it was made public by The Washington Post, after the Post and other news organizations began to make inquiries. The aides said they did not know when Mrs. Clinton learned of the RTC's action.

RTC's power limited

When asked if it was plausible that Nussbaum would hear of a criminal referral involving the

president, and not alert Clinton, a senior White House official suggested that the news did not cause a terrible stir because allegations of improper campaign contributions, dating back 10 years, which were not directly tied to the Clintons, were not perceived as a serious political problem.

The RTC has the power to make referrals when it finds "aggravated suspicion" of potential criminal behavior. But because the RTC has limited investigatory powers, the fact that there was a referral does not mean there is evidence of a crime.

The second White House meeting, on Oct. 14, White House staffers say, was devoted to the question of how to respond to media inquiries. In the February meeting, Treasury officials briefed White House aides on RTC policy regarding the statute of limitations on various civil matters, which was soon to have expired but has since been extended.

"I think the evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper," Clinton said yesterday.

"I have no reason to believe at this time that anybody did anything to influence a government process they should not have done," he said.

Clinton denies cover-up

Defends wife, says White House will assist independent counsel

By Michael Kranish
Globe Staff

WASHINGTON — President Clinton denied yesterday that the White House has been involved in any cover-up of the Whitewater affair and vowed that he and his wife would cooperate with a fast-growing investigation by an independent counsel.

Clinton raised new questions by acknowledging that he had been informed about one of three meetings at the White House in which confidential information about an investigation related to the Whitewater land development deal may have been discussed. Clinton said he had only a hazy recollection about one meeting, did not know how he learned about it and did not act on it.

Struggling to defend himself and his wife amid a complicated controversy that threatens to undermine his effectiveness on other issues, Clinton told reporters in an East Room press conference that he had ordered aides to preserve any Whitewater material and that he would fully cooperate with independent counsel Robert Fiske.

"We're not covering up or anything; we are opening up," Clinton said, seeking to draw a distinction between Whitewater and the Watergate affair that brought down President Richard Nixon two decades ago. "There is no credible evidence and no credible charge that I violated any criminal or civil federal law."

The president did not deny or confirm reports that his wife, Hillary Rodham Clinton, ordered a shredding of some documents in 1992 that may have been related to Whitewater. But the president launched an impassioned defense of his wife, saying that she did nothing wrong.

"Law firms dispose of their documents all the time," Clinton said. "I do not believe for a moment that she has done anything wrong. If the rest of the people in this country had a character as strong as hers, we wouldn't have half the problems we've got today."

Mrs. Clinton, who some Republican critics describe as the key player in the Whitewater real estate investment, did not make a statement yesterday. She has said the controversy is being created by political opponents. The matter appears to have harmed her clout on Capitol Hill, where she is trying to push through the administration's health care plan.

Republicans renewed their call for a separate congressional investigation. But Fiske, the independent counsel, warned in a letter to

lawmakers that such hearings "would pose a severe risk to the integrity of our investigation." The Iran-Contra prosecutor, Lawrence Walsh, has said that the congressional hearings made it difficult for him to prosecute successfully.

The Whitewater controversy has been raging for months, but it threatened to careen out of control last week after reports that White House counsel Bernard Nussbaum attended three meetings at which Treasury officials who had firsthand knowledge of a Whitewater-related investigation briefed him and other White House officials.

Clinton, after acknowledging last week that the meetings created the appearance of impropriety, accepted Nussbaum's resignation Saturday. The meetings could create problems for Clinton if it were determined that he knew about them and if they amounted to an obstruction of justice.

The Clintons were participants in the money-losing Whitewater land development deal, through an influential friend whose savings and loan later failed and had to be bailed out by the government. The special prosecutor also is looking into whether Madison Guaranty Savings and Loan Association improperly funneled money into Clinton's reelection campaign as Arkansas governor in 1984.

Fiske on Friday subpoenaed the six White House officials and four Treasury staff members who attended the meetings to discuss the investigation. The 10 will appear before a grand jury in Washington Thursday, and Chief of Staff Thomas McLarty could be added to the list as a result of his acknowledgment on Sunday that one meeting was arranged by his office.

Fiske also subpoenaed all Whitewater-related documents, prompting the White House counsel's office yesterday to order presidential aides to retrieve materials from their "burn bags," file cabinets and electronic mail.

At his press conference yesterday, held to celebrate the signing of an aid package with the former Soviet republic of Georgia, Clinton said he did not know about two of the three meetings, including one attended by Deputy Treasury Secretary Roger Altman.

But Clinton said he had a vague recollection of being informed about one meeting. At the time, the government agency that monitors savings and loans, called the Resolution Trust Corp., was investigating whether a Whitewater partner was using an S&L's funds to benefit Arkansas politicians, including Clinton.

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"Sometime in October I became aware of the RTC finding with regard to the question of ... whether my campaign benefited improperly from checks which allegedly came from the S&L. And I knew about that," Clinton said. "I don't remember who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government. And I didn't think much about it at the time."

Clinton said that in order to avoid any questions in the future, he had ordered that a "firewall" be constructed between the White House and other regulatory agencies so that any contact in or out related to any of these matters would have to be cleared by and approved by the counsel's office.

The president, whose plans for such legislative initiatives as health care and welfare reform could be imperiled by the political fallout from Whitewater,

criticized Republicans for using it to thwart his domestic agenda.

"The American people will be outraged if anybody uses this as an excuse not to keep going and doing the people's business," the president said. "If I did something wrong, it will come out in the special counsel."

Meanwhile, Attorney General Janet Reno rejected a Republican request that deputy attorney general Webster Hubbell temporarily leave his post because Hubbell was a member of the Rose Law Firm at the time it was handling part of the Whitewater matter. Reno said she saw no reason for Hubbell to leave because his government work has not dealt with the Whitewater matter.

Boston Globe
3/8/94

The Des Moines Register

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THE REGISTER'S EDITORIALS

Treading Whitewater

**White House bumbling doesn't
justify congressional action.**

Over the weekend the Clinton administration came close to drowning in Whitewater, and from the way things look, the situation may get worse before it gets better — if it does get better.

That dull, complicated business of Bill Clinton and Hillary Rodham Clinton and a land deal and a savings-and-loan failure in Arkansas a decade ago had been of little interest to most people outside the Beltway. Congressional Republicans had been hitting it hard, though.

Then came revelations last week that White House officials had held three secret meetings with savings-and-loan investigators. The president conceded that this had been a mistake because it gave the appearance of interfering with the investigation, but at a press conference Monday he denied having known anything about two meetings. White House Counsel Bernard Nussbaum, a longtime friend of the Clintons, who had attended the meetings, took the hit and resigned.

Too little and too late. Robert Fiske, the special counsel whose appointment the president had reluctantly ordered in January, issued subpoenas for Nussbaum and nine other present and former White House officials to testify before a grand jury on March 10. The sight of FBI agents serving papers on the president's chief of staff and other insiders pulled the affair well into the limelight.

Prior to the secret meetings and seeming cover-up, it had been possible to say, "This all happened before Clinton became president. It wasn't like Nixon's cover-up of Watergate or Reagan's cover-up of Iran-Contra. Let's get on with the business of

governing." Not any more. Whether done deliberately or carelessly, this was the responsibility of a president.

So what happens next? Republicans for weeks have been demanding congressional hearings. The advantage of this route is that it could be taken relatively quickly, while Fiske's investigation may take a year or more. The disadvantage is that if Congress granted the witnesses immunity so they would talk, the outcome could parallel the Iran-Contra hearings when the court conviction of Oliver North was overturned because of his immune testimony.

Congressman Jim Leach of Iowa, one of the more respected and non-partisan Republicans in Congress, is one who has been calling for hearings. However, in two weeks Leach's House Banking Committee will hear a scheduled report on the overall progress of the savings-and-loan cleanup. That could well become a mini-hearing on Whitewater, because Leach promises "blockbuster" revelations.

For now, it would seem best to let the special counsel proceed and wait for Leach's "blockbuster," before convening congressional hearings, if at all.

Perhaps neither of the Clintons did anything illegal in Arkansas — maybe not even anything unethical. But Clinton's presidency has been compromised by the appearance of a cover-up.

Nobody is using the word "impeachment" yet; even Leach said that isn't in the cards. But Senator Phil Gramm said Clinton could be forced from office, as Nixon was. At the very least, the presidency is weakened, at least for now.

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A CHIEF CRITIC OF CLINTON

Soft-spoken Leach talking tough of late

In speeches and interviews, the Iowa Republican appears to be taking a harder line on Whitewater.

By JANE NORMAN

On The Register's Washington Bureau

Washington, D.C. — Is Iowa Republican Jim Leach shedding his moderate mantle?

The Davenport congressman, while one of President Clinton's chief critics on the Whitewater affair, has been widely perceived as fair, soft-spoken and less partisan than most others in the GOP.



Leach
New image?

But during the past few days, the senior Republican on the House Banking Committee has come forth with tough new rhetoric on Clinton, as the White House struggles with new eruptions daily in the Whitewater investigation. In a speech to Chicago Republi-

cans on Friday and repeated on the House floor Monday, Leach said that "in a nutshell, Whitewater is about the arrogance of power — political conflicts of interest that are self-evidently unseemly."

Leach cited the decision by a special counsel investigating Whitewater to subpoena 10 White House staff members as a result of private briefings they held with Treasury Department officials on the status of a confidential federal investigation into the Whitewater affair.

"Seldom have the public and private ethics of lawyers in the White House and executive branch departments and agencies been so thoroughly devalued," Leach said.

Leach then said there is a "disjunction" in the administration between public policy and private ethics, and posed a series of questions: "Can a president ask others to play by the rules — i.e., obey the law — if he doesn't play by them himself?"

Promised Disclosures

On Monday, Leach in an interview with the New York Times promised disclosures of "blockbuster proportions" at a House Banking Committee hearing March 24 when wit-

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White House
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Page 3Soft-spoken Jim Leach
talking tough on Clinton

LEACH

Continued from Page 1A

nesses are expected to testify on Whitewater. Leach would not elaborate on what those disclosures might be, but said he has spoken to whistleblowers who have been afraid to talk to federal investigators or reporters.

And appearing on the "Today" show on Monday, Leach warned that "unless this White House operates with a greater sense of the law... it is going to find itself in far worse shape than it has any reason to be."

Leach was not available for comment Monday. But Joe Pinder, press secretary to Leach, said Leach intended in the Chicago speech, titled "Whitewater: The Disjunction of Public Policy and Private Ethics," to make the complex Whitewater affair more accessible to the layman. "He has been trying to distill aspects of this into a form that is understandable and distillable," Pinder said.

He said he would not characterize Leach's remarks as tougher or more partisan than before. "He continues to say that we should have hearings, and there should be full disclosure," Pinder said.

"Junkyard Dog"

But one Iowa Democrat said it's a new Leach on display as the Whitewater affair winds on. Eric Tabor, head of the Iowa Democratic Party, said Leach is being perceived by many Iowans as a "junkyard dog" on Whitewater, particularly with his hints about revelations to come.

"I think Iowans are more than happy to give President Clinton the benefit of the doubt... and to read in the paper that Congressman Leach has all these allegations, but no one else is going to get to know them for a couple weeks, really smacks of partisanship and trying to control things for partisan reasons," Tabor said.

Tabor said many Democrats in Leach's eastern Iowa district have been willing in the past to give Leach the benefit of the doubt. "He's not so bad, he's bipartisan, I'm going to vote for Jim Leach because he's really not a Republican, he's almost a Democrat," Tabor said, paraphrasing reasons why Democrats have backed Leach, who has run with only nominal opposition for years.

Tabor said that kind of commen-

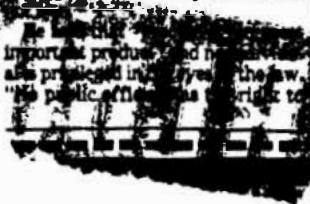
tary has ended. "People are angry. People are saying this guy is a rock-ribbed Republican and he's not being fair to the Clintons."

Clinton Responds

Clinton at a press conference Monday responded in general to criticism by Republicans, saying "they have been on the whole blatantly partisan." Clinton said there has been no cover-up and no credible evidence or charge of violations of civil or criminal law in Arkansas.

"And I think that, you know, what they do today as Republicans, as a party, may look good today; it may not look too good when the independent counsel finishes his work," Clinton said. "And I think they ought to think long and hard about whether this sort of partisan clamor and careless use of language and careless use of the facts is really not only in the best interests of the American people but in the best interests of their party."

Leach in his Chicago speech said the briefings of White House officials "subvert one of the fundamental premises of American democracy — that this is a country of laws and



influence possible legal actions against himself or herself," he said.

Defends His Role

Leach also defended his role in first pressing for a special counsel to investigate Whitewater — which was successful — and then for special congressional hearings. Banking Committee Chairman Henry Gonzalez has declined to hold hearings on Whitewater, and the March 24 meeting mentioned by Leach is actually on the progress of the savings and loan bailout.

Leach has continued to gather information on his own in a Republican investigation and has threatened uncooperative federal regulatory agencies with lawsuits.

"Some have asked why a mainstream Republican like myself would lead an investigation so awkward for the president," Leach said.

"All I can say is that ethics is not an issue of the left, right or center," he said. "It is an American concern relating to the fabric and foundation of our society."

bc-clinton-hillary times - a1803

(ATTN: National editors) (Includes optional trims)

President Defends First Lady Over Whitewater Probe (Washn)

By Jack Nelson and Edwin Chen= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton, visibly upset that Hillary Rodham Clinton has increasingly become a focal point of the Whitewater investigation, on Monday issued a passionate defense of the first lady, declaring that "her moral compass is as strong as anybody's in this country."

"I have never known a person with a stronger sense of right and wrong in my life ever," the president said. "And I do not believe for a moment that she has done anything wrong."

"I could cite you chapter and verse over 20 years plus now that I have known her when it would have been very easy for her to take a shortcut, to take an easy way out, to do something else, when she has unfailingly done the right thing."

The president's unusual defense of his wife came at a time when rising criticism of the administration's handling of Whitewater, and increasingly pointed questions about Mrs. Clinton's personal role in the failed Arkansas real estate development, are casting shadows over a first lady whose role in the policy and politics of the White House is unprecedented in American history.

The administration has counted on her as a critical asset in the fight for its No. 1 legislative goal, health care reform, as well as welfare reform and other domestic policy issues. Now, some White House officials and key Congressional leaders concede privately, the intensifying controversy threatens to undermine her leadership and her credibility.

"In Washington if you're perceived as strong you can get things done," said a senior White House official. "But if you're perceived as vulnerable, it's hard to get anything done."

Mrs. Clinton herself has been "uptight for weeks," sources said, over the continuing news reports of cover-up, shredded documents, conflicts of interest and other alleged improprieties in connection with the tangled land deal into which she and her husband entered in the 1970s.

She continues to "function OK" at the White House, an official said, adding, "I'd say she's showing grace under pressure. She's called a health meeting for tomorrow."

Some Democrats warn flatly that unless the Clintons can get Whitewater out of the news media, they will lose the already touch-and-go battle for health care reform.

Others, including some leading figures in the congressional debate over health care, insist that Whitewater has not diminished Mrs. Clinton's effectiveness. Rep. Henry A. Waxman, D-Calif., chairman of the House Energy and Commerce health subcommittee, said, "The overwhelming majority of the American people side with her on the issue and support her personally."

Mrs. Clinton dazzled Congress and the public last fall in her highly publicized testimony on behalf of the administration's health reform proposal. The White House, believing that she enjoys greater public credibility than anyone else in the administration, has counted on her to continue in that role.

But now the White House's own private polls show that Mrs. Clinton's public approval rating has fallen below that of the president, although both have ratings between 55 percent and 60 percent. The consensus seems to be that recent disclosures that resulted in the appointment of Special Counsel Robert Fiske and the forced resignation of White House counsel Bernard Nussbaum threaten to undermine the first lady's efforts.

A week ago, said a senior congressional aide, he would have said health care reform was not in jeopardy. "I now have to admit there does feel as though there has been a spillover," he said. "It reached a critical mass toward the end of last week, and now it's having a strategic impact on other things."

THE WEEK

FEBRUARY 20 - 26

NATION

A Mole Unmasked

A mid-level officer in the CIA's Soviet counterintelligence section was arrested and charged with spying for Moscow beginning in the mid-1980s. Prosecutors suspect that Aldrich Hazen Ames and his Colombian-born wife passed on information that, among other things, betrayed at least 10 Soviet nationals, some of whom were apparently executed in Moscow as spies for the U.S. Ames' attorney says he will fight the charges and warned of a prolonged and very public trial that might betray agency secrets. In Congress the case drew angry calls for the suspension of U.S. aid to Russia. The Clinton Administration was anxious to avoid a return to cold war acrimony but bowed to political pressure and sent packing the man believed to be Russia's top intelligence officer in Washington.

Verdict on the Death Penalty

In a dramatic dissent from the Supreme Court's refusal to hear an appeal for a stay of execution, Harry Blackmun, the court's most senior Justice, authored a highly personal repudiation of the death penalty, which he had long upheld. "From this day forward, I no longer shall tinker with the machinery of death," wrote Blackmun.

Finally ... a Deputy for Reno

Attorney General Janet Reno has nominated Jamie Gorelick to be her Deputy Attorney General. As the Pentagon's top lawyer, Gorelick has won praise for her managerial skills and deft handling of such volatile issues as the retirement of Tailhook-tainted Admiral Frank Kelso. Her predecessor, Philip Heymann, resigned in January, citing bad "chemistry" with Reno.



IN THE SPOTLIGHT: *The Embattled Smoker, under siege by McDonald's, the Surgeon General and the FDA, which is thinking about regulating nicotine as a drug*

INSIDE MOSCOW



Danger on Russian Subways and Trains

Moscow—Increasingly, radioactive materials are turning up on public transport, raising serious safety questions. Last week police arrested a train rider for carrying radioactive matter. Afterward a research facility said the man was its courier, claimed the material posed "no danger" and admitted it regularly used passenger trains to transport radioactive substances. In November a thief was arrested after carrying uranium-235 on the subway, and in December two men were arrested after riding with a stolen cache of potentially explosive cesium. Both materials can be deadly.

WINNERS & LOSERS



DAVID LETTERMAN'S MOM

Her reports from Lillehammer outclass Connie Chung's

INT'L OLYMPIC COMMITTEE

Harding's wobbles dispel the specter of a gold-medaled felon

SUBCOMANDANTE MARCOS

Ski-masked rebel forces Mexican gov't to the negotiating table

BILL GATES

Microsoft's cyberspace monopoly finally halted by a patent suit

TIMBER CUTTERS

White House proposes tougher logging rules to save spotted owl

MARTHA RAYE

Judge tosses out her suit against Bette Midler's *For the Boys*



MY COUNTRY FOR A ROLEX

CIA employee Aldrich Hazen Ames and his wife Maria del Rosario Casas Ames were arrested last week and charged with spying for Russia. The fact that they were accused of accepting \$1.5 million and spending it on such flashy items as a Jaguar and a \$540,000 home (paid in cash) raised a few eyebrows. But a taste for luxury has been an essential component of the nouveau riche traitor life-style for at least a decade:

SPY	PAYOFF	WHAT IT WENT TOWARD	
Edward L. Howard , charged in 1985 with spying for the Soviet Union	\$150,000 (and some Soviet cigars)	Krugerrands and silver bars, a Rolex watch, a red Jeep	
Ronald W. Pelton , charged in 1985 with spying for the Soviet Union	\$35,000, plus travel expenses	Canceling debts (he asked to be paid in gold bullion)	
Jonathan Jay Pollard , charged in 1985 with spying for Israel	\$45,000 to \$50,000	Two trips to Europe, a diamond-and-sapphire ring for his wife	
John A. Walker Jr. , charged in 1985 with spying for the Soviet Union	\$1 million	A houseboat, an airplane, two cars (Chrysler and Oldsmobile), land in North and South Carolina	
Jerry Whitworth , charged in 1985 with passing classified material to John A. Walker Jr.	\$332,000	Gold coins; two motorcycles; rented, chauffeured Rolls-Royces; \$10,000 worth of gold and silver options; expensive lingerie	
Larry Wu-Tai Chin , charged in 1985 with spying for China	\$180,000	29 rental properties worth hundreds of thousands of dollars, \$96,000 in gambling debts at various Las Vegas casinos	
Richard W. Miller , charged in 1984 with spying for the Soviet Union	\$65,000	A pair of Italian shoes, a jogging outfit, a \$675 trench coat, staving off bankruptcy	

Another No on Health Care

The Administration got some unwelcome news on health care from the American Association of Retired Persons. The White House had lobbied for an endorsement of its plan, but instead the board of the 33 million-member AARP said the Clinton bill "falls short in a number of ways"; however, the group also declined to endorse any competing plans. On another front, the AFL-CIO announced that it would soon be releasing a substantial part of a planned \$3 million ad campaign on behalf of the President's proposals.

Whitewater: Drip, Drip, Drip ...

Special counsel Robert Fiske announced the hiring of eight lawyers to assist him in the Whitewater investigation, including one who will focus on the events surrounding the suicide of deputy White House counsel Vincent Foster. Meanwhile Roger Altman, acting head of the Resolution Trust Corporation, which is looking into the failure of a savings and loan owned by the Clintons' Whitewater business partner, admitted that he had briefed senior White House officials on the matter in January. Republicans in Congress were quick to accuse the White House of trying to manipulate the investigation. Altman expressed regret over the briefing and withdrew from the investigation.

Acquittal in Waco

A federal jury in Texas acquitted 11 members of the Branch Davidian religious cult of murder and conspiracy to murder, convicting five of voluntary manslaughter and two on weapons charges. The case grew out of last year's raid on the cult's compound, which left four federal agents dead.

Courtroom Roundup

Jury deliberations began in the case of the alleged World Trade Center bombers in New York City. And in Florida, a judge barred Michael Griffin, accused of gunning

PM-Whitewater Taxes,790

Clintons Took Whitewater Deductions, Associates Say They Were Reimbursed
By BILL SIMMONS= Associated Press Writer=

LITTLE ROCK, Ark. (AP) Two business associates say President Clinton and his wife were reimbursed for more than \$1,400 in Whitewater-related property taxes that they had deducted from their personal income taxes.

A copy of a Whitewater Development Corp. check register, obtained by The Associated Press, indicates a check was written to repay Hillary Rodham Clinton for at least one of the payments, which totaled less than \$144.

Tax law generally prohibits taxpayers from claiming real estate tax deductions on their personal returns when they are reimbursed or when they are paying a tax on behalf of their corporation or another property owner.

White House adviser Bruce Lindsey said the Clintons ``don't have any documentary evidence establishing they were reimbursed.'' He said the deductions on the Clintons' returns represented Whitewater-related real estate taxes they paid.

``Their income taxes were prepared and filed by an independent CPA and we assumed the deductions were correct,'' Lindsey said.

Yoly Redden, the accountant who prepared the Clintons' returns, did not return a call to her office Friday seeking comment.

The deductions, which occurred in 1984 and 1988, aren't the first involving Whitewater to raise questions about the first family's personal returns.

During the 1992 campaign, the Clintons acknowledged claiming two years of interest payments on a Whitewater loan that they had not made. They voluntarily repaid the amount, including penalties.

The issue of taxes is just one of many swirling around the Clintons as special prosecutor Robert Fiske begins an investigation into the business dealings of prominent Arkansans.

That probe is focusing on Whitewater Development Corp., the land venture co-owned by the Clintons, and the failed Madison Guaranty Savings and Loan owned by James McDougal, the Clintons' business partner in Whitewater.

One of the Whitewater real estate tax deduction the Clintons claimed was \$1,275 in 1988, their tax returns indicate.

Chris Wade, an Arkansas real estate agent who helped Whitewater in the mid-1980s, said his agency originally made payments in that amount in 1988 for taxes on several Whitewater lots, some of which had fallen in arrears.

Tax records in Marion County, Ark., where the real estate venture was located, confirm Wade's Ozarks Realty made payments on behalf of several Whitewater lots.

Wade said he later asked Mrs. Clinton in 1988 to pay him back and she did so by writing him a check.

He said Mrs. Clinton, however, was subsequently reimbursed after Whitewater lot-owners were sent a letter asking them to make payments to cover their taxes. ``As those checks came in, they were turned over to her,'' Wade said.

Lindsey confirmed the Clintons wrote the check to Wade, saying they ``were concerned about the nonpayment of real estate taxes and felt they should make good on them.''

But he said he knew of no records indicating they were ever reimbursed. Wade said Mrs. Clinton might have forgotten because most of the payments would have been small \$50 or less.

IRS regulations in effect at the time suggest there may have been other reasons why the Clintons should not have claimed the \$1,275 deduction.

The regulations state only the person or entity on whom the tax is directly imposed may take the deduction. ``For example, a controlling shareholder who pays his corporation's taxes is not entitled to a deduction...'' states a tax law guide provided by the IRS.

That guide also states that when a third party, such as Mrs. Clinton, steps in to cover someone else's taxes ``and thereby acquires a right to be

reimbursed, the payment should ordinarily be viewed as a loan ... rather than as a deductible payment of the tax.'

The Clintons took a much smaller Whitewater-related deduction four years earlier, this involving Whitewater Lot 13 a parcel placed in Mrs. Clinton's name in 1980, then lent back to the company.

The Clintons sold the lot in 1981 to a Mississippi man named Hilman Logan, who still owned the property in 1984, land records show.

However, Marion County records indicate Mrs. Clinton paid \$143.65 on Oct. 10, 1984, for taxes due on Lot 13.

The Clintons subsequently claimed a real estate tax deduction of \$144, rounding off the amount, according to their 1984 return.

A page from a Whitewater check ledger, however, indicates the corporation reimbursed Mrs. Clinton one month after she made the payment. A handwritten notation in the ledger states check no. 000125, dated Nov. 5, 1984, was written to Mrs. Clinton for ``reimbursement'' of Lot 13 real estate taxes.

In an interview, McDougal said he remembered Whitewater checks reimbursing Mrs. Clinton for real estate tax payments ``more than one'' and that one year the amount was \$143.65.

``They were always reimbursed,'' McDougal said.

Whatever the Clintons did with the reimbursements, they didn't put it back in Whitewater, McDougal said. ``I guess they spent it,'' he said.

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bc-whitewater-rose - a1433

(ndy) (ATTN: National editors) (Includes optional trims)

Rose Law Firm Trying to Dodge Whitewater Fallout (Little Rock)

By John Riley= (c) 1994, Newsday=

LITTLE ROCK, Ark. When Bill Clinton was inaugurated as president last year, the Rose Law Firm sensed an opportunity. With several alumni including first lady Hillary Rodham Clinton ascending to positions of power in the new administration, the firm opened a small Washington outpost, apparently hoping to capitalize on its connections.

Now, the blush is off Rose's opportunity. The outpost remains small staffed by just one lawyer, with no registrations filed for lobbying Congress. One of Rose's illustrious ex-partners, Deputy White House Counsel Vince Foster, committed suicide last summer. And in downtown Little Rock, the firm has hunkered down in its two-story red brick building on 4th Street, its prestigious reputation threatened by the tangled web of suspicions surrounding Foster's suicide and the still emerging Whitewater real-estate scandal.

Special Counsel Robert Fiske, in the wake of news reports that the firm may have shredded documents, has subpoenaed the firm files and ordered Rose not to destroy any materials relating to the defunct Madison Guaranty Savings and Loan or its former owner James McDougal, who was a partner with the Clintons in the Ozarks land development deal known as Whitewater. Fiske is also probing questions about Foster's death.

At the same time, two federal banking agencies are probing Rose for possible conflicts of interest in its legal work for the government after it took over Madison in 1989. Republicans in Congress are calling for the firm's head. And last week, events took another turn for the worse with news that the firm was questioning Associate Attorney General Webster Hubbell another former partner, now the Justice Department's third-ranking executive about improper billing practices while at Rose.

Rose itself is saying little publicly, aside from terse denials of wrongdoing, and has hired a prestigious law firm to represent it, while some employees have retained separate counsel. And friends and foes alike report resentment in the firm about both unfair media portrayals and the questions left behind by the former leadership of Hillary Clinton, Hubbell, Foster and White House lawyer William Kennedy.

(Begin optional trim)

``It's absolutely a bunker mentality,' one well-connected local lawyer said last week. ``... their reputation is being shot to hell and they know it.''

Calling itself the oldest law firm west of the Mississippi, Rose displays its original 1820 partnership agreement and a portrait of Judge U.M. Rose, a founder of the American Bar Association who gave his name to the firm.

Today, with about 55 lawyers, Rose is one of Little Rock's three biggest law firms, with a long list of blue-chip corporate clients including most of the giants of the Arkansas economy such as Tyson Foods, Wal-Mart, Stephens Inc., Worthen Bank and Beverly Enterprises, a nursing home giant.

(End optional trim)

Until they left for Washington, Hillary Clinton, Foster, Hubbell and Kennedy were among Rose's senior partners. Mrs. Clinton joined the firm in 1977 when her husband was elected the state's attorney general, and made partner two years later as Bill Clinton was elected governor. She was named to the board of directors of some of the firm's largest clients.

Hubbell, a former Little Rock mayor, had a connection by marriage with another big client P.O.M. Inc., an Arkansas-based firm that is one of the nation's leading manufacturers of parking meters and was controlled by his father-in-law, Seth Ward. Ward was

a member of the city's Airport Commission, another Rose client. Hillary Clinton and Hubbell, along with Foster, were the core of the firm's litigation department, while Kennedy a securities lawyer whose father was an executive at Worthen Bank became Rose's managing partner in the late 1980s.

By the time she left, Hillary Clinton who, in addition to her board memberships and well-publicized leadership of the Childrens Defense Fund in Washington, represented Rose's corporate clients on matters ranging from trademark claims to defense of negligence suits by injured individuals was earning more than \$200,000 a year. Hubbell, according to disclosure statements, made \$310,000 his last year.

Long before Clinton became president, the legal, political and business interests intersecting at his wife's firm raised eyebrows among some in Arkansas, who argued that the firm benefited during the 1980s from having the governor's wife as a partner.

Defenders of the firm, however, say it always went to great lengths to avoid conflicts.

Most of Rose's current woes stem from the relationship between the Clintons and McDougal, whose business relationship in Whitewater coincided with the failure of Madison, which cost taxpayers more than \$47 million. Questions have been raised about whether the Clintons handled their taxes correctly, and Fiske is investigating whether the Clintons or other political figures benefited from funds diverted from Madison by McDougal.

Madison, however, by most accounts was a minuscule client. Early in the 1980s, court records show that the firm handled an attempt by another McDougal bank in northern Arkansas to open a branch office. And in 1985 and 1986, Hillary Clinton and others at the firm were put on a \$2,000-a-month retainer for 15 months at the governor's request, McDougal has alleged to seek state approval for an unusual stock offering that would help McDougal fend off federal bank regulators concerned about imminent insolvency.

Rose was drawn into the controversy when the press discovered that in 1989, after the Federal Deposit Insurance Corp. took over Madison, it hired Hubbell and other Rose partners to sue the firm's former accountants, Frost & Co., for bad audits. That \$10 million suit was eventually settled for \$1 million, with Rose taking in \$400,000 in legal fees.

Press accounts focused on a letter from Foster soliciting the business that didn't mention either the Clinton-McDougal Whitewater partnership, or the firm's prior representation of Madison. While the FDIC and the other agency involved in the Madison cleanup the Resolution Trust Corp. are still studying whether sanctions should be brought that could take away Rose's lucrative representation of the agencies in a dozen other matters, some experts believe parts of the controversy are overblown.

Steven Gillers, an ethics expert at New York University Law School, says there is no conflict at all in representing the agencies that are running Madison after representing Madison itself. ``They're suing on behalf of the same client,' ' Gillers said. ``There's nothing remarkable at all about that.' '

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

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**** printed by:WHP(R(JEL) on 03/07/94 at 08:11EST ****

bc-ickes - a2155

(ndy) (ATTN: National editors) (Includes optional trims)
Ickes Finding He Can't Escape Reach of Whitewater (Washn)
By Susan Page= (c) 1994, Newsday=

WASHINGTON This was surely not what Harold Ickes expected.

Two months ago, his old friends Bill and Hillary Rodham Clinton persuaded the New York lawyer to move to Washington and steer the administration's health-care plan through Congress. But since then, the new deputy White House chief of staff has been drafted to help put out the fires of Whitewater; in the process, he has become part of the controversy.

Now, from a basement White House office that features peach walls, low ceilings and noisy ventilation, he is making preparations to respond to a subpoena and testify Thursday before a federal grand jury that apparently is investigating whether the White House obstructed justice in the Whitewater real estate affair.

But Ickes, 54, exhibits the equanimity of a man who has survived New York City's own brand of rough-and-tumble politics, including an ethics inquiry that ended just a few months ago. While he refuses to discuss the Whitewater controversy directly, friends say he is convinced that he and the Clintons in the end will be cleared of any wrongdoing.

"It is somewhat diversionary, both from a public focus point of view as well as some of the resources inside the White House," Ickes acknowledged in a weekend interview. "But I think we've been able to manage them fairly well so far and they really haven't, as far as I'm concerned, infringed upon the health-care initiative either from an organizational point of view or from a public focus point of view."

But the Whitewater affair already has claimed a casualty on the White House staff, with counsel Bernard Nussbaum submitting a bitter letter of resignation Saturday. Ickes, who has headed the White House damage-control effort on Whitewater, has become another target for Republican critics.

"Harold Ickes ... turned it from an S and L investigation into a White House cover-up," Marlin Fitzwater, White House press secretary for Presidents Bush and Reagan, charged in a CNN interview Saturday. Sen. Alfonse D'Amato, R-N.Y., also singled out Ickes.

"The fact of the matter is they brought in a political wheeler and dealer," D'Amato said in a telephone interview, "and he, true to form, was wheeling and dealing."

Ickes, Nussbaum and four other senior White House officials have been subpoenaed to testify about meetings they attended with Treasury officials about an investigation into an Arkansas thrift that had connections to the Whitewater Development Corp., the real-estate investment in which the Clintons were partners.

The officials have said the meetings were informational not an attempt to influence regulatory agencies.

Meanwhile, Ickes also is responsible for managing the health-care initiative that is both the president's prime legislative goal and chief policy headache. Public support for the Clinton plan has been eroding as Congress begins to dissect the complicated legislation.

At the moment, the president and first lady are holding a series of private dinners with key members of Congress to listen and gently lobby. Later, when the time comes for hard bargaining, Ickes and congressional liaison Patrick Griffin are expected to be the administration's representatives at the table.

"These are sort of like campaigns," Ickes said. "You go up and down in the polls, but you can also peak too soon. We are sort of where we want to be in the congressional process and moving forward."

(Optional add end)

Despite those calm and measured words, Ickes is not a laid-back kind of guy. In 1965, as a civil rights worker in Louisiana, he lost a kidney after being beaten by three white men. In 1973, during Herman Badillo's mayoral campaign in New York City, he reportedly got into a brawl with a fellow campaign aide and bit the leg of a colleague who tried to pull them apart.

Now, some White House officials hope his blunt manner and fast counterpunch will help bring discipline and order to an operation that sometimes seems to lack them. They also hope he will deliver candid counsel to the president and first lady an attribute likely to be important both in handling Whitewater and negotiating health care.

"I have never been either reluctant to or inhibited in giving them my best advice," Ickes said, "even though it may be things they don't want to hear."

After the 1992 election, Ickes had been slated to become the deputy White House chief of staff, but that plan was derailed after reports that federal prosecutors were investigating his Mineola, N.Y., law firm's representation of a labor union suspected of having ties to organized crime. Late last year, the firm was cleared.

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BC-CLINTON-HILLARY, NEWS ANALYSIS (SCHEDULED)

WHITEWATER POSES QUESTIONS ABOUT FIRST LADY'S ROLE

By Susan Cornwell

WASHINGTON, Mar 7 (Reuter) - Is she a political asset or a liability?

Only time and the voters will tell for sure, but at the moment Hillary Rodham Clinton's impact on her husband's presidency is certainly a controversial one.

With the so-called Whitewater affair raising as many or more questions about Mrs. Clinton's behaviour as about that of President Clinton, a First Lady is deeply involved in a White House scandal for probably the first time.

Few believe that this is what the Clintons had in mind when they offered voters two-for-the-price-of-one during the 1992 presidential campaign.

"I think the fair way to put it is this. She has helped the president enormously. And now she is hurting the president considerably," said Larry Sabato, professor of government at the University of Virginia.

Sabato said Clinton could not have been elected without his wife's support in the 1992 campaign, when he had to face repeated allegations that he had extramarital affairs.

"The downside of it is that highly professional women bring some of the baggage that all professionals have, which is circumstances that could be construed as conflicts of interest and even unethical situations," Sabato said.

Mrs. Clinton's critics claim she showed poor judgment in a tangle of ethical and legal matters swirling around an investment the Clintons made in the 1980s, when he was Arkansas governor and she was an attorney in Little Rock.

Bill and Hillary Clinton were partners in the Whitewater Development Corp., a real estate venture, along with James McDougal, who also owned Madison Guaranty Savings and Loan.

When Madison went under, at the cost to taxpayers of \$60 million, questions were raised about its financial ties with Whitewater. Mrs. Clinton also had done legal work for Madison Guaranty. The Wall Street Journal's Al Hunt said last week this involved her in a "triangular" conflict of interest:

"As the spouse of the governor and a Whitewater investor, she was representing Mr. McDougal before state regulators. And she was the family decision-maker on investments," Hunt wrote.

Now a federal prosecutor is probing the Whitewater affair. But lately the trouble has been not so much what happened in the 1980s as the White House's response to reopening the saga.

Here, too, Mrs. Clinton's role is being questioned. It has been widely reported -- without official confirmation -- that she fought the appointment of a special Whitewater prosecutor.

Last week she saw two of her own aides subpoenaed by a grand jury and her old mentor, Bernard Nussbaum, resigned from his job as White House counsel -- largely because of their responses to the Whitewater probe.

And the apparent suicide last July of one of her former partners at the Rose Law Firm in Little Rock, Vincent Foster, a deputy White House counsel, is under scrutiny as part of the Whitewater investigation.

Mrs. Clinton has had little to say about Whitewater other than to assert that she and the president lost money on the venture. While she spent Sunday at Camp David with the president, White House officials defended her on talk shows.

"You knew from the very beginning of this campaign that people were going to try to make Mrs. Clinton a political issue," White House adviser George Stephanopoulos said on ABC's "This Week with David Brinkley."

Vice President Al Gore told NBC's "Meet the Press" that critics had stooped to an inaccurate "cartoon image" of the Clintons and said the president was "in charge" at the White House.

Mrs. Clinton's detractors have demonized her as a feminist dragon lady ever since she said in 1992 that she had purused a career rather than staying at home and baking cookies.

She seemed to have overcome much of that criticism with a dazzling presentation on Capitol Hill last autumn of the president's health care plan, which she led in developing.

But that plan, too, seems to be going awry. The White House has not been able to build a consensus around it, partly because of criticism it is too bureaucratic. Some of its core elements may be tossed out in Congress, and some polls now say more Americans oppose the plan than support it.

``They have to stop the bleeding now, or she (Mrs. Clinton) will slip down that slippery slope'' to becoming a political liability, Sabato said of the First Lady.

He said her troubles could have implications ``for health care, and of course for the 1996 election, when that slogan two-for-the-price-of-one could come back to haunt them.''

REUTER

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BC-Top-Stories:-Worldwide-for-March-7

Top Stories: Worldwide for March 7 Gore Faults White House Staff Over Handling of Whitewater

The White House staff botched its handling of the Whitewater affair, creating a problem where none existed, Vice President Al Gore said Sunday. President Clinton and Hillary Rodham Clinton have done nothing wrong, and the Whitewater investigation by special counsel Robert Fiske ultimately will show that, Gore said. He spoke less than a day after White House counsel Bernard Nussbaum resigned under criticism by the president. Nussbaum was one of six aides subpoenaed Friday by the Federal Bureau of Investigation in connection with a special prosecutor's investigation into the Whitewater Development Corp. project in Arkansas. (See story: NI EXE) Muslim and Croats Report Arms Withdrawals to Meet Deadline The 11:00 GMT deadline today for Bosnian Muslim and Croat forces to withdraw from frontlines is part of the Muslim-Croat peace agreement of two weeks ago, the British Broadcasting Corp. said. Mostar is reportedly no longer surrounded by the Croatian heavy artillery which has been bombing its Muslim population for months. Negotiations on details of the peace continue in Vienna this week. (See story: NI YUGO) Transcripts Detail Three Scenarios to Kill Egyptian President

Three scenarios to assassinate Egyptian President Hosni Mubarak during a visit to New York were shelved when the FBI learned of them, according to secretly recorded talks with the alleged mastermind of a plot to bomb the United Nations. Fifteen men still stand trial in the conspiracy case in September. (See story: NI US) Tuberculosis Level High Among Homeless Sleeping on London Streets

A survey by the charity Crisis found four of 250 homeless people X-rayed over the Christmas holidays suffer from the disease, the British Broadcasting Corp. reported. An additional thirteen of those examined appeared to have suffered from TB previously, though were not ill at the time. The results are much higher than the normal rate of six or seven per 100,000 people, according to doctors. Colombian Gunmen Assassinate Senior Federal Investigator

Gunmen firing from two taxis and a motorcycle assassinated a senior federal investigator and wounded his driver Sunday in Medellin, the Associated Press reported, citing police. The attack had all the hallmarks of a hit by drug traffickers, who have long favored using motorcycle-borne gunmen. Luis Fernando Correa, 34, was the chief investigator for Medellin, a cocaine trafficking center and Colombia's second-largest city. (See story: NI COLOM) Frank Sinatra Collapses in Concert, Checks Self Out of Hospital

The 78-year-old singer collapsed face down on stage Sunday during "My Way" at his second sold-out show in Richmond, Va., and was taken by ambulance to the Medical College of Virginia Hospitals. He walked out of the hospital less than three hours later. Sinatra's spokeswoman said he "became overheated and passed out for a few moments." (See story: NI ENT) German Government to Expel 200,000 Yugoslav Refugees

The 200,000 refugees from the former Yugoslav regions of Serbia, Montenegro and Kosovo will be deported by the German government in the next few weeks, the weekly Der Spiegel reported. In an advance copy of an article to be published tomorrow, the magazine said the refugees would be flown to Romania and brought by bus to Serbia. (See story: NI GER) Demonstrators Call for Withdrawal of Settlers From Territories

Tens of thousands of Israelis, Palestinians and Jews alike, called on Israel's government to withdraw settlers from the occupied territories, Cable News Network reported. The demonstration in central Tel Aviv came as weekend polls showed that almost 50% of Israelis want their government to withdraw the settlements in the wake of the Hebron massacre, CNN said. (See story: NI ISRAEL) S. Africa's Pro-Apartheid Whites Refuse to Take Part in Election

Pro-apartheid whites have retracted an announcement that they'd participate in what would be South Africa's first multi-racial elections on April 27, the Associated Press reported. The retraction came after a

bellicose white assembly assailed one of its leaders for saying that his party would participate in the election, AP said. (See story: NI SAFRIC)
Malaysian Government Paid High Price for Radar Equipment

The Malaysia government paid up to twice the normal price for British defense equipment under the arms sale, which has been linked to the Pergau Dam project, the Times of London said. Units of General Electric Co. sold products to a service company in Kuala Lumpur, which then fixed prices with Malaysian authorities. In one case involving the sale of defense packets, this led to costs doubling to almost 200 million pounds (\$398 million), the paper said. (See story NI MALAY) United States Pledges \$700 Million in Assistance to Ukraine

The money will be used to facilitate economic reforms and remove nuclear weapons. ``America and Ukraine are dedicated to building a new relationship,' ' President Clinton said at a joint news conference with Ukraine President Leonid Kravchuk. The two countries signed six treaties that covered issues ranging from bilateral investment to nuclear safety. (See story: NI SOV) Katherine Ann Miller, London newsroom 44-71-374-2080 iu -0- (BBN) Mar/07/94 11:33 EOS (BBN) Mar/07/94 06:33 85

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BC-USA-WHTEWATER

LEACH SEES WHITEWATER OBSTRUCTION

WASHINGTON (Reuter) - The ranking Republican member of the House Banking Committee added his voice Monday to those suggesting White House aides may have been trying to obstruct justice in the Whitewater affair.

"I will say what has occurred in recent weeks, that cannot be underestimated, are implications of obstruction of justice," Representative Jim Leach of Iowa said on the NBC "Today" show.

Bernard Nussbaum, the White House's top lawyer, resigned Saturday after the disclosure that he held an unusual series of meetings with Treasury Department officials connected to the Whitewater investigation.

The probe centers on a failed Arkansas savings and loan institution's ties to Clinton and his wife, Hillary Rodham Clinton.

Six White House officials and three Treasury Department officials were subpoenaed Friday by a special counsel investigating connections between the thrift and Whitewater Development Corp, a failed land venture in which the Clintons were partners.

George Stephanopoulos, a senior White House advisor, said on the same program that Republicans were trying to exploit the Whitewater matter for partisan political gain.

"They can't run on the economy. They can't run on health care. They can't run on welfare. They can't run on crime. So they're trying to exploit this issue," he said. "We shouldn't make mistakes that allows them to do that."

On Sunday, Sen. Phil Gramm, a Texas Republican, said Clinton was "digging himself into a hole" because of his aides meetings with federal investigators.

"I think if the president wants to serve his term out, he's going to have to begin by leveling with the American people," Gramm, who is expected to seek the 1996 Republican presidential nomination, said on the ABC program "This Week With David Brinkley."

REUTER

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LEVEL 1 - 1 OF 1 STORY

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The Washington Times

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HEADLINE: Rose staffers say Hillary ordered papers shredded ;
Boxes hauled from mansion after Whitewater report

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY:

Couriers from the Rose Law Firm were summoned to the Arkansas governor's mansion in Little Rock during the 1992 presidential campaign by Hillary Rodham Clinton, who personally handed over records to be shredded at the firm's downtown office, three current or former Rose employees have told The Washington Times.

They gave this account:

The shredding began after the New York Times reported on March 8, 1992, the involvement of Gov. Bill Clinton and his wife in a tangled north Arkansas real estate venture known as Whitewater Development Corp.

Mrs. Clinton gave the couriers sealed, unmarked envelopes with instructions that they were to be shredded at the firm. Couriers made at least six other "mansion runs" during the campaign.

Other records from Mrs. Clinton's office at the firm, where she was a senior partner, also were shredded on the orders of other officials.

The shredding continued through the Nov. 3 general election, in which Mr. Clinton defeated President Bush.

"There were a number of runs to the mansion by several different couriers," said one former Rose employee, who asked not to be identified. "The instructions were always the same. The records were to be taken back to the firm and shredded."

The shredding, according to the current and former Rose employees interviewed by The Washington Times, was not limited to Mrs. Clinton. Records belonging to Rose firm partners Webster L. Hubbell, now associate attorney general, the third highest-ranking officer at the Justice Department; Vincent W. Foster Jr., former White House deputy counsel; and William H. Kennedy III, associate White House counsel, also were shredded.

"A lot of papers were run through the shredder, I can assure you of that," said a current employee of the firm, who requested anonymity. "A conservative estimate would be that more than a dozen boxes of documents ultimately were destroyed."

The Washington Times, March 7, 1994

The nature of the records included in the envelopes handed over by Mrs. Clinton is not clear, nor is the content of the documents in the boxes taken from her office at the Rose Law Firm. All were to be shredded. Neither is it clear which records from the Rose firm Mrs. Clinton would have kept at the governor's mansion, which is a mile and a half from the Rose offices on East Fourth Street in Little Rock.

The Clintons' Whitewater partners, James B. McDougal and his wife, Susan, now divorced, have said they personally delivered all of the Whitewater records to the governor's mansion in December 1987 at Mrs. Clinton's request.

During the presidential campaign, the Clintons said the records had disappeared.

Federal investigators declined last November to open a criminal prosecution regarding the manipulation of funds to Whitewater through Madison Guaranty Savings and Loan Association, owned by Mr. McDougal, because documents detailing the venture could not be found.

The Resolution Trust Corp., which oversees failed S&Ls, had recommended to the Justice Department in October that it consider a prosecution based on reports that funds from Madison had been diverted to Whitewater and eventually routed to Mr. Clinton's successful 1984 gubernatorial campaign. This would have been a violation of the law.

Federal law enforcement sources said records describing such a transaction could not be located.

A confidential report submitted by prosecutors in Little Rock to the Justice Department's criminal division in Washington said the case was being shelved because of "a lack of specific evidence," said one law enforcement official familiar with the referral.

Federal inquiries continue based on nine other RTC referrals, including questions surrounding Madison's dealings in other loans and its involvement with Mr. Clinton and his successor, Gov. Jim Guy Tucker.

Ronald M. Clark, managing partner at the Rose firm, did not return calls to his office last week for comment. Mr. Clark has denied that the firm improperly destroyed any documents.

He has declined to return several telephone calls seeking comment. In a statement sent to The Washington Times via facsimile, Mr. Clark said his firm had "actively made every effort to preserve all the files" connected to the Whitewater-Madison investigation conducted by special counsel Robert B. Fiske Jr.

Mr. Clark disputed a dispatch in the New York Times, published last week, that records belonging to Mr. Foster also had been shredded.

The newspaper said a Rose firm employee, Jeremy Hedges, testified before a federal grand jury in Little Rock that he had been ordered to destroy a box of records from Mr. Foster's files in late January. Mr. Hedges, according to the Times, told the grand jury the records were marked VWF, Mr. Foster's initials, although he did not know which specific documents were included.

The Washington Times, March 7, 1994

The New York Times, in interviews with lawyers and former Rose firm employees, also described a shredding system in place at the firm, identifying separate trash cans for lawyers and secretaries for documents that were to be shredded daily. The lawyers and employees said the system was put in place in 1991, shortly after Mr. Clinton announced his candidacy.

Mr. Foster, whose body was found July 20 in a Virginia park in what police authorities have said was a suicide, was the Clintons' personal lawyer and handled, among other things, their Whitewater dealings. He handled the November 1992 sale of the Clintons' half-share of Whitewater to Mr. McDougal for \$1,000, and discovered in December 1992 Whitewater's failure to file corporate income tax records for a three-year period.

Mr. Foster also was responsible for the creation of a blind trust for the Clintons' assets to satisfy ethical concerns about their personal business deals. The task was not completed until six months after Mr. Clinton took office - and three days before Mr. Foster's death.

A longtime Clinton friend, Mr. Foster also was a business partner with Mrs. Clinton, along with Mr. Hubbell, in an investment group and a stock partnership. The two businesses, whose records were maintained at the Rose firm, were Value Partners and Midlife Investors Inc.

In addition to the January shredding incident described last week by the New York Times, another Rose firm employee told The Washington Times last month that documents showing the Clintons' involvement in the Whitewater project had also been ordered destroyed.

That shredding incident, according to the employee, occurred Feb. 3. A Rose firm employee who reportedly took part in the shredding declined to comment but refused to say that the incident did not happen.

Mr. Fiske, assigned Jan. 20 by Attorney General Janet Reno to look into allegations of financial irregularities involving Madison and the Whitewater venture, has said he will look into the shredding allegations.

He has ordered the Rose firm not to destroy any Whitewater-Madison documents or computer tapes. FBI agents also have interviewed several Rose firm employees, and others have been called before a grand jury to comment on the shredding allegations. The interviews are continuing.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater.

GRAPHIC: Photo (color), Hillary Rodham Clinton

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

Give 'em Hill, or at Least Heck, Donna

By Al Kamen
Washington Post Staff Writer

No freelancing on the Hill, Health and Human Services Secretary Donna E. Shalala told her troops last week as the various mammoth agencies under her wing prepared to march up to Congress to battle for their budgets.

Backdoor efforts by bureaucrats to get a little boost from allies on Capitol Hill are nothing new, Shalala noted, attaching to a staff memo some 1946 advice from Harry S. Truman to his budget director.

In the letter, Truman said he had "noticed that on several occasions certain department and agency officials have shown a tendency to seek from Congress larger appropriations than were contemplated in official budget estimates."

"While agency witnesses before congressional committees must feel free to supply facts in answer to questions of committee members," he said, "I cannot condone the practice of seizing upon any opportunity which presents itself to indicate an opinion, either directly or indirectly, that my estimates are insufficient."

Everyone should answer questions "in a truthful and forthright manner," Shalala said in her memo to the troops.

"However, as we respond, we should also place our answers in the proper context," she instructed. "This is a zero-sum budget. There are no increases in discretionary spending without decreases."

National Institutes of Health, this means you!

No More Whitewater Under the Bridge

■ White House officials are confident they can handle any trash pile-ups that might be generated by deputy counsel Joel I. Klein's memo on Friday ordering everyone to hold on to anything remotely related to Whitewater "including but not limited to: memoranda, records, reports, notes, books, files, summaries of records of conversations, meetings or interviews, summaries or records of telephone conversations, diaries, calendars, datebooks, telegrams, facsimiles, telexes, telephones, electronic mail . . . Bernoulli boxes . . . WORM disks . . . floptical disks . . . and all other written, printed or recorded or photographic matter or sound reproductions, however produced or reproduced," and anything on the backs of McDonald's wrappers and pizza boxes.

Not only must you hold on to this stuff, Klein warns, "you must also retrieve and retain any responsive documents in your wastepaper basket and your burn bag."

Asked if there was any concern about where all this stuff was going to be collected, one official said: "Nah. We can use [David] Gergen's office. We haven't seen him around here lately."

Author Hidden in Fourth Estate

■ President Clinton, a prolific reader and fan of novels and mysteries, sparked something of a mystery himself recently in the publishing world.

Seems Clinton wanted to have a dinner with some of his favorite writers and had asked his staff to track down a few and send out invitations.

An aide relayed the request to one publishing house, asking for the whereabouts of a "Mr. P.D. James" and of a writer named Calvin Hanson of Miami. James was easy: Ms. Phyllis Dorothy James. But "Hanson" had the publishing people stumped for a moment. They finally concluded it must be Carl Hiaasen, now a columnist at the Miami Herald.

Contenders for Refugee Bureau

■ Carol Tucker Foreman, assistant secretary of agriculture in the Carter administration and now a consultant in town, has emerged as a strong outside candidate to head the Bureau of Refugee Programs at the State Department.

Foreman, who ran the mammoth Food and Nutrition Service shop at Agriculture—the biggest operation there, overseeing food stamps and school lunches, also has worked with groups involved with world hunger and population control. (She's also the sister of Arkansas Gov. Jim Guy Tucker.)

The in-house favorite at State is career officer and former deputy spokesman Phyllis E. Oakley, who is now the acting head of the bureau. Oakley replaced Warren Zimmermann, who retired last week after announcing his departure in early January with a blast at the administration's Bosnia policy.

In, Out and Official

■ Moving in: Donald Baer, longtime assistant managing editor at U.S. News & World Report, is moving in to the White House speechwriting operation as director of speechwriting and research.

Moving on: John A. Gaughan, former deputy assistant to Clinton and to President George Bush as head of the White House military office, has joined a Washington public affairs consulting firm.

It's official: The State Department has picked James B. Steinberg, now deputy assistant secretary in the bureau of intelligence and research, to be director of the policy planning shop. Steinberg most recently worked as a senior analyst at Rand Corp. Before that he was a foreign policy adviser to Michael S. Dukakis in 1988, a senior fellow at the International Institute for Strategic Studies in London and an aide to Sen. Edward M. Kennedy (D-Mass.), first on the Senate Labor and Human Resources Committee and then on the Armed Services Committee.

Steinberg is a gray-haired type for the job—such as former Carter adviser Stuart E. Eizenstat. But the 40-year-old Steinberg gives State a policy wonk who also is tightly wired to White House and Hill networks.

Gore Asserts 'Fire Wall' on Whitewater

Republicans Accused Of Exploiting Issues

By Ann Devroy
Washington Post Staff Writer

AT

Top White House officials, including Vice President Gore, yesterday asserted that the White House has built a "fire wall" to guard against further "mistakes" in the handling of the Whitewater issue.

Gore and White House senior adviser George Stephanopoulos accused Republicans of exploiting the Whitewater issues that involve investment by the Clintons in the Whitewater Development Corp., an Ozarks real estate development firm, and its ties to an Arkansas savings and loan association that failed.

But Sen. Phil Gramm (R-Tex.) and others said President Clinton was "digging himself into a hole" because senior White House staff members were briefed on Whitewater issues by Treasury Department officials investigating the Madison Guaranty Savings & Loan failure and because departing White House counsel Bernard Nussbaum involved himself in the probes.

Gore, appearing on NBC's "Meet the Press," said memos issued last week to the White House staff banning discussions with outside agencies on the Whitewater and Madison matters have built a "fire wall, preventing any kind of contact on this matter between people in the White House and people who are conducting the investigation. We will have the highest ethical standards in this White House."

Gore admitted the White House had made mistakes in allowing, on three occasions, senior officials to be

PRESIDENT, From A1

briefed by Treasury Department officials on the status of the Resolution Trust Corp. investigation into the failure of Madison. The RTC in October asked the Justice Department to pursue a criminal investigation of the Madison failure and named the President and Hillary Rodham Clinton as possible beneficiaries of illegal Madison practices. The Clintons were not cited for any wrongdoing.

The nine White House and Treasury officials involved in the three discussions were subpoenaed Friday by Robert B. Fiske Jr., the Whitewater special counsel, and were ordered to produce all their records and memos on the meetings at a grand jury proceeding this Thursday. In part because of his role in all three meetings, Nussbaum was forced to resign Saturday and will leave April 5.

Gore and Stephanopoulos said yesterday Republicans were pushing the issue to harm Clinton's public standing. "There is an enormous amount of partisanship" in the issue, Gore said. "What would you do if you were in the opposition and you saw an opportunity to make a dent in this

growing popularity [of the president]?" he asked.

Stephanopoulos told ABC's "This Week With David Brinkley," "The Republicans can't run on the economy. They can't run on health care. They can't run on welfare, and they can't run on crime. So they're going to try to exploit this issue." But he acknowledged, "We shouldn't help them by making mistakes. That's our fault."

The three meetings, he said, "should not have happened even though, as I have said, we don't believe anything unethical occurred" in those sessions. White House Chief of Staff Thomas F. "Mack" McLarty made the same case on CNN's "Late Edition."

McLarty acknowledged that he had arranged one of the meetings but had not attended it. That session was one in which Deputy Treasury Secretary Roger C. Altman last month briefed the deputy chief of staff, Harold Ickes; the First Lady's chief of staff, Margaret Williams; and Nussbaum on the RTC procedures for handling civil cases growing out of Madison's collapse.

McLarty said the meeting was not improper and had not alarmed him because it was "purely informational" in that its subject was information already provided to Congress and others. But in retrospect, he said the session should not have been held. Altman, who serves as acting head of the RTC because of the absence of a politically appointed head, has said the session showed "bad judgment" on his part.

Gramm, also appearing on the Brinkley show, said Clinton's trouble with Whitewater is "getting worse . . . when you start getting in a position where it looks like you're covering things up. . . . When you start interfering with investigations, that can quickly become obstruction of justice."

Gramm called on Clinton to "make all this information public, answer all the questions and whatever dirty linen's there. It will look better now than it's going to look a month from now." If Clinton "continues to have White House counsel interfere in investigations and officials of regulato-

ry agencies over to brief staff . . . that can quickly become obstruction of justice."

If the president "wants to serve his term out, he's going to have to begin by leveling with the American people," he said.

Sen. Alfonse M. D'Amato (R-N.Y.) issued statements Saturday and yesterday saying Clinton's presidency is in danger because of the conduct of his aides. D'Amato and 42 other Republican senators have called for congressional hearings on the three sessions, but the Democrats have given little sign of relenting on what would be a forum for attacking the Clinton team.

House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), whose committee oversees the Treasury Department, was asked yesterday on the Brinkley show if he would hold hearings on Treasury officials' roles in the three meetings. He replied that if Treasury Secretary Lloyd Bentsen calls him or if "I call him . . . and there's a discussion, we'll take a look at it."

Administration officials have said publicly that hearings are up to the Democratic leadership in Congress, and Stephanopoulos repeated that yesterday. Another official said yesterday that because Fiske has subpoenaed documents and officials involved in the meetings, it would be difficult for them to testify before congressional hearings.

An Incomplete Recovery ✓

FOR THE FIRST time in some 25 years, the American economy is glowing with health.

A startlingly high growth rate has just been reported for the last quarter of 1993, and steady progress is widely forecast for this year. The inflation rate is low, by the standard of recent decades, and unemployment has been declining. Private debtors are getting their finances in better order than in many years, and the federal deficit is dropping. The banking system has largely recovered from the crises and losses of the 1980s. It's possible to hope that the country may be entering a period of stable prosperity unlike anything since the 1960s.

But in the years of turbulence, a lot went wrong that even the smoothest of recoveries will not automatically remedy. One particularly ominous indicator is the increasingly unequal distribution of income, signaling a more rigid structure of social classes. The reasons involve the labor market's rising demands for education and advanced skills—and the inability of the educational system so far to respond adequately.

The widening gap between rich and poor, accompanied by an increasing population of uneducated and permanently unemployed young men, is in turn related to crime rates. If prosperity brings a rise in incomes that is concentrated in the richest fifth of the population, as in the past 15 years, while the poorest fifth's share declines, it is difficult to think

that new wealth will make the United States a more pleasant or comfortable place to live.

Rising incomes can provide the means to strengthen society greatly, if society chooses to use them well. Rapid growth in the quarter-century after World War II provided the economic base for two profound changes. Americans decided that every child should complete high school and, although that ideal has never been quite attained, the rise in the average level of education has made a powerful difference for the better. Prosperity also greatly eased the process of racial desegregation. Growth made it possible to open opportunities to black Americans without closing them to white Americans. People who deprecate the importance of economic growth need to consider those two examples.

In the 1980s most of the increase in American incomes went into health care, and Americans now seem to be ambivalent about that. Most of them seem to feel that they don't want that trend to continue indefinitely, but they are still far from agreeing what to do about it. If the country should now be fortunate enough to enter a time of stable prosperity, and if it should find a way to restrain health costs, the increase in its disposable wealth will once again be sufficient to promise large changes in American society. But nothing is guaranteed—least of all the wisdom to use the money well.

My Record on Medicaid ✓

I commend The Post for taking a serious look at Medicaid (front page, Jan. 30, Jan. 31, Feb. 1, Feb. 2), a program that is not only crucial to more than 35 million low-income Americans but also is one of the best arguments for health care reform.

What disappointed me most, however, was the Jan. 31 article on the misuse of federal Medicaid payments intended for "disproportionate share" hospitals. The article blamed me for blocking efforts by the Bush administration to curb Senate abuses of federal Medicaid subsidies intended for hospitals serving a "disproportionate share" of Medicaid and uninsured patients. This is a gross misreading of the record.

On Oct. 7, 1991, I joined with Lloyd Bentsen, then chairman of the Senate Finance Committee; Jim Sasser, chairman of the Senate Budget Committee; Leon Panetta, then chairman of the House Budget Committee; and John Dingell, chairman of the Committee on Energy and Commerce in a letter to the secretary of the

were 101 Republicans in the House, who helped form a majority far larger than that needed to override a veto. I think that most of these Republicans would be surprised to learn that, in voting against their administration, they were helping Henry Waxman—in the words of the article—to protect "loopholes" that created a "backdoor way to funnel more federal money to states."

Eventually, documentation of real abuse by the states began to surface.

On Feb. 28, 1993, and again on April 13, The Post published articles detailing the misuse of federal Medicaid "disproportionate share" funds by New Hampshire, North Carolina and other states. On the basis of that reporting, I joined with Rep. Alex McMillan (R-N.C.) in developing legislation to prevent the states from diverting federal Medicaid funds away from hospitals serving large numbers of Medicaid and uninsured patients and using those funds to fill in holes in their budgets for other purposes.

Opposing a Sept. 16, 1993, Bush administration regulation that would have prohibited states from using revenues from provider-specific taxes to help finance their Medicaid programs.

It had become clear to us that the Bush officials were hoping to reduce state spending on the program, thereby reducing the rate of increase in federal Medicaid spending. On Nov. 19, 1991, the House voted 348 to 71 to impose a one-year moratorium on the implementation of the Sept. 12 regulations.

Joining me in opposition to the Bush administration's regulations

ed by my subcommittee and opposed by the states, were enacted last August as part of the Omnibus Budget Reconciliation Act of 1993, at a saving to the federal government of \$2.1 billion over the next five years.

I hope the Post continues its investigative reporting on Medicaid. I would only ask that in the search for villains, it be a little less selective in its presentation of the historical record.

HENRY A. WAXMAN

U.S. Representative (D-Calif.)

Chairman
Subcommittee on Health and the Environment
Washington

The Washington Post

AN INDEPENDENT NEWSPAPER

Mr. Nussbaum Goes—Not the Mess

NEITHER BERNARD Nussbaum, who resigned yesterday as White House counsel, nor Treasury Deputy Secretary Roger Altman and seven other senior White House and Treasury Department officials will be spending March 10 in their offices engaged in the duties that brought them to town. Mr. Nussbaum and the others will be queued up before a federal grand jury in Washington, compelled by subpoena to testify under oath about the circumstances under which they discussed the status of a federal probe of the Madison Guaranty Savings & Loan, a failed Arkansas institution with ties to the Clintons. That date with the grand jury will be a day of public disgrace for the administration.

But more than humiliation is involved in this case. Since the Madison failure and the abortive White-water land venture erupted as issues, White House staff have been nothing but a problem. Their clumsy and sophomoric attempts at political damage control have only added to the impression that there is something not quite right about the Clintons' Arkansas political and business dealings and that the First Family has something to hide. That may turn out not to be true—the president says not—but his staff haven't helped him with his case at all.

They are giving the grand jury much to sort out. We especially have in mind the September get-together between Mr. Nussbaum and Treasury General counsel Jean Hanson. In that meeting, Ms. Hanson reportedly disclosed that the Resolution Trust Corp. was poised to ask the Justice Department to conduct a criminal probe into Madison, and that the Clintons were named as possible beneficiaries of the S&L's illegal activities. The grand jury will undoubtedly want

to know whether Mr. Nussbaum or any other White House staff members with knowledge of the coming RTC action shared that information with the Clintons. (If so, Mr. Clinton's criticism of the Treasury-White House meetings will ring a little hollow.) But in either case, with questions like this staring at the president, and with Republicans accusing the administration of trying to manipulate an independent regulatory agency, it's hard to imagine a worse way for staff to protect the boss's interests.

That explains the anger many of the more seasoned figures in the administration have for Mr. Nussbaum. Though the president accepted Mr. Nussbaum's resignation "with deep regret," many of Mr. Nussbaum's senior associates apparently aren't shedding many tears. They see him as having allowed the White House to slip and slide into improprieties that a child of 4 could have figured out. Mr. Nussbaum said he was taking his leave because of the "controversy generated by those who do not understand, or wish to understand, the role and obligations of a lawyer." We offer another possibility. Mr. Nussbaum not only failed to keep his principal client out of trouble; he also generated much of the controversy and troubles himself. Going back to Travelgate, when Mr. Nussbaum saw nothing wrong in having the FBI announce there was evidence of criminal wrongdoing—in violation of bureau policy—to his mishandling of key nominations and the aftermath of Vincent Foster's suicide, to the current White House-Treasury encounters, this has been the case. Whatever he thinks of himself as a lawyer, Mr. Nussbaum was truly miscast as White House counsel.

Bargaining Out North Korea's Bomb ✓

THE BARGAINING over North Korea's nuclear program is back on track. But back on track to what? The dismal fact is that it is still not possible to tell whether, as stalwarts of nonproliferation intend, rogue North Korea is being drawn into a non-nuclear role in a community of nations or whether, as many suspect, it is prolonging negotiations in order to bargain a nuclear payoff.

North Korea is no Soviet Union, an ally of the United States and the United Nations, and a member of the United States and South Korea, although American negotiators insist these boons won't actually be delivered unless the North meets IAEA inspection demands.

In other circumstances a regime that acted with North Korea's irresponsibility would have to expect to pay. But none of those touched by Pyongyang's bad faith is eager for a showdown with this paranoid and unpredictable regime. This is why North Korea's interlocutors—the United States, South Korea, the International Atomic Energy Agency—have felt it necessary to make what the State Department

describes not as "concessions"—though they are that—but as "prudent steps" to keep the hope of a non-nuclear North Korea alive.

North Korea has stretched out and is still restricting inspections of the sort the IAEA has just resumed—even though it undertook to permit full inspections in signing the Nuclear Nonproliferation Treaty. It has

circumstances of talks with the American and South Korean negotiators insist these boons won't actually be delivered unless the North meets IAEA inspection demands.

In Washington there is much dissatisfaction with this course, in and out of the administration. The idea of a bomb in the hands of North Korea is insupportable all around. But even critics who think the administration is not tough enough with North Korea accept the main American strategy of first trying to block any further development of its nuclear capacity and only then going back to reverse whatever progress it may already have secretly attained. Firmness and consistency are required in this uncertain but urgent quest.

No Client Privilege

WASHINGTON
I called Bernard Nussbaum last Wednesday to find out whether he had hired a lawyer for himself, he had not. Further poking about revealed that no White House aides had yet been asked about their cozy consultation with "investigators," nor had a warning been issued about destroying notes of the improper meeting.

The barb here about that laxity, made puissant by The Washington Post's stunning revelation of two similar abuses of White House influence, helped get the non-independent counsel off his duff.

Mr. Nussbaum seemed a lonely man last week; it turns out he was in the midst of a four-day White House freeze-out, which ended in a 90-minute Presidential session Friday night. He must have argued to Mr. Clinton that the recent meeting that precipitated the firestorm was the handiwork of a blundering "damage control" aide, not the White House counsel.

But Nussbaum had attended without objection; taken with previous episodes of zealous protection of the President, it made him the first to be cast off the sled.

A confession: I like the scrappy Bernie Nussbaum and admire his loyalty. He is neither an evil genius nor a political *shmegegge*. But his feisty resignation blasting "those who do not understand . . . the role and obligations of a lawyer" shows how the aide called "the President's lawyer" thinks that is what he is.

He is not. The White House counsel is supposed to advise the President on official, governmental matters only — not on any personal action taken before or after his inauguration. Deputy counsel Vincent Foster, before his apparent suicide, was ignoring that restriction in protecting the Whitewater file; Mr. Nussbaum then continued that protection by secretly sending the personally embarrassing file to the Clintons' private attorney.

A precedent on "privilege": A generation ago, Nixon counsel James St. Clair called acting Attorney General Laurence Silberman to complain about the special prosecutor's call of another attorney helping Nixon, Fred Buzhardt, to appear before a grand jury. What about attorney-client privilege? Silberman, now a Federal appellate judge, advised there was no such privilege: Buzhardt worked for the government, not for Nixon personally. Astonished, St. Clair said "Then that applies to me." Which it did.

The White House counsel's only

real "client" is the people; no government official can claim attorney-client privilege in consulting him. But on official matters, he and the President sometimes claim confidentiality through a modern notion of "executive privilege." That may be why Nussbaum — with the Clintons' interests at heart — fought the impulse of uninformed White House spin doctors to make him the scapegoat.

Why does he want to remain until April 5? Not for the stated "orderly transition," which his deputy could handle, or to stay on the public payroll, which costs the successful corporate lawyer \$150,000 a month. Perhaps he lingers to maintain a semblance of executive privilege before a grand jury, which will diminish after he is set adrift.

Three days from now, that grand

Clinton's aides must tell all.

jury will watch an ill-prepared prosecutor examine a parade of meeting participants. Having moved too slowly last week, Robert Fiske is moving too hastily this week, putting on a dramatic show of prosecutorial muscle, letting us in the media jerk his chain. (Free the "Clinton 10"!)

He should first interview all the participants and their aides, basing specific questions on subpoenaed notes, calendars and computer records. He would discover how best to obtain sworn testimony from seekers or disclosers of investigative data, as well as any participation by potential targets in selecting Fiske as their investigator.

In this fair and systematic way, grand jury testimony could be taken to reconstruct meetings with the Clintons — as, for example, in the period just after the Foster death and before Nussbaum's turnover of the 27 pieces of a note. (Ink your thumbs and tear a single page four times; I get 32 pieces and thumbprints all over.) Did Hillary know Foster kept the Whitewater file?

To defend themselves, the President and First Lady cannot turn with privileged confidence to the replacement White House counsel. The Clintons, with no personal fortune, are entitled to private support from a legal-defense fund. Start one now.

Day of TV Defense for Administration on Whitewater

By DOUGLAS JEHL

Special to The New York Times

WASHINGTON, March 6 — Vice President Al Gore offered a vigorous defense of President Clinton today, but acknowledged that "mistakes have been made" in the handling of an inquiry into an Arkansas land deal and that the White House must approach the case from now on with "hypersensitivity."

To underscore that commitment, senior Administration officials said Mr. Clinton would move within days to replace Bernard W. Nussbaum, the White House counsel who is stepping down over the matter, with a successor with Washington experience and a background that is beyond reproach.

A leading candidate is Charles F. C. Ruff, a former United States Attorney here who was most recently considered for the job of Deputy Attorney General. One Administration official said the White House was already "very far down the road" in talking with Mr. Ruff about the post.

Mr. Gore's defense of the Administration comes after a week in which Mr. Nussbaum and five other senior White House officials received subpoenas to testify about their contacts with Federal regulators investigating a failed Arkansas savings and loan whose owner was a partner with Mr. Clinton and his wife, Hillary, in the land venture. The subpoenas were issued by Robert B. Fiske Jr., the special counsel investigating the Clintons' involvement in the land venture, the Whitewater Development Company, and the savings and loan, Madison Guaranty.

Today, on the NBC program "Meet the Press," Mr. Gore blamed Republican opportunism for the growing prominence of a case in which he said there was no evidence of wrongdoing.

But the Vice President and other senior officials who appeared on televi-

sion news programs to defend Mr. Clinton acknowledged that his political problems had been compounded by the poor judgment shown by his staff. With the President facing criticism for relying too heavily on a narrow circle of aides, George Stephanopoulos, a senior adviser to Mr. Clinton, said on the ABC program "This Week" that a "heavyweight" would be installed as the new White House lawyer.

Seeking Experience

If it is not Mr. Ruff, other officials said, the White House chief of staff, Thomas F. McLarty 3d, was hoping to persuade someone else who had weathered the storms of previous Administrations to take up the post.

"Here, the individual is the message," a senior White House official said. "It will be someone who has unquestioned integrity, unquestioned legal skills, unquestioned Washington experience, and commands authority and respect."

Mr. Ruff would not comment today on whether he was a candidate for the job, which does not require Senate confirmation. The White House has passed him over three times for appointments that would require confirmation by the Senate, including Attorney General, in part because he has acknowledged having failed to pay Social Security taxes for a household employee.

Asked about Mr. Ruff in an interview tonight on CNN, Mr. McLarty praised him as "a person of distinction" but refused to say whether he was being considered for the job.

With the White House still reeling after last week's disclosure of unorthodox contacts between Clinton aides and Treasury Department officials prompted the string of subpoenas and forced Mr. Nussbaum's resignation, senior officials nevertheless described a sense of urgency tonight about setting on a successor.

Mr. Nussbaum took part in all three meetings at which he and other White House officials were given information about the status of a confidential inquiry by the Resolution Trust Fund, the agency overseeing the Federal bailout of the savings and loan industry, into Madison Guaranty.

On the Defensive

Administration officials said they hoped that the choice of a new White House counsel would add a positive note to what has been a string of bad news about the Fiske inquiry. But as Republicans continued their criticism today, the officials said they recog-

Officials promise new sensitivity on a sensitive matter.

nized that there would be need for more defenses like those mounted by Mr. Gore, Mr. Stephanopoulos and Mr. McLarty.

On "This Week," Senator Phil Gramm, the Texas Republican who is considering a bid for the White House in 1996, called on Mr. Clinton to "begin leveling with the American people." He said Mr. Clinton was "getting deeper in a hole" that threatens his Presidency.

But when asked about the inquiry being conducted by Mr. Fiske, Mr. Gore repeatedly called for "perspective."

"I very bit of information has been given over," the Vice President said. "The President called for the appoint-

ment of a special counsel. The President voluntarily gave the documents to the special counsel. Everything's that's been asked for is being given."

While saying there was "still no credible allegation of wrongdoing by anyone in the Administration," Mr. Gore acknowledged that "mistakes have been made" in the White House's handling of the matter, including by those who took part in the meetings.

That passive way of admitting fault echoes the roundabout constructions favored by past Administrations, as well as the White House's own admission last summer that it had mishandled the dismissals of employees in the White House travel office.

But from now on, Mr. Gore pledged this morning: "There will be hypersensitivity to every new step involved here so that there will not only be no conflict, but no appearance of conflict."

The six White House officials and four Treasury officials who received subpoenas last Friday must all report to Federal District Court here on Thursday to provide testimony sought by Mr. Fiske.

Because the White House itself also received a subpoena for documents related to those contacts, every official there must through Monday abide by an edict that prohibits wastebaskets from being emptied and computer files from being purged until their contents can be scrutinized to determine if they must be handed over to Mr. Fiske.

In addition to Mr. Nussbaum, the White House officials compelled to appear at the courthouse are Harold M. Ickes, the deputy chief of staff; Bruce Lindsey, a senior adviser to Mr. Clinton; Mark D. Gearan, the communications director; Maggie Williams, Mrs. Clinton's chief of staff, and Lisa Caputo, her press secretary, all of whom were named in news accounts as having taken part in at least one of the meetings with the Treasury officials.



Vice President Al Gore defending President Clinton on the NBC program "Meet the Press."

To complicate the matter further, Mr. McLarty acknowledged on CNN today that one of the three sessions had been arranged by his office and that he had known about it in advance.

In seeking a replacement for Mr. Nussbaum, White House officials acknowledged today that their constraints were not just self-imposed. In a television interview, Senator Daniel Patrick Moynihan, the New York Democrat, said it was important that Mr. Clinton choose as his counsel "someone who is not a friend of anybody working there now, but is a friend of the institution of the Presidency and will be a good attorney for the President."

Whitewater Issue May Prove Costly to Clinton in Congress

By MICHAEL WINES

Special to The New York Times

WASHINGTON, March 6 — For months, Republicans have pressed the White House and Congress's Democratic majority to look into the involvement of Federal agencies in the Whitewater affair. For months, the White House and Democrats have replied with a stiff-arm.

Now Mr. Clinton is about to reap the whirlwind of that policy on Capitol Hill.

In the House, the top Republican on the Banking Committee, Representative Jim Leach of Iowa, predicts disclosures of "blockbuster proportions" about the Whitewater matter in two weeks, when the panel holds its semi-annual hearing on the progress of the Federal savings-and-loan bailout.

Mood of 'Increasing Unease'

In the Senate, Republicans now promise to block approval of the new head of the Federal Deposit Insurance Corporation — and other White House nominations — until Democrats convene formal hearings on the matter.

More ominous for the White House, Congressional Democrats who have accepted the Clinton Administration's assertions of innocence, and dismissed Republican protests, are suffering their first twinges of anxiety about their own exposure.

An adviser to one prominent Democrat describes the mood among those senators as one of "increasing unease."

"This latest stuff is troubling for some people," said an aide to another Democratic senator who would probably sit in on a Whitewater inquiry. "We used to get on Ed Meese for this sort of thing, and it's a little tough to have a different standard now."

Mr. Meese was the Attorney General under President Ronald Reagan who, Democrats regularly asserted, mingled political and personal imperatives with his Federal law-enforcement duties.

Democrats had been able to safely ignore Republican questions about Whitewater because the matter is so complex and arcane as to be incomprehensible to many. But the disclosure that Mr. Clinton's Treasury Department had secretly told Mr. Clinton's White House about a Federal inquiry into Whitewater matters is all too clear, and it has robbed Mr. Clinton of his White House counsel and Congress-

sional Democrats of their best defense.

Mr. Clinton's latest misfortunes could hardly have come at a more opportune time for the handful of Republicans who have been quietly gathering evidence in the Whitewater affair without any Congressional forum in which to present it.

Mr. Leach has been calling for months for the House Banking Committee to make at least a tentative inquiry into ties between Mr. Clinton's Whitewater Development Company and an Arkansas savings and loan association, Madison Guaranty, that was taken over by the Resolution Trust Corporation, the Federal savings and loan bailout agency.

Except for the Democratic agreement to hold an overdue and legally required hearing later this month on the progress of the bailout program, Mr. Leach says his requests have been stonewalled.

So he has sent his own banking experts to Arkansas to conduct their own inquiry. And he has accepted a stream of tips and leads from whistleblowers who, he says, are afraid to talk to reporters and Federal investigators.

'Increasingly Troubled'

As a result, Mr. Leach said in an interview last week that he was "increasingly troubled" by the pattern of conduct in the Whitewater affair and had concluded that Democrats "had more reason to try to build walls than we thought."

"There appears to be a greater pattern of activity related to savings and loans than was originally known," he said. "It's becoming increasingly doubtful in my own mind that, from a tax perspective, this was appropriately reflected."

"From an ethical perspective, arrangements appear to have been dubiously entered into."

Mr. Leach refused to elaborate, but said he planned to present more details at the March 24 hearing on the Federal bailout program unless the Administration made its own clean breast before that.

Regarded as Cautious

His words carry added weight because he is widely regarded — among both Republicans and Democrats — as one of the most cautious and least partisan lawmakers in the chamber.

Elsewhere, the ranking Republican on the House Small Business Committee, Jan Meyers of Kansas, has dispatched aides to examine financial ties between Whitewater Development and an Arkansas company accused of fraudulently obtaining Federal small business loans.

Republican aides on the House Judiciary Committee were briefed last week by Floyd Brown, whose nonprofit group, Citizens United, has made a business of investigating Mr. Clinton.

In the Senate, the heaviest Whitewater labors have been performed by Senator Alfonse M. D'Amato of New

York, the chief Republican on the Banking Committee, and Lauch Faircloth, a first-term Republican from North Carolina who sits on the same panel.

It was Mr. D'Amato who began pressing the Whitewater issue in the banking panel months ago. He was shunned by the committee's Democrats and Mr. Clinton's Treasury Department, too.

In retrospect, one Democratic Senate aide said last week, that was a mistake. Then Democrats made another mistake: they attacked Mr. D'Amato personally. The head of the Democratic National Committee, David Wilhelm, mocked Mr. D'Amato for raising questions of ethics, charging in a letter that the Senator had committed perjury before a Long Island grand jury 19 years ago.

Mr. D'Amato is still frothing about it, especially since his original charge of an ethical violation now appears vindicated. He has since lined up 42 of his 43 fellow Republicans — the exception is Mark Hatfield of Oregon — to block the nomination of Hillary Rodham Clinton's longtime friend, Rikki Tigert, to head the Federal Deposit Insurance Corporation.

"I don't put anything past them," Mr. D'Amato said. "It's about the whole pattern, the whole manner in which this thing has been operated. Eventually you have to say something smells rotten in Little Rock."

Mr. Clinton has accused the Republicans of acting in a "blatant, bald and totally political way" in calling for Whitewater hearings. For their part, Republicans insist they are driven more by a legislative duty to uphold Government integrity than by brazen politics. If anyone is playing politics, they charge, it is the Democrats who control Congress.

Indeed, the same House banking committee that refuses to examine Whitewater held long hearings in 1990 into a bankrupt Colorado savings and loan whose directors included one of President Bush's sons, Neil.

Senate leaders have scoffed at the need for hearings in the past. But privately, an aide said on Friday that the leadership was now debating whether to hold a limited hearing on the independence of the Resolution Trust Corporation, if only to silence Republicans whose charges of stonewalling are beginning to ring a bit truer.

"We're going to be mired in this until we do what they want," that aide said.

Republicans get ready to fight the President in Congress.

What's News—AI

Business and Finance

THE ECONOMY'S momentum is slowing from last year's sizzling pace, February's employment report shows. The unemployment rate edged down to 6.5% from 6.7%, though the total number of hours worked last month fell 1.3%. However, economic forecasters said the economy still seems to be expanding at a healthy 3% annual rate or better in the first quarter.

(Article on Page A2)

Apple today will sketch out plans to make Macintosh software better able to do things automatically. As the race to define the look and feel of personal computers heats up, Apple is battling Microsoft, which has been giving glimpses of its still-unfinished "Chicago" operating-system software.

Several PC makers plan to announce models this week that use a robust version of Intel's Pentium chip. They hope to steal some fire from Apple, which soon will launch a Macintosh line using the PowerPC chip, designed by Apple, IBM and Motorola.

(Articles on Pages B1 and B6)

Lockheed's F-22 faces another potentially damaging development after the Air Force detected "shortfalls" in the quality of stealth features that help the fighter elude radar detection.

(Article on Page A3)

FHP International agreed to acquire TakeCare for about \$1.1 billion in cash and securities, or \$80 a share. FHP's move is an effort to create one of the nation's largest HMOs.

(Article on Page A3)

Sears partly restored a variation of the sales-incentive practice that led to widespread charges of bilking consumers in its U.S. auto centers.

(Article on Page B1)

Motorola and Hewlett-Packard are getting ready to unveil sharply different strategies for dominating the market for personal digital assistants.

(Article on Page B4)

Congress will enact a compromise health-care system in which large and small companies face different coverage requirements, the chairman of the Senate finance panel predicted.

(Article on Page A2)

Warren Buffett spent \$272.5 million to buy 5.5 million more shares in Salomon Inc., raising his stake in the securities company to 19.04% from 14.7%.

(Article on Page A4)

The world's derivatives exchanges posted their busiest week last week, moved by turmoil in U.S. and foreign bonds and stocks, and traders said the pace is likely to continue this week.

(Article on Page C1)

IBM plans to consolidate the design and development teams of two of its personal computer lines to cut costs and bring products to market faster.

(Article on F B6)

Gibson Greetings said it incurred a \$3 million loss as a result of "unauthorized" interest-rate swaps and has hired outside counsel to investigate.

(Article on Page A4)

Four major grocery chains with significant retail drug operations filed a suit against 16 large drug makers and a mail-order prescription company alleging discriminatory pricing.

(Article on Page B6)

Markets

Stocks: Volume 310,760,990 shares. Dow Jones industrials 3832.30, up 7.88; transportation 1737.37, up 7.50; utilities 212.10, up 1.84.

Bonds: Lehman Brothers Treasury index 5321.98, off 4.79.

Commodities: Oil \$14.57 a barrel, off 18 cents. Dow Jones futures index 145.05, up 0.54; spot index 131.07, up 0.42.

Dollar: 105.65 yen, up 1.7; 1.7190 marks, up 0.0085.

World-Wide

WHITEWATER CLAIMED its first casualty and 10 officials were subpoenaed.

Clinton searched for a replacement for White House counsel Nussbaum, who agreed to resign amid criticism over his contacts with officials investigating the Clintons' Whitewater partnership. Meanwhile, Nussbaum and nine other officials prepared to testify Thursday before a federal grand jury. There was a growing likelihood that witnesses will be called before congressional panels, as key Democrats privately predicted that the hearings are all but inevitable. (Article on Page A3)

For the White House to restore an aura of normality, a successor will have to be found quickly for Nussbaum, who leaves early next month.

A JURY CONVICTED all four defendants in the World Trade Center bombing.

The four men were convicted on Friday of conspiracy in last year's attack on New York's twin-tower complex that killed six and injured more than 1,000. Many questions remain unanswered, including who financed and directed the attack. The defendants face life in prison without parole when they are sentenced in May. They also are unindicted co-conspirators in a coming terrorism case against an Egyptian cleric and 14 others. (Article on Page B7)

The second trial, set to begin Sept. 19, is expected to last as long as a year and be much more political, confrontational and ultimately harder to prove.

Majority Leader Mitchell announced that he would retire from the Senate after this year. The 60-year-old Maine Democrat said he wanted "to consider other challenges" — potentially a Supreme Court seat or the baseball commissioner's post. His unexpected decision on Friday stunned his colleagues. (Article on Page A16)

Beijing authorities detained Zhai Weimin, a student leader from the 1989 pro-democracy movement, in a crackdown on dissent before Secretary of State Christopher's visit, scheduled to start Friday. Meanwhile, a leading dissident, Wei Jing-sheng, reportedly left Beijing a day after he was briefly detained. (Article on Page A10)

A NATO jet swooped over Bosnia's besieged northern town of Maglaj after Bosnian state radio claimed Serb warplanes destroyed a bridge there. With Serb troops barring access to the Muslim-held town, there was no way for NATO or U.N. officials to check the report. But NATO officers raised questions about its veracity.

Israel's cabinet voted to order the nation's attorney general to file incitement charges against anyone who praises the Feb. 25 mosque massacre. Those found guilty would face several years in prison. But the government is hesitating to take any action on PLO demands for removal of Jewish settlements in occupied lands.

An antiabortion activist was convicted of first-degree murder Saturday for shooting Dr. David Gunn in March 1993 as he arrived at a Pensacola, Fla., clinic to perform abortions. After the jury verdict was announced, a judge sentenced the defendant, Michael Griffin, 32, to life in prison with no chance of parole for 25 years.

Mandela pledged to do whatever he could to get all South African parties to run in the April election that will end white minority rule. The African National Congress leader said groups that refused to register by last Friday's deadline should be allowed to change their minds. Several pro-apartheid white groups are boycotting the election.

Masked gunmen killed 11 blacks living in a township outside the port city of Durban, police officials said. About 20 tin and wood shacks were set on fire during the fighting in Bhambayi.

Ukrainian nuclear warheads arrived in Russia under a pact in which the Kiev government agreed to give up its nuclear weapons in exchange for fuel for its nuclear power plants. The first train load carried 60 warheads that will be disassembled.

Foreign observers will be allowed to observe Mexico's elections for the first time, the ruling party said. The announcement was made by Institutional Revolutionary Party's presidential candidate, Colosio, who has promised clean elections on Aug. 21.

Died: Melina Mercouri, about 70, Greek actress who starred in the 1960 film "Never on Sunday" and later served as her country's culture minister, in New York, of complications from lung cancer.

Despite Clinton's Vow To Reform the Capital, It's Business as Usual

A Series of Ethical Lapses Diverts the White House And Mr. Nussbaum Quits

A Tough Place to Operate

By JEFFREY H. BIENBAUM

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — Bill Clinton came to the nation's capital vowing to end the city's notorious laxity in ethical standards. Instead, as the latest Whitewater disclosures show, his administration often has reverted to business as usual.

The latest example is Bernard Nussbaum, who resigned over the weekend as White House counsel and who was supposed to be the administration's ethical watchdog. Although he defended his actions as proper, Mr. Nussbaum took part in a series of meetings that recall President Nixon's widely condemned meddling into the workings of independent federal agencies. With Mr. Nussbaum present, White House aides met three times with top officials of the Treasury Department and the Resolution Trust Corp. about the agencies' investigations into a failed Arkansas thrift. The Madison Guaranty Savings & Loan was once owned by President Clinton and Hillary Rodham Clinton's partner in the Whitewater real-estate venture.

How could this have happened? How did these Democrats, who came of age in

A Trying Week for Clinton

Facing one of his most trying weeks in office, President Clinton must send 10 administration officials before a federal grand jury and find a replacement for the Whitewater affair's first casualty, White House counsel Bernard Nussbaum. The president must also deal with the announcement that the Senate majority leader, George Mitchell, plans to retire. Articles on pages A3 and A16.

the post-Watergate era and who were so critical of the ethical lapses of recent Republican administrations, get caught acting like their predecessors?

Part of the answer may be that operating in Washington is tougher these days. Ever since Watergate, the media has gotten more aggressive about exposing — and the public appears less willing to tolerate — a range of perceived ethical slips. "Mr. Nussbaum is the victim of the scandal machine in which the combined currents of law enforcement, politics and the press create a Bermuda Triangle through which only the most sophisticated legal sailors in the ways of Washington can navigate," says Robert Bennett, a seasoned criminal-defense lawyer who practices in the Washington office of Skadden, Arps, Slate, Meagher & Flom.

Out of Plumb

Yet, it doesn't take a highly refined sense of ethics to see that something has gone badly askew, and not only in the Whitewater case:

- According to participants, administration officials have been treating the Democratic Party's biggest campaign givers to regular, high-level briefings both in Washington and in warm-weather vacation spots. Despite the president's rhetoric over the need to reform campaign financing, Mr. Clinton himself continues to raise millions of dollars for Democrats.

- The revolving door continues to turn, despite Mr. Clinton's pledges to jam it. Late last year, Deputy Chief of Staff Roy Neel, an architect of the administration's plans for an information superhighway, resigned to become a highly paid lobbyist

for the telecommunications industry.

- Mr. Clinton hired into the top levels of his administration many of the types of lobbyists he vilified during the campaign. Both of his top legislative chiefs, Howard Paster and his successor Patrick Griffin, were high-priced lobbyists before coming to the White House. (Mr. Paster is now chairman of Hill & Knowlton Inc., a public-relations and lobbying firm.)

- A raft of outsider cronies of the president and first lady has been given special access to the White House. Former Arkansas Rep. Beryl Anthony and former Clinton aide Betsey Wright became corporate lobbyists who got their way more than once. Television producer Harry Thomason got a temporary White House office, and was instrumental in dismissing the White House travel staff.

- The handling of the travel office firings was another example of ill-advised interference in law-enforcement matters. The White House counsel's office contacted the Federal Bureau of Investigation directly to seek an investigation of allegations of wrongdoing by the travel staff and sat in on the preparation of an FBI news release about the matter — drawing a rebuke from Attorney General Janet Reno.

A Party of Loyalists

While he billed himself as an outsider, Mr. Clinton arrived at the White House with sterling connections to establishment Washington and soon began hiring the city's best-known lawyers and lobbyists. Mr. Nussbaum, a New York attorney, was one of the few who came from outside the Washington/Arkansas axis. Some say this loyal band of advisers — many of whom have known Mr. and Mrs. Clinton since their days as activists against the Vietnam War — lacks the independence to alert the Clintons to the need for higher ethical standards.

Moreover, the shared assumption of

Continued From First Page

those who populate the Clinton White House seems to be that because they all view themselves as "good people," the public shouldn't question their motives. Some critics see this as a kind of baby-boomer arrogance that has made Clinton officials too quickly dismissive of ethics questions.

At the same time, Mr. Clinton and his Arkansas crew come from a much more freewheeling and forgiving environment. The Whitewater case alone makes clear that the worlds of business and politics overlap more often and more casually back home than is the custom in buttoned-down Washington. Mr. Clinton's highly personal style also plays a role. The officials with the most clout are the ones who are closest to the president and his wife.

From the White House perspective, this breeds strong loyalty. The downside is that many of the loyalists seem to have a blind spot for the public interest. Indeed, the kind of cronyism that drew controversy to the White House under Presidents Carter and Reagan is cropping up again.

Take the case of Webster Hubbell, one of the president's closest friends who also is the third-ranking official at the Justice Department: The former Little Rock lawyer didn't think it was necessary to disclose to the White House that his own firm was probing whether he overbilled the federal government he now works for. The White House, which is filled with Mr. Hubbell's hometown chums — and at least two of his former law partners, including Mrs. Clinton — believes it doesn't need to do anything more than take Mr. Hubbell's word that he is innocent, even now that the inquiry has been made public.

More broadly, Mr. Clinton hasn't poured much of his energy into fulfilling one of his key campaign pledges: to over-

haul the campaign-finance system and to increase lobbying disclosure. During the presidential election in 1992, he could hardly stop talking about "the stranglehold" that special interests had on the government, and how he would work to loosen it. But things haven't changed much since Mr. Clinton came to town.

Putting on the Squeeze

While professing interest in changing the system, President Clinton and his top officials have been working to squeeze what they can out of the present one. The Democratic National Committee maintains a vigorous schedule of briefings by Clinton and party officials around town for major money givers, according to people who have taken part in the events.

In late February, the DNC held a weekend retreat for contributors at the Boca Raton Resort & Club in Florida. In attendance were Vice President Al Gore, Commerce Secretary Ronald Brown, House Majority Leader Richard Gephardt and Rep. Sam Gejdenson of Connecticut, a primary author of the House's campaign-finance overhaul bill.

Last April, big campaign contributors to the DNC were treated to speeches at the Madison Hotel in Washington by top Clinton officials ranging from White House Chief of Staff Thomas McLarty to national economic adviser Robert Rubin, participants say. The night was capped when each giver had his photograph taken with Mr. Gore.

Referring to the Republicans' mirror program for major contributors, Raymond McGrath, president of the Beer Institute and a former GOP congressman, says, "It's generally the same kind of thing." As a lobbyist now, Mr. McGrath is a member of both the Republican and Democratic big-giver groups. "It's important to portray ourselves as bipartisan," he says.

Senate Majority Leader George Mitchell, who announced on Friday that he wouldn't seek re-election, strenuously dismisses the notion that he is quitting because of disgust with Washington. But his retirement announcement, which wasn't anticipated, has inevitably fed the impression that life inside-the-beltway has become so brutish that even its most battle-scarred veterans are getting out. Among other issues, Mr. Mitchell — a supporter of Mr. Clinton's legislative agenda — has been a tireless fighter for stringent campaign-finance overhaul, only to see his bill to help end the money chase become mired in congressional gridlock.

Getting Subpoenaed

Even the man Mr. Clinton has put in charge of controlling the damage from the investigations into the Clintons' political and business dealings in Arkansas, Deputy Chief of Staff Harold Ickes, just last year lobbied for the Puerto Rican government to save a billion-dollar tax break that Mr. Clinton had wanted to curtail. Ironically, Mr. Ickes is now caught up in the White

The Outlook *AI*

As Food Prices Rise, 1994 Crops Hold Key

CHICAGO

Food prices are stirring after a three-year slumber. Only bumper crops on America's farms this year can keep them from rising higher — and potentially pulling inflation up a bit, too.

Prices for a grocery cart of items, from breakfast cereal to bagels to mayonnaise, have already jumped this winter. Bakers are paying more for flour and cooking oil. Some economists expect food inflation this year to be between 3.3% and 3.5% — up from 2.2% in 1993 and 1.2% in 1992. That would be the first time in about four years that food prices exceeded the general inflation rate, which is expected to run about 3.0%.

Last year's rain-related crop disaster in the Midwest is primarily to blame for the rising prices. The February price of corn, the nation's No. 1 crop, was the highest in a decade. Prices of high-protein wheat, soybeans and sorghum all posted double-digit percentage increases from a year ago.

U.S. stockpiles of corn and soybeans are shriveling to their lowest levels since the 1970s, and much of the wheat cache is poor-quality stuff. At this rate, the U.S., the world's biggest grain exporter, might even have to import crops such as corn in order to meet demand until this year's harvests.

Bountiful crops then would keep grocery prices from jumping higher in 1995. But don't hold your breath. This has been a hard winter, and much of the Farm Belt hasn't dried out from last year's torrential rain and record flooding. The soil in Midwest states already is saturated, and the months just tend to get wetter during this time of year. Even normal spring rains will trigger worse-than-usual flooding and turn fields into quagmires. "We already know there will be problems," says S. Elwynn Taylor, a climatologist at Iowa State University.

With more than a month to go until planting season, the conventional wisdom is that grain production will rebound. Yields in the Midwest do have a track record of recovering nicely the year after a crop disaster. Strapped farmers currently have an incentive to plant every acre they can; corn prices are up 30% from last year and soybeans are up 16%. An anxious Agriculture Department also is allowing farmers to plant more land involved in government programs.

In Heron Lake, Minn., Robert Ferguson intends to plant the most corn he ever has: 700 acres. Last year, his soggy farm eked out just 15% of a normal crop. Mr. Ferguson, who had crop insurance, barely broke even. "A lot of guys need a good crop this year," he says.

The early line at the Chicago Board of Trade is this: U.S. corn farmers have about 80 million acres to plant. Plug in the normally anticipated yield and out comes a bin-buster of 8.8 billion bushels, up 39% from last year's drenched crop. That would be enough to meet projected demand of roughly eight billion bushels and leave enough to rebuild a comfortable stockpile. And that, combined with the record soybean harvest under way in South America and the Chinese

House's embarrassment; he is one of the six senior White House officials who have been subpoenaed to appear before a grand jury empaneled by the special counsel, Robert Fiske. One of the others is Mr. Nussbaum, who, in a resignation letter sent to the president Saturday, defended his performance and criticized "those who do not understand, nor wish to understand the role and obligations of a lawyer." His resignation is effective April 5.

A separate subpoena requires the White House to produce documents on any meetings, conversations or contacts between any White House staffers and officials of the Treasury or the RTC.

Nothing has surpassed the Whitewater controversy in underscoring that this



Bernard Nussbaum

White House is repeating some of history's bleakest chapters. In the wake of last summer's apparent suicide of Mr. Nussbaum's deputy, Vincent Foster, the White House counsel was accused by the Park Police of impeding their investigation. First, Mr. Nussbaum failed to seal Mr. Foster's office. Then, he wouldn't permit the police investigators to look through any of Mr. Foster's papers. He also failed to turn up a suicide note that was later found in Mr. Foster's briefcase. The White House belatedly turned the note over to investigators.

A basic rule of political damage control in Washington is to err on the side of candor, especially where documents are concerned. But Mr. Nussbaum violated this rule again and again, first when he advised the Clintons to assert attorney/client privilege over the Whitewater file found in Mr. Foster's office, then when he helped arrange for the Justice Department to subpoena the file to keep it away from reporters who had filed Freedom of Information Act requests.

Other missteps that sank the White House deeper into the Whitewater swamp were Mr. Nussbaum's and Mrs. Clinton's opposition to the appointment of a special counsel to investigate the matter and the three meetings with Treasury and RTC officials which presaged the White House counsel's downfall.

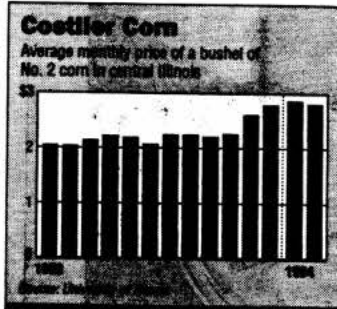
A major test of whether the White House intends to really press for change will be its choice to replace Mr. Nussbaum. On NBC-TV's "Meet the Press" yesterday, Mr. Gore agreed that the choice was important and said he expected it to cause people to say, "Yeah, that's a really good pick." White House insiders expect whoever is chosen will have integrity and independence — and considerable experience in Washington.

corn flooding world markets, would lull food inflation back to sleep.

But history offers little guide to yields this year. The crop disasters from which the Midwest recovered so quickly in the past were usually droughts, which do much less damage to the soil. Excessive rains are rare. Last year's deluge drowned beneficial soil microbes and washed away nutrients. Grain prices rallied long after the rains eased last year because traders were slow to grasp the extent of the damage.

Commodity traders say anything less than ideal harvests will cause problems fast. "There is zero safety margin this year," says Joe Victor, of Allendale Inc., a Crystal Lake, Ill., commodity brokerage firm. That means crop prices could careen wildly in the coming months on any signs of good weather and bad.

If the crop estimates slip, here's what to look for: An 8.4-billion-bushel corn crop



would signal a 4% food inflation rate in 1995, figures John M. Urbanchuk, of AUS Consultants, a forecasting firm outside Philadelphia. If it is less than eight billion bushels, stockpiles wouldn't refill and the food inflation rate would probably hit 5% by late 1995, says Donald Ratajczak, an economist at Georgia State University. (Consumers spend about \$600 billion annually on food, and though the farm represents roughly 10 cents of the retail cost of a box of corn flakes, for example, the spectacle of a crop disaster is making it easier for food companies to raise their prices.)

A 7.5-billion-bushel corn crop would push prices to a stratospheric \$4 a bushel, some economists estimate, from about \$2.84 in central Illinois Friday. Such a surge would strangle exports as well as make hogs and cattle too expensive for many farmers to feed, eventually driving up meat prices.

"Things are so tight that tiny changes can cause big swings," says Paul Prentice, president of Farm Sector Economics Inc., of Colorado Springs, Colo. "The risk," he says, echoing others, "is on the upside."

—SCOTT KILMAN

As Whitewater Inquiry Grows Broader, Clinton Seeks New White House Counsel

By BRUCE INGERSOLL
And ELLEN JOAN POLLOCK

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — President Clinton, facing one of his most trying weeks in office, must send 10 administration officials before a federal grand jury and find a replacement for the Whitewater affair's first casualty, White House counsel Bernard Nussbaum.

Moreover, Republicans plan to call witnesses before congressional committees to testify about the tangled Whitewater affair. Prominent House and Senate Democrats privately predicted that the hearings they once opposed are all but inevitable.

Mr. Nussbaum agreed to resign in the face of mounting criticism over his contacts with federal officials who are investigating the Clintons' Whitewater Development Co. partnership with the owner of a failed Arkansas savings and loan. Mr. Nussbaum's departure came after Special Counsel Robert Fiske greatly expanded the scope of his independent Whitewater investigation to include the meetings between White House aides and Treasury Department officials.

With the officials subpoenaed to appear Thursday before a grand jury, the focus of Mr. Fiske's inquiry shifts from the first couple's past dealings with their Whitewater partner, James McDougal, to the conduct of senior administration officials seemingly bent on Whitewater-related damage control.

For the White House to restore an aura of normalcy, a successor to Mr. Nussbaum, who leaves April 5, must be found quickly. White House officials have begun sounding out candidates in search of a savvy, politically seasoned Washington lawyer, ideally in the mold of Lloyd Cutler, President Carter's counsel.

They want somebody who would defend the president's interests aggressively, without overlooking political and ethical appearances. White House insiders are furious with Mr. Nussbaum for failing to keep such considerations in mind — in his zeal to protect the Clintons from Whitewater's undertow.

Leading candidates include Harry McPherson, a leading light in Washington's Democratic legal establishment who served as counsel to President Lyndon Johnson; Charles Ruff, another prominent Washington lawyer who was considered for the deputy attorney general post; and Charles Renfrew, a former federal judge who served in the Carter Justice Department.

Vice President Al Gore, appearing on NBC News' "Meet the Press," gave no indication of who the next White House counsel would be. He dismissed suggestions that the Clinton presidency is imperiled by Whitewater, asserting, "There's a difference in the way the controversy is viewed in Washington and the way it's viewed in the country." Moreover, Mr. Gore said he sees no "credible" evidence of any wrongdoing on the part of Mr. Nussbaum and others. "I don't think it was handled in the best way," he said, but "I believe very strongly nothing wrong was done."

Republican lawmakers, nevertheless, are certain to dig deeper into the Whitewater controversy at their first opportunity. House Speaker Thomas Foley (D., Wash.) has privately advised Democratic committee chairmen that under House rules, they must let the Republicans call their own witnesses. The Democratic leadership expects the Whitewater matter to be raised at future hearings before the House Banking Committee, and possibly the Small Business Committee.

Rep. James Leach of Iowa, the ranking Republican on the House banking panel, said in an interview that he and his GOP colleagues plan to call "quite a number of

witnesses" for a full day this month. The committee will hold oversight hearings on the performance of Resolution Trust Corp., the thrift cleanup agency that conducted the initial inquiry into Madison Guaranty Savings & Loan, a failed thrift once owned by Mr. McDougal. A similar hearing was held recently by the Senate banking panel.

It's quite conceivable that some of the subpoenaed officials also will be summoned to Capitol Hill. Besides Mr. Nussbaum, those receiving subpoenas to testify before the grand jury were Deputy Chief of Staff Harold Ickes; Hillary Rodham Clinton's chief of staff, Margaret Williams; White House Communications Director Mark Gearan; senior adviser Bruce Lindsey; Lisa Caputo, Mrs. Clinton's press secretary; Deputy Treasury Secretary Roger Altman, and three of his current or former senior aides.

Another subpoena requires the White House to produce all documents or memos on any meetings, conversations or contacts between any White House staff members and officials of the Treasury or of the Resolution Trust Corp. White House staff members were reminded by memo that they could be charged with obstruction of justice if they destroyed any pertinent material.

In his resignation letter, Mr. Nussbaum staunchly defended his performance and derided his critics as "those who do not understand, nor wish to understand, the role and obligations of a lawyer."

But several prominent lawyers, including former White House counsels, said Mr. Nussbaum appears to have misunderstood a fundamental aspect of his job — that his client wasn't Bill Clinton, but the presidency.

"It is an institutional representation," said Arthur Culvahouse, White House counsel during the Reagan years. "You do not represent the president in his individual capacity. You represent the office of the presidency."

Mr. Nussbaum was present at three White House meetings with Treasury officials. At sessions last Sept. 29 and Oct. 14, Treasury General Counsel Jean Hanson and other Treasury officials briefed White House officials on possible RTC criminal referrals against Madison.

The RTC's eventual request for a Justice Department investigation referred to the Clintons as possible beneficiaries of suspected wrongdoing at the thrift. The matter is now part of the investigation of Mr. Fiske, the special counsel. Mr. Nussbaum's critics said the meetings created the appearance of improper White House meddling in law enforcement and regulatory matters, and President Clinton disavowed them.

Over the weekend, New York Sen. Alfonse D'Amato, the ranking Republican on the Senate Banking Committee, wrote to Mr. Altman, asking why Ms. Hanson didn't disclose her participation in the two meetings last fall, when the subject of such meetings came up at a Feb. 24 Senate hearing.

Ms. Hanson was present at that hearing. But when Mr. Altman was asked about any meetings with the White House involving Madison, he cited only a meeting early in February, at which Ms. Hanson was also present.

A Treasury spokesman yesterday said that Mr. Altman "replied honestly" during the hearing, and that he hadn't then known of last fall's meetings. Ms. Hanson couldn't be reached for comment.

Mr. Nussbaum never seemed to understand that the legal tactics that won him so many admirers during his career as a New York litigator didn't play well in the political arena. Except for brief stints investigating Watergate for the House Judiciary Committee — where he forged a close friendship with Hillary Rodham Clinton — and as an assistant U.S. attorney, Mr.

Nussbaum has spent his entire career at the Manhattan law firm of Wachtell, Lipton, Rosen & Katz, where he may return next month and where he had commanded a salary of \$1.8 million.

In some of his controversial actions — including limiting Park Police access to Mr. Foster's office; removing a Whitewater file in Mr. Foster's office and giving it to the Clintons' private attorney; opposing the appointment of a special counsel to investigate Whitewater; and participating in the three meetings — Mr. Nussbaum said he was simply doing the job of a zealous lawyer.

In New York, lawyers agreed and reacted angrily to his problems. "He's being sacrificed here and it's really wrong," said Elikan Abramowitz, a friend of Mr. Nussbaum and a well-known criminal lawyer who recently represented Woody Allen. "I haven't talked to a lawyer who thinks they would have done anything differently."

But in Washington, where one duty of the counsel is to protect the White House from political embarrassment, Mr. Nussbaum's actions contributed to an appearance that the Clinton White House was covering up, or stonewalling.

In a related matter, RTC billing records show that Webster Hubbell, a high-ranking Justice Department official, had billed the government more than \$37,000 on a case involving Madison Guaranty, while he was a partner in the Rose Law Firm in Little Rock. The case is the focus of conflict-of-interest investigations by the Federal Deposit Insurance Corp. and the RTC.

Mr. Hubbell headed the FDIC-RTC case, which involves an FDIC lawsuit against Frost & Co., Madison's former accounting firm, for a "defective" audit that failed to detect that Madison was insolvent. The suit was later taken over by the RTC, which was formed in August 1989. Mr. Hubbell was among a number of Rose lawyers working on the case.

A recent RTC report said that Rose didn't disclose that in previously representing Madison, it had used the Frost audit to support a bid for Arkansas Securities Department approval for issuing stock and acting as a broker. The RTC has asked its inspector general to investigate the Rose firm's dealings with the government, including billings.

The Hubbell billings shown by the RTC documents cover periods in 1989-1991, including \$22,525 for 180 hours during August 1990. That included a 20-day stretch when Mr. Hubbell billed the FDIC for every day, including weekends. Other billings included \$7,972 in early 1991 and \$3,019 in late 1990.

—Albert R. Karr contributed to this article.

THE WALL STREET JOURNAL MONDAY, MARCH 7, 1994

PHOTOCOPY
PRESERVATION

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accruing profits today that in the real world will be realized only over many years.

5. Just exactly how, where, for how long and against what are we hedged?

"Don't worry, we are hedging the risk" should not be considered an acceptable answer to the question of how a company is making offsetting provisions for the specific risks it incurs. All hedges are not created equal, and it is important to understand exactly what interest-rate risk, volatility risk, etc. is being hedged, and how the hedge is being implemented. Even within a particular type of risk, such as interest-rate risk, it may not be possible to hedge more than a portion of the yield curve, and the durations of risks and available hedges may not match.

6. How much does our compensation system encourage perverse behavior?

Awarding bonuses solely on the basis of "accrued" profits without regard to the amount of the firm's capital put at risk, or how long the company will be at risk before profit is actually realized, may encourage undue risk-taking.

7. How effective are our controls?

When companies lose large sums through unauthorized trading or speculation, it often occurs due to the actions of senior personnel. Junior personnel in a treasurer's office may not feel comfortable calling the CEO if their own boss takes abnormally large or risky positions. There-

fore, written risk limits, automated exception reporting, strong internal auditing and other steps are vital to make sure that risk-control policies are always followed.

8. Who is responsible for making sure we know what we're doing?

Both the CEO and the members of the board share direct responsibility for overseeing the company's internal financial controls. Where large exposures are being incurred in derivatives, the board (or at least the audit committee) should look hard at all the issues discussed above.

Terrific Products

Members of the board may not know how to create or trade derivatives, but they should know how to ask the right questions and to demand the right answers. Used with care, derivatives are terrific products that can enhance profitability and reduce volatility. Used in a wild or uncontrolled manner, they can be a one-way ticket to financial disaster.

The board and senior managers shouldn't wait for regulators to make sure their company is following a well-controlled and prudent path.

Mr. Breeden, former chairman of the SEC, is chairman of the Financial Services Group of Coopers & Lybrand.

Scandal and the Presidency ✓

By ELLIOTT ABRAMS

There comes a moment in any major Washington scandal when the ordinary rules of the game are suspended, and new "scandal rules" begin to apply. This week that moment was reached in the White-water affair.

The ordinary rules of Washington political life are somewhat lax. Officials can give heads-ups briefings to the White House about matters of political interest and are thought of as "team players."

In congressional testimony officials can bob and weave, and this is considered to be normal partisan or inter-branch combat. Information is shared with political allies and withheld from enemies. Such behavior is viewed as normal, even laudable. Officials act this way not only because they seek recognition and reward from the president and his team but because they believe in what they're doing. They seek to help and protect the president, to advance his agenda, and to benefit their own careers—all at once.

This pattern of conduct is simply stopped when "scandal rules" come into effect. All of a sudden, every action is subject to potential review not under political, but under judicial, standards. The normal briefings given to White House lawyers or political operators are now dissected on page one of the newspapers. Political opponents talk of conspiracy and demand resignations.

Testimony, speeches and press conferences are judged not by the broad and familiar standards of political exchange, but by whether the official told the "truth, the whole truth, and nothing but the truth." Officials who delighted at seeing their

names in the newspaper, who indeed schemed to reach that goal, now wince as they unwrap the paper or turn on CNN.

Charges of coverup are heard and are often unfair. The problem, all too often, is time lag: Officials who do not realize that scandal rules are in effect continue to act under the old rules, which allow a certain amount of concealment of mistakes. Some will pay with their jobs; others may pay an even higher price.

For an official even remotely connected to the events or the people under investigation, the moment of recognition—when it becomes clear that a major scandal has been declared by the press—is a sad one. Henceforth, the official must reconsider every action he or she takes in the context of the courtroom. The imaginary interlocutor is no longer the White House political aide demanding to know why some action was not taken, but the independent prosecutor demanding to know why it was.

Now the demands of political and personal loyalty must be given lower priority, those of self-preservation a higher one. The official must contemplate hiring a lawyer, and paying for one out of a family budget that all of a sudden seems to be falling apart. He or she must consider trying to avoid people who were being cultivated just a few days ago, and must wonder how this government service—once seen as a ticket to the stars—will affect future employment possibilities. The effect on morale is obvious.

This is how the "scandal rules" affect the individual official. For the administration as a whole, the consequences are equally grave. When this conglomeration of officials begins to see some among its

small and cohesive group as doomed, and some as dangerous, cohesion frays. The ability to take risks to advance the president's agenda declines precipitously. The assumption of future cooperation and success disappears. This turns a president into a lame duck overnight.

The time available to plan and implement effective administration action, always in short supply, is cut back because so much effort is diverted to handling the scandal. And above all, it's impossible for the administration to recover a sense of sure-footedness and confidence in its overall conduct. The application of new "scandal rules" that are both unfamiliar and somewhat indeterminate makes the administration tentative where it once would have been decisive, and present-oriented where it once would have been planning for future battles—and triumphs.

Thus the invocation of "scandal rules" this week permanently marks the Clinton administration, and not until Independent Counsel Robert Fiske closes his doors, years hence, will things ever return to normal. When cocktail party conversations turn to which famous criminal lawyer is representing whom, and who has been before the grand jury, the spirit of politics with which the new team came to Washington—of fun and excitement, of doing good and doing well—is gone forever.

Mr. Abrams, assistant secretary of state for Inter-American affairs in the Reagan administration, was convicted of withholding information from Congress in the Iran-Contra affair. President Bush subsequently pardoned him.

C.O.B.'s

In the Clinton era it's been fashionable to be an FOB, or Friend of Bill. With the forced resignation of White House counsel Bernie Nussbaum we would like to suggest a new category—COB, or Casualty of Bill. There seem to be more COBs all the time.

This new designation seems especially apt because some in Washington are portraying Mr. Nussbaum as a unique case, a lawyer with a "political tin ear," the main source of White House missteps. But what strikes us is how Mr. Nussbaum is just the latest in a remarkable string of departures that suggest there's more going on here than the judgment of a single White House lawyer. Maybe the problem goes higher up the chain of command.

By now the COB list includes Phil Heymann, the former Deputy Attorney General who was well regarded by just about everyone but Clinton officials. Clifford Wharton was shoved out the door as Deputy Secretary of State last year, joined later by then Secretary of Defense Aspin. This followed the Lani Guinier fiasco, and of course the "diversity" search for an Attorney General without a y-chromosome. Two accomplished women, Zoe Baird and Kimba Wood, found themselves in tatters before that search was over. Senior White House aides Howard Paster and Roy Neel left voluntarily after only one year, claiming to be burnt out. The briefest brush with the Clinton administration left Admiral Bobby Inman a COB, his previously sterling reputation now warped. All of this in less than 14 months. We would even add George Mitchell's surprise resignation to this casualty list. Maybe the Senate Majority Leader did want to clear the decks for any Supreme Court opening, but it's hard to believe he would leave so powerful a post if the Clinton presidency were a great success. If he felt any special loyalty to this presidency, why would the very liberal Mr. Mitchell make himself a lame duck in its crucial second year, with government health care on the line?

Mr. Nussbaum is of course the first member of the Clinton inner circle to be pushed over the side. In an irony for the ages, he first met Hillary Rodham Clinton when he hired her to join the staff of the House committee investigating Watergate. Mrs. Clinton was widely viewed as Mr. Nussbaum's shield after the Travelgate blunders last year. And we can only assume that Mr. Nussbaum hasn't done anything that the First Lady and/or the president didn't want him to do.

In fact, Mr. Nussbaum's tart resignation letter described a view of the White House counsel's job as geared

principally to representing the First Couple. He said he was leaving "as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer." But the Clintons already have a personal lawyer, David Kendall of Williams & Connolly. A White House counsel has to make hard calls, but he is still paid by the taxpayers, which means he has a broader duty to the public trust. Just ask John Dean.

The same goes for the other FOBs who met with Mr. Nussbaum to discuss the "independent" Whitewater investigations. If Mr. Nussbaum's mistakes warrant dismissal, what about Roger Altman, the Treasury regulator who provided what he himself called a "heads up" to Mr. Nussbaum? Jean Hanson, the Treasury general counsel, went so far as to betray the fact that the Resolution Trust Corp. had made a criminal referral to Justice. The ethical blind spots go beyond Mr. Nussbaum.

This suggests the problem won't be solved by appointing Gergen II. (We wouldn't be at all surprised to see David Gergen announce his own resignation soon, declaring that he'd done his patriotic duty by saving NAFTA—which would be right.) The names of those subpoenaed by a grand jury include FOB Bruce Lindsey, deputy chief of staff and FOB Harold Ickes, and the First Lady's chief of staff, Margaret Williams. It's hard to believe that some white-shoe Beltway lawyer/potentate would be able to rein in this crowd.

That said, we don't much like the grand jury spectacle. The mistakes so far (Arkansas goings-on excepted) don't seem to deserve criminal investigation. The Clinton team is suffering, alas, from the new standard of criminalizing politics that Congressional Democrats established to punish Reaganites in the 1980s. We'd prefer to see Mr. Altman and the rest testify before Congress, where the public can find out what happened. But when the stonewall fell, Democrats so dreaded a public accounting that they hid behind a special counsel, who is now issuing the subpoenas.

The larger problem, in any event, isn't the ethics of Mr. Nussbaum but the ethical tone set from the top. The president and First Lady came of age in an Arkansas political culture in which conflict of interest was a way of life. They've brought that same standard with them to Washington, and it will continue to produce casualties until they abandon it. Perhaps a razorback, unlike a leopard, can change its spots.

First couple finds the bog won't clear



By Charles Bennett
FIRST LADY: Played bigger role in development.

By Bill Nichols
USA TODAY

The so-called Whitewater affair, the White House has said for months, would not erupt into a full-blown crisis.

Not only did the first family do nothing wrong, the logic went, but the events happened more than 10 years ago — and are utterly incomprehensible to most of the public.

But a dramatic weekend of developments — including the subpoena of six White House officials and resignation of White House counsel Bernard Nussbaum — has turned

Whitewater from a backwoods tale of Arkansas monkey business into a more ominous and understandable drama involving the possibility the White House obstructed justice.

MONDAY, MARCH 7, 1994 • USA TODAY

Growing impression of 'something amiss'

Continued from 1A

► More on Whitewater investigation, 6A

Senior administration officials went on the defense Sunday: "We will have the highest ethical standards in this White House. You can be assured of that," Vice President Gore said on NBC's *Meet The Press*.

But as President Clinton returned from a weekend at Camp David, it would seem that the best his administration can hope for is to be accused of an almost inconceivable lack of judgment — or, some would say, a lack of competence.

The White House, a *Washington Post* editorial lamented Sunday, has been guilty of "improprieties that a child of four could have figured out."

Congressional hearings seem much more likely in the wake of the White House subpoenas — and the four issued to current and former Treasury Department officials.

"This was a uniquely untelegenic story... that people didn't really understand," said political analyst Charles Cook. "All of a sudden, the vision of FBI agents showing up at the White House delivering subpoenas can't help but leave the impression that something was amiss."

The latest in the mazelike tangle of financial dealings known as Whitewater — really the investigation into the Clintons' relationship with a failed Arkansas savings and loan:

► The subpoenas — served on staffers including Nussbaum, senior Clinton adviser Bruce Lindsey and Maggie Williams, chief of staff for Hillary Rodham Clinton — were delivered Friday on behalf of Whitewater special counsel Robert Fiske.

Fiske, in an unmistakable sign that he means business, wants information about three briefings for White House aides on the probe into Madison Guaranty Savings & Loan and its relationship to the Clintons' part-ownership of the Whitewater Development Corp.

► Saturday, after a death watch of several days, Nussbaum bitterly resigned under fire.

Though enormously popular personally among the White House staff, Nussbaum had become a lightning rod for an array of White House snar-

les — including reportedly hindering the search of deputy counsel Vincent Foster's office after Foster committed suicide last July.

But Nussbaum's participation in the meetings between administration and Treasury officials made his exit a must. Of particular concern: one last year in which Nussbaum reportedly was told the Clintons were named, but not accused of wrongdoing, by the Resolution Trust Corp.

► A growing focus on Hillary Clinton's role in Whitewater and how staff concerns about attacks on her ethics and image may have led to errors of judgment.

It is Hillary Clinton, by all accounts, who took the more active role in the Whitewater development and who reportedly fought the naming of a special counsel until the end.

Charges of shredding of Whitewater-related documents by the first lady's former law firm, the Rose firm in Little Rock, are now part of Fiske's probe, as is the death of Foster, another former Rose partner.

And it was Hillary Clinton who was Nussbaum's true White House patron, her friendship with the former Wall Street lawyer cemented by their service together on the House Watergate panel 20 years ago.

Some critics say Hillary Clinton's efforts to protect herself are hurting the administration. "You've given a cartoon image of the White House which is just inaccurate," countered Gore. "President Clinton is in charge in a way that no president's been in charge... for a long, long time."

Nussbaum's departure begins yet another White House damage control effort — one in which, as senior adviser George Stephanopoulos said on ABC Sunday, "We have to bend over backwards... to avoid even the appearance of any conflict, even the appearance of any impropriety."

Even if the argument prevails that the White House-Treasury meetings were dumb but innocent, and Thursday's scheduled grand jury appear-

ances proceed without further bombshells, the Clinton team still must scramble to keep Whitewater from overwhelming them.

Observers say Nussbaum's replacement, likely to be named this week, must not be a longtime Clinton friend and must have a seasoned objectivity and a realization that Fiske has to be allowed to do his job.

Likewise, they say, no one in the White House must do anything to even remotely seem to hinder Fiske. That process already has begun: Staffers were warned that White House burn bags, computer mail and waste baskets must not be trashed.

Finally, both Clintons must make clear that neither received improper information from the meetings.

So far, aides have been far from definitive on that point. Said Gore, when asked if President Clinton was briefed: "I've seen no indication of that. I'm not aware that he was."

Asked if Hillary Clinton was briefed, chief of staff Thomas "Mack" McLarty said on CNN: "I don't believe she was; she may have been... I simply don't know that."

If it turns out either Clinton was given any kind of improper "heads-up" on their status in the RTC investigation, Fiske may want their testimony too — voluntarily or involuntarily.

The events of the past few days made clear to the White House that Fiske takes his duties and independence seriously, and there is some nervousness on what that portends.

It is also unclear how this will affect public sentiment toward the Whitewater matter. Polls in recent months have shown that the few people who know what Whitewater is aren't very concerned about it.

White House subpoenas could change that. Even in Arkansas, among Clinton defenders, there's a growing uneasiness there may be something here after all.

"We've tended to dismiss the reports as partisan political attacks," said Max Brantley, editor of the weekly *Arkansas Times*. "As time passes and the issue doesn't go away, people are fearful that they're going to have to eat their words."

Contributing: Adam Nagourney

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Newsweek

WHITEWATER TORTURE

A Cover-Up or
Just Plain Bungling?

Hillary's Role

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NEWS ANALYSIS

NW



Did Web Hubbell Play Both Sides of Madison?

Whitewater: A question of loyalties

ON PAPER, WEBSTER HUBBELL IS THIRD in command at the Justice Department under Attorney General Janet Reno. But few administration officials have better inner-circle credentials than the genial ex-Arkansas Razorbacks football star. As President Clinton's golfing buddy and political troubleshooter, as well as Hillary Rodham Clinton's former law partner at Little Rock's Rose firm, he gets White House attention with far more ease than his boss. Hubbell's ties to the Clintons also touch the murky world of Whitewater. Two investigations have raised troubling questions about his role in the affair. At issue is whether Hubbell unethically played both sides in litigation involving Madison Guaranty, the failed S&L owned by James McDougal, the Clintons' partner in the Whitewater vacation-home development.

Hubbell, the Rose firm's senior partner, first became involved in Whitewater in 1989, when the federal government took control of Madison. The Federal Deposit Insurance Corporation (FDIC), seeking to recover money lost by depositors, decided it was pointless to sue Madison's officers. Instead, it went after the bank's accounting firm, Frost & Co., which a few years earlier produced an audit claiming that Madison was in good health. Looking for help with

the crush of S&L litigation, FDIC attorney April Breslaw hired Rose to sue Frost.

But according to a new report by another agency responsible for S&L cleanup, the Resolution Trust Corporation (RTC), the Rose firm concealed a critical point from FDIC in 1989: that Madison once had been its client. In 1985 Hillary Rodham Clinton sought regulatory approval for McDougal's plans to shore up the bank's financial base. To bolster its case before state securities regulators, the firm used Frost's reassuring audit—the same one Rose would now challenge in the government's lawsuit.

What the FDIC *did* know about Rose should have been disturbing enough. Hubbell's father-in-law, Seth Ward, an officer of a company affiliated with Madison, had won a \$447,000 judgment against the bank for unpaid commissions. FDIC attorney Paul Jeddeloh says Hubbell was even present in court as Ward pursued his claim. Ward's brother-in-law had also sued Madison. "... There appears to be a conflict in representation and a question of loyalties," Jeddeloh wrote in a June '89 letter to Breslaw.

Major role: Some agency officials were worried that sensitive data about Madison would be compromised. "To believe that none of this information will make it back to [Hubbell's] family is naive," another staffer warned Breslaw in a memo. She dismissed conflict-of-interest concerns, however, explaining that Hubbell would not be Rose's lead attorney in the Frost case. But law-firm bills obtained by NEWSWEEK show that Hubbell, in fact, played a major role, preparing motions and depositions and interviewing potential witnesses. Rose settled the case in 1991 for just over \$1 million—far less than the \$20 million the FDIC sought. It also collected \$400,000 in fees and expenses.

Yet the FDIC maintained in a report earlier this month that the Rose firm violated no conflict-of-interest rules. When Republicans on the Senate Banking Committee yelled whitewash last week, the agency agreed to review its findings. The administration compounded GOP suspicions when Deputy Treasury Secretary Roger Altman, acting head of RTC, revealed that he'd held an unusual briefing for Clinton aides on the agency's Whitewater probe. Altman said there was nothing improper about the meeting. But the next day he recused himself from Whitewater matters. Hubbell, who says he isn't talking while special prosecutor Robert Fiske conducts his inquiry, can't distance himself as easily.

MARK HOSENBALL in Washington



WESLEY BOCKE—JB PICTURES

A 'thoughtful' decision: ATF agent at Waco

A Split Verdict on Armageddon

Waco: The jury decides

THE VERDICTS WERE SPLIT, BUT THE body language said it all. When the jury in the trial of 11 surviving members of the Branch Davidian sect returned its findings in San Antonio, Texas, last week, there was palpable depression from federal prosecutors and hugs and backslapping from the defense. Four defendants got off scot-free and two others were convicted only on firearms violations. The remaining five Davidians, all men, were found guilty of voluntary manslaughter in the shooting deaths of four agents of the U.S. Bureau of Alcohol, Tobacco and Firearms during ATF's disastrous raid almost exactly a year earlier. The result was far less than the murder and conspiracy charges the government had tried to prove against all 11 defendants and, according to defense lawyer Dan Cogdell, showed that jurors believed "what the FBI did, what the ATF did... was wrong."

That may be, although prosecutors maintained that the five convictions for voluntary manslaughter made the government's case "successful" and showed that the ATF agents "did not die in vain." Still, the reaction in Washington, where the terrible finale of the showdown with David Koresh and his followers has shaken both the FBI and ATF, was somber. ATF's new director, John Magaw, conceded his agency's "mistakes" and said, "We pray [that the guns of Waco] are never heard again, anywhere." U.S. Attorney General Janet Reno, who approved the final assault on the Davidians' compound, praised the jurors' "thoughtful verdict" and said the FBI is still studying the tragedy to ensure it doesn't happen again. "I will never forget Waco," Reno said. "The ghost of Waco will be with me all of my life."



CHRIS KLEPONIS—NEWSWEEK

Inner-circle credentials: Hubbell on the Hill

Not-So-Smart Intelligence

WHO LOST RUSSIA? IF VIRULENT RUSSIAN NATIONALISM triumphs, we'll hear that bitter cry, just as loudly as they shouted it when China went communist in 1949. The formulation is both pernicious (it helped give us McCarthyism) and patronizing: it has never been within the power of the West to "save" a large country like Russia or China; that's up to the people who live there. Yet this hardly absolves the West of the duty to help, not out of charity, but self-interest. Let's be clear: in the next century, the historical verdict on this government—and this generation—will rest heavily on what we did or didn't do in the early 1990s to discourage a return to Russian despotism. Should events go badly, the defense budget will soar again. That, in turn, will make it much harder to fix our problems at home.

Bill Clinton grasps the point, but the politics of the Russian issue are now moving strongly against more help. GOP senators have begun using the Ames spy case as an excuse to hold up a paltry \$1.7 billion in aid. This marks a new level of geopolitical myopia. The amount we've pledged to Russia represents less than 1 percent of the defense budget, and less than 5 percent (in constant dollars) of what we spent on the Marshall Plan for rebuilding Europe after World War II. Yes, devastated Europe was able to absorb the money better than Russia. But this time we're not even trying.

Why? The short answer is old thinking by the public, which loathes foreign aid, and by the defense establishment, which has no clue anymore about what investment in national security really means. These folks have forgotten that the Marshall Plan was a successful national-security program—far more successful than, say, the CIA. Consider this: thanks to traitors and incompetents, the CIA failed in recent years: more than 30 operations went sour. But this happened at precisely the moment communism was collapsing. Cold-war final score: KGB EDGES CIA, but U.S. TROUNCES U.S.S.R. In other words, the long-assumed connection between the spy game and the cold war—between successful espionage and true national security—is a little shaky, isn't it? And it should be. Nowadays, if John le Carré's George Smiley were really trying to save the West, he'd be using dead-drops to pass along loans to Russian (business) agents.

Obviously there are huge problems in aid to the old Eastern bloc that remain to be worked out. Listless state industries and the Russian mafia strangle enterprise, and as The Wall Street Journal reported in a terrific series last week, shameless American consultants are skimming large chunks of the aid meant for struggling entrepreneurs. But thousands of scrappy small businesses are launching anyway, and even with the purge of reformers from Boris Yeltsin's cabinet, they still deserve help. Can anyone justify, for instance, why almost no money has yet made its way to Russian

scientists trying to make the transition to civilian projects? "The bottom line: The West has been stingy," the Journal concludes.

Last week's easy outrage was a reminder of the comforts of the cold war. "It's like Muhammad Ali and Sonny Liston," says John Pike of the Federation of American Scientists, referring to the famous bout that took place 30 years ago last week. "Ali's shouting at Liston to *stand back up*. We've got this quarter-of-a-trillion-dollar [defense] budget that is based on there being a worthy adversary. Kim Il Sung [of North Korea] may be a serious irritant, but he is not a worthy adversary."

JERRY OHLINGER'S



Alec Guinness as George Smiley, le Carré's spy. Today he'd be using dead-drops for small business loans.

Pike's expertise is in analyzing the supersecret National Reconnaissance Office (NRO), which spends about \$6 billion of the estimated \$29 billion a year that this country devotes to intelligence. (The CIA itself represents less than 15 percent of that budget.) His argument is that the amount of money we're wasting on intelligence is extremely large compared with the sum we've invested in Russia. The NRO budget, for instance, is now twice what it was when the Soviets invaded Afghanistan in 1979. And we don't need to cover the old Soviet Union the way we once did: "We know where the Soviet fleet is: it's in port rusting," says Pike.

Decoding operation: If you think this is just liberal carping, check in with Angelo Codevilla of Stanford's Hoover Institution, an important conservative intelligence expert. Codevilla also thinks the SIGINT picture-taking is way out of hand, and he adds that the agency's multibillion-dollar decoding operation is now pointless, because encryption is so advanced.

CIA Director R. James Woolsey's argument for keeping his budget is that "we have slain a large dragon, but we live now in a jungle filled with a bewildering variety of poisonous snakes." True enough, and fighting terrorism, drugrunning and nuclear proliferation are

worthy missions for an intelligence agency. The problem is that about half of the intelligence budget—known as the National Foreign Intelligence Program—is not assigned specifically to those tasks. That money is largely devoted to old bureaucratic ways of collecting data that are unconnected to new missions. "It's no surprise they couldn't find the [Iraqi] Scuds," Codevilla says.

Helping the former Soviet bloc may be wasteful, but it has a long way to go before it's more wasteful than the postwar record of American intelligence. The CIA story is one of repeated intelligence failures, as Sen. Daniel Patrick Moynihan likes to point out, culminating in the monumental miscalculation of the size of the Soviet economy, which the CIA judged to be three times as big as it really was. Despite the waste, we need intelligence. And despite the waste involved in getting the old Soviet bloc on its feet, we need to try. Right now, the balance between those two tasks is badly skewed, and shifting in the wrong direction.

Nussbaum odyssey: Watergate to Whitewater

By John Hanchette
Gannett News Service

WASHINGTON — The polite exchange of letters Saturday between President Clinton and his resigning chief counsel Bernard Nussbaum merely hinted the ballooning Whitewater affair was at the bottom of the top lawyer's departure.

But White House watchers know there are plenty of reasons the tough-as-nails lawyer quit besides the mysterious land deal in the Ozarks, now the subject of subpoenas served on key Clinton administration figures.

Nussbaum was controversial at the White House right from his early 1993 start.

In recent days, Clinton pointedly passed up repeated chances to defend Nussbaum from charges of meddling in federal probes of the Whitewater venture and its ties to a savings and loan run by friends of the Clintons.

"Your friendship and advice have meant a great deal to me," Clinton wrote Nussbaum in accepting his resignation. He noted the role Nussbaum played in helping select Attorney General Janet Reno, FBI director Louis Freeh, and Supreme Court justice Ruth Bader Ginsberg.

He added, "You gave this administration one of its liveliest spirits and keenest minds."

He might well have added: "and biggest headaches."

For Clinton was angered, aides say, over revelations Nussbaum met privately last fall and winter with Treasury officials to hash over the federal inquiry into the failed Madison Guaranty Savings & Loan.

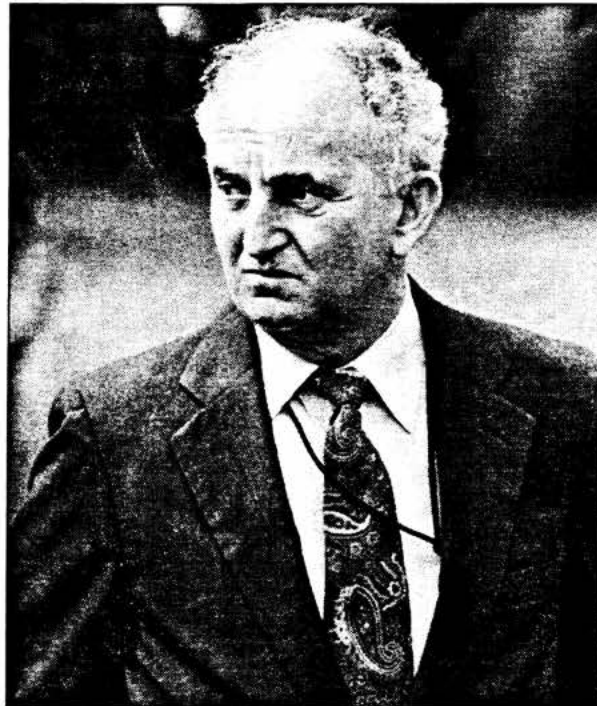
Several White House aides have groused about the intransigence of Nussbaum in fighting the appointment of a special counsel who could clear the Clinton name.

The criticism has included Nussbaum's involvement in:

- The sporadic search for an attorney general as two candidates failed because Nussbaum apparently shrugged off the fact they hadn't paid taxes on their nannies.

- The failed nomination of Lani Guinier to the Justice Department's top civil rights job when Clinton was not briefed on her controversial writings about minority representation.

- The firing — later reversed — of the White House travel staff, to replace them with a Clinton relative and to open the White House air charter business to a firm partly owned by Clinton friends.



By Matt Mendelsohn, USA TODAY

OUT: White House chief counsel Bernard Nussbaum resigned Saturday amid a furor over administration contacts with Whitewater investigators.

But Nussbaum's eventual departure began with his removal of Whitewater papers from the office of his deputy, Vincent Foster — after Foster's apparent suicide July 20 but before police and FBI agents were allowed in his office.

Nussbaum's departure resounds with irony — his resignation Saturday came 20 years to the day the House Judiciary Committee instructed its lawyers to obtain Watergate tapes and documents from President Richard Nixon. That panel's senior staff lawyer: Nussbaum.

And Nussbaum's aide was a promising young lawyer from Yale named Hillary Rodham — now the first lady and a key character in the burgeoning drama of Whitewater.

"I now believe I can best serve you by returning to private life," Nuss-



USA TODAY
NIXON: Nussbaum played secret tapes

baum wrote Clinton.

"He served the president loyally and faithfully, and I'm not going to criticize him," senior advisor George Stephanopoulos said on ABC's *This Week with David Brinkley*.

As for a replacement, Vice President Gore said on NBC's *Meet the Press*, "There is no leading candidate ... as of yet. I would expect you'd see movement ... pretty quickly."

Nussbaum, a millionaire who turns 57 in two weeks, was an influential Wall Street lawyer — making \$1.8 million the year before he joined the White House.

He owns a Park Avenue apartment, a home in Scarsdale, a condo in Puerto Rico, and a New York Giants Stadium skybox.

A Columbia and Harvard Law graduate, Nussbaum probably en-



By Joe Marquette, AP

GORE: 'No leading candidate as of yet' to replace Nussbaum

joyed his personal zenith of favorable publicity in 1990, when he saved the venerable Manhattan law firm of Kaye, Scholer, Fierman, Hays and Handler.

The firm had its assets frozen by the federal government, which was seeking \$275 million in fines and penalties for its questionable representation of convicted savings and loan felon Charles Keating.

Nussbaum negotiated the fines down to \$41 million — \$25 million of it covered by insurance. The win led him to ignore media criticism.

"The judgment I look to is not the judgment of *The New York Times*, but the judgment of history," he told Gannett News Service last summer. "I will continue to serve as long as the president believes I am performing well for him."

Last summer, Nussbaum recalled that in 1974 he saw a president "destroyed by his own paranoia, and by assistants who fed that paranoia rather than resist it. That's a strong memory. I am the lawyer for a totally different kind of president."

Nixon's White House counsel, John Dean, ultimately provided the key evidence and testimony that his boss tried to cover up White House involvement in the 1972 burglary at Democratic headquarters in the Watergate apartments.

For a full week in 1974, Nussbaum sat by Dean's side, switching a tape machine on and off so Dean could interpret the whispered, convoluted instructions on Nixon's notorious Oval Office recordings.

► **Dissecting the crisis, 1A**
► **Editorial, 12A**

More firms are hiring, ✓ no surge seen

By Mark Memmott
USA TODAY

WASHINGTON — Companies are hiring again.

But they are being cautious and there's no boom in sight, experts say. The past month:

► Chrysler said it plans to hire 3,900 workers and recall 2,100 to expand production of its Jeep Grand Cherokee.

► Digital Equipment said it will add 600 to 800 jobs by mid-summer at a Colorado Springs factory that produces disk drives for computers.

► Huffy said it will open a factory in Farmington, Mo., this fall — employing 500 people to produce bicycles.

Also, Uniroyal Goodrich Tire has canceled plans to close a factory in Woodburn, Ind. The company would have laid off 800 workers.

"People are coming back to work," Labor Secretary Robert Reich says. But, he says, "we continue to have a serious long-term unemployment problem" because too many people don't have the computer or technical skills for the jobs available.

That's why the average length of time an unemployed person remains out of work — now 18.7 weeks — is near the level set during the severe

1981-82 recession.

Friday, the Labor Department said the U.S. unemployment rate fell to 6.5% in February from 6.7% in January. The department also said the number of jobs on business and government payrolls rose 217,000.

That followed a 2,000-job decline in January, when severe weather hurt the labor market.

Manufacturers added 12,000 jobs last month. Service firms added 227,000. But construction employment fell 22,000.

The economy has added 1.8 million jobs the past year.

But economists say job growth won't explode because companies remain under pressure to hold down costs. Many are having employees work overtime instead of hiring. Last month, the average factory worker put in a record 4.6 hours of overtime a week.

Economist Diane Swonk at First National Bank of Chicago says the strongest growth in coming months will continue to be in services, the auto industry and producers of computers and other business equipment. She expects average monthly job gains of 150,000 to 200,000 the first half this year, 125,000 the second half. By year's end, she says, the jobless rate should be near 6%.

White House throws lawyer to the sharks

President, staff dumped Bernard Nussbaum in the name of damage control.

Man overboard.

Bernard Nussbaum was dunked into Washington's shark-infested political waters over the weekend. Loyal to the end, the White House counsel left behind a note suggesting he willingly walked the plank.

But the truth is Nussbaum was pushed overboard.

Pushed off the bridge by the wild-eyed charges coming from Republicans that the White House is covering up the president's and first lady's ties to an Arkansas savings and loan that capsized a few years ago.

Pushed into the raging currents by members of the White House staff who in the name of damage control threw Nussbaum to the sharks.

And pushed overboard by Bill Clinton, who tried to gently ease Nussbaum into the water by saying his old friend had done nothing to deserve such a fate.

The bill of particulars that led to Nussbaum's undoing is long, though hardly convincing evidence of anything other than that he took seriously the job of being the president's lawyer.

They say he insisted on being present last July when investigators interviewed White House staffers following the suicide of Vincent Foster, his deputy. He was slow in handing over a suicide note found in Foster's office. He removed files relating to the Whitewater matter from Foster's office. And that he sat in on a meeting between federal banking regulators and other White House aides who discussed ways to handle the public relations fallout generated by the Whitewater affair.

Even when taken together, this hardly sounds like cause for the political drowning Nussbaum was made to suffer.



By DeWayne Wickham, a columnist for Gannett News Service and USA TODAY.

What's wrong with the president's lawyer being present when members of the White House staff are being questioned?

Should the public really expect a lawyer to allow cops investigating an unrelated suicide to forage through a client's case file?

Over the weekend, senior presidential aide George Stephanopoulos said during an ABC News interview that everything said during the meeting Nussbaum sat in on with federal banking regulators had already been revealed to Congress and the media.

So why was Nussbaum thrown overboard?

Because Clinton and his advisers believe that after having feasted on Nussbaum, the political sharks will go away. They're wrong.

The sacrifice of Nussbaum will not satisfy the appetite of the president's enemies; it will only whet it.

And the more he throws members of his inner circle overboard for them to feed on, the more vulnerable Bill Clinton will be to their bite.

White House bumbles into Whitewater bog

The Clinton White House can't seem to get a simple idea straight: The best way to avoid damage from a scandal — if you're innocent — is to get out of the way.

This hands-on presidency simply hasn't kept its fumbling hands off the Whitewater mess. As a result, suspicions of a cover-up rightly have risen to new levels.

First, White House aides meddled in the probe of the apparent suicide of presidential lawyer Vincent Foster, who held the Clintons' Whitewater records. At one point, they blocked FBI entry into the dead man's office. Then they delayed turning over a suicide note. Finally, they removed Whitewater files from Foster's office.

When calls began for a special prosecutor to investigate Whitewater, the Clintons vigorously opposed it, relenting only when new revelations forced their hand.

Most recently, six White House aides admitted getting briefed by Treasury officials about an investigation into the failure of Madison Savings & Loan. That thrift sits at the center of the controversy.

Finally, over the weekend, the administration reacted to all the bumbling, forcing the resignation of the president's White House lawyer, Bernard Nussbaum. His botched handling of the Foster files and the Treasury meetings made that move inevitable. And overdue.

But the issue here is much larger. The public may not understand the complex Whitewater mess — a failed and suspicious land deal in which the Clintons had an investment. But it understands the danger of cover-ups and will demand answers.

The good news is that special counsel Robert Fiske appears to be moving aggressively. In office only a few weeks, he moved quickly to subpoena the six White House aides Friday to testify in his probe. He also ordered the White House to preserve any evidence. And he did the same to Hillary Rodham Clinton's former Arkansas law firm after reports it may have shredded evidence.

Congressional Republicans are eager for more. They want Congress to hold hearings on whether the Clintons are guilty of obstructing justice. But it's too soon for that.

Congress now can add nothing but partisan posturing. And if it granted immunity for testimony, it could wreck the special counsel's investigation, as it did in an investigation into the Iran-contra scandal.

Should evidence of a cover-up emerge later, Congress can still jump in.

Either way, Whitewater isn't about to go away. And for that, the Clinton White House has only itself to blame.

▶ Whitewater storm, 1A

Today's debate: HIGH-TECH EAVESDROPPING

Keep snoops off-line

OUR VIEW Electronic eavesdropping proposal goes way beyond stated goal of catching criminals.

Here's an idea that ought to chill your enthusiasm for the new information superhighway: The government wants to build it with bugs so agents can check what you're saying and doing.

They could monitor your calls, check how you spend your money, explore your political habits — all at the touch of a button.

Sound Orwellian? It is. It ought to be stopped.

The idea — invented by a spy agency, backed by the Clinton administration and pushed by the FBI — goes like this:

In our high-tech society, old-fashioned phone tapping is becoming obsolete. The information highway's digital technology can render calls almost unbuggable.

This makes life harder for cops and spies. So the government wants to require that public phone systems, computers and devices yet to come contain a computer chip that encrypts and stores all conversations. A code would be needed to decipher the conversations — and it would be made available only by court order.

If that sounds safe, think again: Who



would hold the code? And how, once used, would it stay confidential? Bugging backers propose assorted complex schemes. But they border on laughable. Information can't be locked away like gold in Fort Knox. Once seen, it spreads uncontrollably.

Government agencies could build an electronic profile of anyone who picks up a phone or activates a computer modem. Privacy advocates say such profiles could include bill-paying records, political leanings, sexual preferences, travel itineraries. They could include intimate E-mail messages and notes dictated to an electronic personal assistant. Calls to 900 numbers would be on file forever.

The vast amount of information about every one of us now available on computers would be compounded exponentially.

The technology is designed by the National Security Agency, the spy outfit that monitors international conversations. The FBI is out front pushing it because the public is more sympathetic to the FBI's mission: catching crooks.

Crime prevention is a laudable goal. But so far, the FBI has yet to reveal a single case lost to new technology. Meanwhile, the threat to the public is vivid.

Until that balance changes, the rights of individuals clearly take precedence over government convenience.

As the government snoops come to Congress asking permission to monitor our lives, they should get a fast answer: No.

Help officers fight crime

OPPOSING VIEW Electronic surveillance is critical to law enforcement and national security.

Consider these nightmares:

▶ A street gang acting for foreign terrorists shoots down a crowded commercial airliner with a stolen military weapon.

▶ Two men kidnap a child and then murder him in making a "snuff" film.

Then consider this:

Those crimes nearly happened but were prevented when FBI agents uncovered the plots through use of court-approved electronic surveillance — or wiretapping.

Since Congress gave federal law enforcement the authority for wiretapping 25 years ago, it has become an invaluable tool in preventing or solving the very worst crimes.

In a recent 10-year period, more than 22,000 convictions resulted from federal, state and local wiretapping.

But electronic surveillance is now threatened by "digital telephony," new telecommunications technologies containing features that will impede or prevent wiretaps.



By Louis J. Freeh, director of the FBI.

Supported by law enforcement officials nationwide, we propose a rational, effective, responsible solution: A law requiring telecommunications firms to build into the new technology capabilities that permit law enforcement to continue to conduct electronic surveillance. And the federal government will pay their costs.

There are no privacy problems here. Congress has allowed wiretapping for 25 years under stringent conditions: court approval and oversight are needed; wiretaps are permitted only when other investigative tools fail.

We seek no more than what the law allows with current technology. We simply want to be able to continue to conduct electronic surveillance when the complex new technology comes on line.

Without legislation, law enforcement will be crippled and national security could be endangered. The nation will be unable to protect itself against terrorism, violent crime, espionage and drug trafficking.

As FBI director, I don't want to have to tell a father and mother we were unable to save their child because we were forbidden to obtain access to criminal conversations.

I don't want to have to tell Congress we cannot obtain evidence against a deadly spy because we cannot wiretap him.

I don't want to tell the nation that we failed to prevent a disaster because we could not listen in on terrorists planning a mass bombing.

Rose staffers say Hillary ordered papers shredded

Boxes hauled from mansion after Whitewater report

By Jerry Seper
THE WASHINGTON TIMES

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ROSE

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White House counsel, also were shredded.

"A lot of papers were run through the shredder, I can assure you of that," said a current employee of the firm, who requested anonymity. "A conservative estimate would be that more than a dozen boxes of documents ultimately were destroyed."

The nature of the records included in the envelopes handed over by Mrs. Clinton is not clear, nor is the content of the documents in the boxes taken from her office at the Rose Law Firm. All were to be shredded. Neither is it clear which records from the Rose firm Mrs. Clinton would have kept at the governor's mansion, which is a mile and a half from the Rose offices on East Fourth Street in Little Rock.

The Clintons' Whitewater partners, James B. McDougal and his wife, Susan, now divorced, have said they personally delivered all of the Whitewater records to the governor's mansion in December 1987 at Mrs. Clinton's request.

During the presidential campaign, the Clintons said the records had disappeared.

Federal investigators declined last November to open a criminal prosecution regarding the manipulation of funds to Whitewater through Madison Guaranty Savings and Loan Association, owned by Mr. McDougal, because documents detailing the venture could not be found.

The Resolution Trust Corp., which oversees failed S&Ls, had recommended to the Justice Department in October that it consider a prosecution based on reports that funds from Madison had been diverted to Whitewater and eventually routed to Mr. Clinton's successful 1984 gubernatorial campaign. This would have been a violation of the law.

Federal law enforcement sources said records describing such a transaction could not be located.

A confidential report submitted by prosecutors in Little Rock to the Justice Department's criminal division in Washington said the case was being shelved because of "a lack of specific evidence," said one law enforcement official familiar with the referral.

Federal inquiries continue based on nine other RTC referrals, including questions surrounding Madison's dealings in other loans and its involvement with Mr. Clinton and his successor, Gov. Jim Guy Tucker.

Ronald M. Clark, managing partner at the Rose firm, did not return calls to his office last week for comment. Mr. Clark has denied that the firm improperly destroyed any documents.

He has declined to return several telephone calls seeking comment. In a statement sent to The Washington Times via facsimile, Mr. Clark said his firm had "actively made every effort to preserve all the files" connected to the Whitewater-Madison investigation conducted by special counsel Robert B. Fiske Jr.

Mr. Clark disputed a dispatch in the New York Times, published

last week, that records belonging to Mr. Foster also had been shredded.

The newspaper said a Rose firm employee, Jeremy Hedges, testified before a federal grand jury in Little Rock that he had been ordered to destroy a box of records from Mr. Foster's files in late January. Mr. Hedges, according to the Times, told the grand jury the records were marked VWF, Mr. Foster's initials, although he did not know which specific documents were included.

The New York Times, in interviews with lawyers and former Rose firm employees, also described a shredding system in place at the firm, identifying separate trash cans for lawyers and secretaries for documents that were to be shredded daily. The lawyers and employees said the system was put in place in 1991, shortly after Mr. Clinton announced his candidacy.

Mr. Foster, whose body was found July 20 in a Virginia park in what police authorities have said was a suicide, was the Clintons' personal lawyer and handled, among other things, their Whitewater dealings. He handled the November 1992 sale of the Clintons' half-share of Whitewater to Mr. McDougal for \$1,000, and discovered in December 1992 Whitewater's failure to file corporate income tax records for a three-year period.

Mr. Foster also was responsible for the creation of a blind trust for the Clintons' assets to satisfy ethical concerns about their personal business deals. The task was not completed until six months after Mr. Clinton took office — and three days before Mr. Foster's death.

A longtime Clinton friend, Mr. Foster also was a business partner with Mrs. Clinton, along with Mr. Hubbell, in an investment group and a stock partnership. The two businesses, whose records were maintained at the Rose firm, were Value Partners and Midlife Investors Inc.

In addition to the January shredding incident described last week by the New York Times, another Rose firm employee told The Washington Times last month that documents showing the Clintons' involvement in the Whitewater project had also been ordered destroyed.

That shredding incident, according to the employee, occurred Feb. 3. A Rose firm employee who reportedly took part in the shredding declined to comment but refused to say that the incident did not happen.

Mr. Fiske, assigned Jan. 20 by Attorney General Janet Reno to look into allegations of financial irregularities involving Madison and the Whitewater venture, has said he will look into the shredding allegations.

He has ordered the Rose firm not to destroy any Whitewater-Madison documents or computer tapes. FBI agents also have interviewed several Rose firm employees, and others have been called before a grand jury to comment on the shredding allegations. The interviews are continuing.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater.

Couriers from the Rose Law Firm were summoned to the Arkansas governor's mansion in Little Rock during the 1992 presidential campaign by Hillary Rodham Clinton, who personally handed over records to be shredded at the firm's downtown office, three current or former Rose employees have told The Washington Times.

They gave this account: The shredding began after the New York Times reported on March 8, 1992, the involvement of Gov. Bill Clinton and his wife in a tangled north Arkansas real estate venture known as Whitewater Development Corp.

Mrs. Clinton gave the couriers sealed, unmarked envelopes with instructions that they were to be shredded at the firm. Couriers made at least six other "mansion runs" during the campaign.

Other records from Mrs. Clinton's office at the firm, where she was a senior partner, also were shredded on the orders of other officials.

The shredding continued through the Nov. 3 general election, in which Mr. Clinton defeated President Bush.

"There were a number of runs to the mansion by several different couriers," said one former Rose employee, who asked not to be identified. "The instructions were always the same. The records were to be taken back to the firm and shredded."

The shredding, according to the current and former Rose employees interviewed by The Washington Times, was not limited to Mrs. Clinton. Records belonging to Rose firm partners Webster L. Hubbell, now associate attorney general, the third highest-ranking officer at the Justice Department; Vincent W. Foster Jr., former White House deputy counsel; and William H. Kennedy III, associate

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MONDAY, MARCH 7, 1994 The Washington Times

Whitewatergate

Observers note Nixonian twists

By Michael Hedges
THE WASHINGTON TIMES

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Subpoenas, shredded documents, special prosecutors and White House resignations: Whitewater watchers are asking one another whether they haven't heard this music before, with different lyrics. The late Nixon era, circa 1973, comes to mind.

The parallels between Whitewater and Watergate so far are superficial. Some major themes running through the two stories are likely never to converge. Few predict the affair will drive the president from office in disgrace, although two Republican senators yesterday suggested, if by implication, that possibility.

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering with the investigation," Sen. Phil Gramm of Texas told interviewers on ABC-TV. "If the president wants to serve this term out, he is going to have to begin by leveling with the American people. The pres-

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TWISTS

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ident is getting deeper in a hole."

Sen. Alfonse D'Amato of New York told the Associated Press that as a result of what he says is the administration's attempt to stone-wall the investigation, the issue has "the potential of being as great if not greater than Watergate. The presidency is in danger as a result of the continued conduct and the continued pattern of deception."

Pundits across the political spectrum are beginning to write and speak of Whitewater in serious terms. William Safire writes in the New York Times, "As coverups go, Whitewatergate rates a B — less clumsy than Watergate but not as effective as Iraqgate."

Albert R. Hunt writes in a column in the Wall Street Journal: "If the current performance continues... it's less than a long-shot bet that one or two White House aides could end up in the slammer — not for what happened in Arkansas in the 1980s, but for the way matters are being mishandled in the 1990s."

And the New York Times declared in an editorial Friday that Mr. Clinton's administration is "easily the most reckless in interfering with the integrity of federal investigative agencies since that of Richard Nixon."

More than two years elapsed between June 1972, when burglars entered the offices of the Democratic National Committee at the Watergate building on Virginia Avenue NW, and Aug. 8, 1974, when President Nixon resigned to avoid a certain impeachment by the House of Representatives and a trial by the Senate.

Questions were first raised about the Whitewater investment, and the involvement of Mr. Clinton and his wife, Hillary, early in the 1992 presidential campaign, but the controversy lay dormant until last fall, when several newspapers began looking into it again.

The story seized the capital's attention Dec. 20 when The Washington Times reported that White House Counsel Bernard Nussbaum and two Clinton political aides had entered Mr. Foster's office shortly after his body was found at Fort Marcy Park, and had stripped his files of Whitewater documents.

In an interesting coincidence, Mr. Nussbaum, who resigned Sat-

urday after questions related to the Whitewater-Madison probe continued to linger, served as staff counsel for the House Judiciary Committee when it looked into the impeachment of Mr. Nixon in 1974. He became friends at that time with Hillary Rodham, who worked on the committee staff, and who one day took her beau from Arkansas in to meet Mr. Nussbaum.

As different as the controversies are, there are fascinating parallels:

- White House counsel resigns. Nixon White House Counsel John Dean resigned April 30, 1973, then became a major witness for the various investigative bodies. His testimony is considered the principal element in the fall of Mr. Nixon.

Mr. Nussbaum, despite his resignation, will likely remain a principal player in the unfolding drama. His files have been subpoenaed, and he has been called before a grand jury. A police file on the Foster death contains statements about what officers considered his interference in their investigation.

- White House subpoenas. The Nixon White House began to unravel after subpoenas for the president's records and documents were issued in spring 1973. When it later was revealed he had taped conversations in the Oval Office, they fell under the subpoenas. A bitter battle ensued and greatly weakened Mr. Nixon's power to stay in office.

The Clinton White House has said it will respond to subpoenas issued Friday by Whitewater-Madison special counsel Robert B. Fiske Jr. But some signs of resistance — similar to Nixon administration resistance that put the term "stonewalling" into the political lexicon — have been noted. The records secretly taken from Mr. Foster's office were belatedly and reluctantly turned over to the Justice Department in December.

- No-problem defense. Nixon White House officials initially characterized Watergate as a "third-rate burglary" they knew nothing about.

The Clinton White House has characterized the Whitewater Development Corp. — a partnership of the Clintons with James B. McDougal, president of the now-defunct Madison Guaranty Savings and Loan Association, and his wife, Susan — as a cut-rate real estate venture in which the Clin-

tons lost money. The White House says the first family lost \$68,900; Mr. McDougal puts the figure at \$13,500.

- The money trail. An early lead in Watergate led reporters to Mexico to obtain the checks from the Campaign to Re-elect the President to the Watergate burglars.

An early development in the Whitewater investigation was the discovery that someone other than the person named wrote a \$3,000 check to help Mr. Clinton pay off a personal loan used to retire a campaign debt.

Other records that have surfaced indicate a pattern of questionable loans — all of them defaulted on — to pay off Clinton campaign debts.

- Interference with law enforcement.

The Nixon White House attempted to control the early FBI investigation of the Watergate break-in through contacts in federal law enforcement.

The Clinton White House has been accused by police and FBI agents in a sealed file on the Foster death with attempting to control U.S. Park Police and FBI probes of that death. Former FBI Director William Sessions, who left office the day before Mr. Foster died, has said the Foster probe was "compromised from the beginning" by White House interference.

- Slow press reaction.

The lack of early public reaction to Watergate was shown by the landslide 1972 re-election of Mr. Nixon, who took 61 percent of the vote more than four months after the break-in. The early response by most reporters was equally tepid, leading to the legend of Bob Woodward and Carl Bernstein of The Washington Post bringing down the presidency.

Whitewater surfaced in the national media in March 1992, but Mr. Clinton won the election eight months later. The early response by most reporters was equally tepid, leading to the legend of Bob Woodward and Carl Bernstein of The Washington Post bringing down the presidency.

- Shredded and missing documents.

Before the gaps were discovered in the White House tapes, Nixon officials shredded and burned documents related to the Watergate break-in. Crucial financial documents were never found.

The Rose Law Firm of Little Rock, Ark., of which Mrs. Clinton,

Associate Attorney General Webster Hubbell and Mr. Foster were partners, shredded Whitewater documents in early February, The Washington Times reported Feb. 9.

The New York Times reported last week that a Rose employee has told a federal grand jury in Little Rock that the firm shredded files belonging to Mr. Foster. Officials at the Rose firm, which had dealings with Madison, insist that any shredding was unrelated to the Whitewater-Madison probe.

- Full disclosure.

Mr. Nixon insisted for months that anyone listening to the White House tapes would come to the conclusion he was innocent of any wrongdoing, but he fiercely fought to keep the tapes "privileged White House information."

Mr. Clinton has insisted that a full investigation of Whitewater will clear him of any wrongdoing, but the phrase "privileged information" has been used once more. A police officer quoted Mr. Nussbaum as using the term repeatedly when police tried to check documents in Mr. Foster's office.

- White House contradictions. Nixon spokesman Ron Ziegler constantly revised his denials of wrongdoing, undermining his credibility.

Clinton spokeswoman Dee Dee Myers has offered changing versions of events. In December, the White House said all documents in White House possession related to the Whitewater land deal had been turned over to the Justice Department, then Miss Myers the next day said some documents hadn't been handed over.

Last week, Miss Myers first said meetings between White House officials and federal regulators who were investigating Madison were not wrong, then said the meetings did appear improper.

- Special prosecutors.

Archibald Cox became the nemesis of the Nixon White House after he was appointed in May 1973 to handle the Watergate investigation as a special prosecutor.

Mr. Fiske, who aroused the suspicions of Republicans and other critics of the Clinton White House, has made a dramatic early impression as a tough, no-nonsense prosecutor by warning the Rose Law Firm to take care of all Whitewater documents in its possession and by subpoenaing White House officials and documents.

Hillary Clinton still in Whitewater probe spotlight

Actions of key aides
raise questions about
first lady's conduct

By Ann McFeatters

Scripps Howard News Service

WASHINGTON — Despite President Clinton's impassioned defense of his wife's "moral compass," Hillary Rodham Clinton remains a focal point of the Whitewater investigation, as her aides' actions testify.



Clinton

Lawyers working for independent counsel Robert Fiske want to know, for example, why Hillary Clinton's chief of staff, Margaret Williams, was in the office of White House deputy counsel Vincent Foster hours after he killed himself.

By law enforcement standards, the office should have been sealed but was not until the next day.

They also want to know why Williams and the first lady's press aide, Lisa Caputo, were at one or more secret meetings last fall

when Treasury officials improperly told White House staff the status of the investigation into Madison Guaranty Savings and Loan Association of Little Rock.

Fiske is concerned whether Madison made improper loans to Clinton's 1984 gubernatorial campaign. He also wants to know what its ties were to the Whitewater Development Corp. which the Clintons invested in in August 1978.

Williams and Caputo have been subpoenaed to testify Thursday before a grand jury looking into Whitewater.

Neel Lattimore, a spokesman for Hillary Clinton, said she did not know about the secret meetings until recently when she read about them in the newspaper.

But it seems odd to outsiders that two of Clinton's top aides, who are by her side every workday, would not have told her about the meetings.

Clinton, once rated one of the 100 top lawyers in America, does not like to be surprised and insists on being on top of matters for which she is responsible.

As a lawyer, she also might have been expected to understand that there must be a "fire wall," to use the president's term, between the White House and criminal investigations conducted by independent government agencies.

At the heart of Fiske's investigation is why Clinton represented Madison Guaranty, which had been in financial difficulty for some time, when her husband had appointed the state's top banking regulator. Then Hillary Clinton's firm, the R. Law Firm, repre-

sented the Federal Deposit Insurance Corp. when it was trying to salvage money from the failure of Madison.

The White House has denied reports that Hillary Clinton ordered the shredding of any documents related to Whitewater during the 1992 campaign. The Clintons' personal Whitewater file was in Foster's care, and after his death it was turned over to a private lawyer.

The Clintons have refused to make public details of the file or how much tax they paid on what they said was a money-losing investment.

While nobody has suggested Clinton is guilty of anything illegal, the appearance of impropriety in her relations with state banking officials in Arkansas is troubling to investigators.

Clinton has not had a press conference or been interviewed on camera about Whitewater in light of recent developments. But in an interview last week with the magazine *Elle*, she strongly denounced what she called the partisan aspects of criticism. She accused critics of the Clintons' agenda of trying to use Whitewater to derail their programs.

While outspoken Republicans such as No. 2 House Republican Newt Gingrich of Georgia and Sen. Alfonse D'Amato of New York have been complaining about Whitewater for some time, moderates are beginning to say it seems more serious than they first thought.

Tuesday, Sen. Richard Lugar, R-Ind., said that if the Clintons had said at the start they were guilty of bad judgment in the Whitewater real estate deal and had accepted the embarrassment, it might be over.

What is troubling, he said, is Hillary Clinton's involvement as a lawyer.

Rocky Mountain News

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Some things just never change

Dear Diary: There was a special legislative session last week. A free-lance assignment kept me in the House chambers for most of it. It was a nice change of pace, but some of the spark of covering the Legislature is gone. Or maybe I'm jaded now instead of being slightly awestruck and certain that everything I heard was a story the way it was during my first session in 1985.

Bill Clinton didn't even have gray hair then, and the idea of him being president was just some wild-eyed, egotistical dream of his.

Now Clinton's in the White House and the Arkansas political machine is still slowly grinding. Last week, more than once I found myself thinking that the more things change, the more they stay the same. The reality of the sameness in the face of change got my attention when Rep. Ed Thicksten of Alma was explaining budget bills to the full chamber for approval.

Don't get me wrong, no one could confuse Thicksten with Rep. John E. Miller of Melbourne, who was ousted from the chairmanship of the Joint Budget Committee during the 1993 regular session.

Thicksten is this big, tall guy with a boxer's nose; talks kind of deep and to the point. Miller is short and wiry, with this high-pitched voice that probably played a part in keeping him out of some governor's race back in his prime. He comes across kind of whiny unless he's in one of those stem-winding, Baptist-preacher speeches about the need to pass a tax bill because of the little kids needing school books or some such.

One of my first introductions to Clinton's sense of humor came while he and his entourage were waiting in an ante-



Pam Strickland

room outside the House chambers during a debate over some tax bill or the other. He did this no-holds-barred imitation of Miller, intense and pounding the lectern. One thing hadn't changed about the budget process: Bill Goodman, the legislative staff finance guy, was right there telling Thicksten every word to say about every bill, just like he'd done all those years with Miller.

Well, OK, I don't know that he was feeding Thicksten his lines about the budget bills. But that's what it looked like, and if I had a question about appropriations or the budget, I wouldn't ask Thicksten, or even Miller. I'd go to Goodman. He's straightforward, factual. Never any indication how he feels. Just the facts, ma'am. You know, the legislators did him wrong by not making him director of the Bureau of Legislative Research after Marcus Halbrook retired.

Some of the faces in the House have changed, especially in the last four years. It's refreshing to see more blacks there and more women. Yet it seems that the aura of the process has killed any enthusiasm and desire for change that the new folks might have had when they came on board.

But this probably wasn't the best session to judge the strength of change: trying to fix a problem in the school funding formula. Thicksten seemed embar-

assed by the blatant obfuscation of the law. There was a lot of shrugging. The most insane thing said was that it was Hillary Rodham Clinton's fault because she was the point person for education reform in 1983.

Rep. Bynum Gibson of Dermott appeared calm and low-key in spite of all his roles. He had brought the funding formula snafu to Gov. Jim Guy Tucker's attention. It took him months of research for some Delta school districts that hired him because they thought — as it turned out, rightly — that they were being shortchanged.

Gibson refused to take part in the public debate last week, although he seemed to be everywhere having private conversations with key players. Of course, some of that could have been his new job as chairman of the state Democratic Party. So many hats. I'd be confused over which one to wear when.

Some routine things happened. Rep. N.B. "Nap" Murphy of Hamburg gave a senseless, rambling speech neither for nor against the formula. If ever there was a poster politician for term limits, it's Nap. Then again, the job could just as easily go to Rep. Bill Sanson of Vienna, champion of the itty bitty school districts, or Rep. Doug Wood of Sherwood, whose legislative work sometimes seems limited to supplying a new tin of his wife's fudge on a daily basis.

There was one thing that nobody said out loud last week, and I would love to know: What did Bill Clinton know about his Education Department's decision to ignore the law, and when did he know it? Whitewater could be nothing.

Pam Strickland's column appears every Wednesday.

It's too late for damage control

Bill Clinton has asked former President Richard M. Nixon to brief him on a trip to Russia that includes visits between Nixon and so-called hard-liners who have been shunned by the White House.

Clinton and Nixon talked by telephone before Nixon began a weeklong visit that tentatively includes talks with President Boris Yeltsin and several Yeltsin opponents, including the hateful, wild-eyed ultranationalist, Vladimir Zhirinovskiy.

"I think President Nixon told President Clinton who he planned to meet with and I think President Clinton asked him to report back," said Dee Dee Myers, the White House spinmistress. "I think President Clinton is anxious to hear how it went."

While the father of Watergate and the father of Whitewatergate are schmoozing, they might want to compare notes on other matters of mutual interest. Wouldn't you like to be a fly on the wall during that conversation?

At this point, about the only advice Nixon could offer is to hang tough. It is too late for damage control. The Whitewater-Madison controversy has become a full-blown scandal.

Clinton should be grateful that no one has dubbed it Hillarygate. Although the first lady has been keeping a very low profile of late, she is the focal point of Whitewater-Madison now, and all the passionate defenses in Clinton's repertoire will not deflect the public's attention for the time being.



Meredith Oakley

As *Newsday's* Gail Collins has observed, Hillary Clinton is in the middle of the fray, and "if she were anybody else, the president would be making contingency plans to dump her if things got worse."

The first lady's top aides are among those scheduled to testify before a special federal grand jury tomorrow to discuss their participation in secret briefings from Treasury Department officials about ongoing federal investigations into Whitewater-Madison.

In defending his wife Monday against allegations that she ordered the shredding of documents pertaining to Whitewater-Madison, Clinton said that "law firms dispose of their documents all the time ... and I do not believe for a moment that she has done anything wrong."

"If everybody in this country had a character as strong as hers," he added, "we wouldn't have half the problems we've got today. ... The American people can worry about something else. Her moral compass is as strong as anybody's in this country."

I don't know of anyone who is losing any sleep over the condition of Hillary's moral compass, although certainly she

is undergoing a different type of scrutiny from that visited upon her during the presidential campaign.

On the other hand, after many months of piecemeal revelations about a controversy too convoluted at its onset to fire the public's imagination, Whitewater-Madison is beginning to sway public opinion in a direction not at all to the Clinton administration's liking.

In a poll released Tuesday, more than one-third of those interviewed, or 36 percent, said they believe that both Bill and Hillary Clinton acted illegally in their Whitewater dealings; 48 percent said Whitewater was a "serious matter."

Afterthought

Last week, Webb Hubbell, the No. 3 man at the Justice Department, conceded that he had been questioned by his former law firm about his billings in past cases.

He said the Rose Law Firm's inquiry was "in no way out of the ordinary" — indeed, he suggested, law firms often check the records of departing partners as a matter of routine.

Which leads one to wonder whether Rose Law Firm checked the records of Hillary Clinton, Vince Foster and William Kennedy, three other partners who left the firm to go to Washington, D.C.

Associate Editor Meredith Oakley's column appears every Wednesday, Friday and Sunday.

Clinton hires lawyer Cutler to reverse tide

BY RANDY LILLESTON

Democrat-Gazette Washington Bureau

WASHINGTON — President Clinton named Lloyd Cutler as the new White House counsel Tuesday, calling on a respected Washington insider for help in a deepening crisis.

The announcement came the same day administration officials disclosed new contacts between the White House and federal investigators involving the Whitewater Development Corp. controversy.

"I wanted a Lloyd Cutler type of lawyer, so I just decided I would go to the original first and see how I could do," Clinton said in announcing the appointment.

Cutler, 76, was President Carter's counsel and is a longtime fixture on the Washington legal scene. He is particularly well-known for providing counsel to major business figures.

"This is hardly the way I expected to spend the spring of 1994," Cutler said during a Tuesday news conference. "In government, as in other aspects of life, trust is the coin of the realm, and Mr. President, I pledge myself to do what I can to make sure that trust is maintained."

The appointment is a temporary one, limited to 130 working days, to give the White House time to select a permanent counsel. Cutler said he negotiated for the short appointment because of his age and because he is a newlywed.

The selection followed White House counsel Bernard Nussbaum's resignation Saturday after disclosures that he helped organize two meetings between Treasury Department officials and White House aides involving an investigation of Madison Guaranty Savings and Loan.

The failed Arkansas S&L has ties to Whitewater, a failed real estate investment Clinton and his wife, Hillary Rodham Clinton, entered into in the late 1970s. Among other questions, investigators are trying to determine whether funds from Whitewater accounts were diverted to Clinton gubernatorial re-election campaigns during the 1980s.

Earlier Tuesday, White House aides confirmed more contacts related to Madison Guaranty between staff members and Resolution Trust Corp. officials. The RTC is in charge of the nation's savings and loan bailout.

Clinton also confirmed those contacts at the news conference Tuesday. But he said, "any contacts were incidental and were follow-up conversations which had nothing to do with the substance of the RTC investigations."

White House officials said the other contacts were uncovered as part of an effort to respond to a broad subpoena from the Whitewater special counsel, Robert Fiske Jr. That subpoena, served at the White House on Friday, requires the administration to turn over all documents involving contacts with investigators over Whitewater or Madison Guaranty.

The effects of that subpoena still were evident Tuesday. Trash cans, not emptied since last week, were overflowing in the West Wing of the White House. Meanwhile, representatives of Fiske's office met with White House Deputy Counsel, Joel Klein, to discuss the specifics of turning over the papers.

At both the White House and Capitol Hill, events on Whitewater developed rapidly Tuesday. Among those developments:

• Rep. Jim Leach, R-Iowa, and the ranking Republican on the House banking committee, released a list of 40 witnesses Republicans want called before a banking committee hearing March 24. That list includes a number of prominent Arkansans and others associated with the Whitewater controversy.

Republicans have promised to seek subpoenas for the witnesses, but such summonses would have to be approved by the full committee, which appears unlikely. Otherwise, the witnesses wouldn't be required to attend.

Republicans again called for full Whitewater hearings, and one — Rep. James Quillen of Tennessee — said Clinton should resign.

Cutler said he would recommend "that everyone in the White House cooperate" with any requests for testimony at the March 24 hearing.

Fiske was to arrive in Washington late Tuesday for meetings today with members of the Senate banking committee. Thursday, he will question six White House aides and three Treasury Department officials under subpoena about two meetings involving the federal investigation of Madison Guaranty.

Clinton said senior administration aide Bruce Lindsey "probably" informed him that the RTC was referring Madison

Guaranty questions to the Justice Department for possible criminal investigation. The president said Monday that he had been informed of that investigation before it was made public.

"I say 'probably' because I literally don't remember. All I remember is that at some point in October, I heard about it," Clinton said. The president said the information was "just something I knew and absorbed. ... I didn't discuss it or ask anybody to do anything or take any action."

Lindsey is one of the six White House officials under subpoena, along with Nussbaum; Deputy Chief of Staff Harold Ickes; Communications

Director Mark Gearan; Deputy Treasury Secretary Roger Altman; Margaret Williams, the first lady's chief of staff; and Lisa Caputo, her press secretary.

Tuesday's presidential news conference lasted about 35 minutes — longer than the typical session when a new appointment is announced. It first was added to the president's schedule Tuesday, then changed to an event that only a small "pool" of reporters could attend, then opened again.

"I haven't done anything wrong and I'm not going to do anything wrong," Clinton said Tuesday, repeating similar statements he made Monday.

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Whitewater sends GOP fishing for 40

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Republicans said Tuesday that they want an array of Arkansans and White House officials to appear this month before a congressional hearing on the Whitewater Development Corp. controversy.

• List of 40 people that Republicans want to testify 10A

Congressional aides described the eclectic 40-person list as a "Who's Who" of people connected to the Whitewater affair.

The group includes Arkansans such as White House chief of staff Thomas F. "Mac" McLarty, presidential adviser Bruce Lindsey, Little Rock businessman Dan Lasater and Little Rock lawyer Sheffield Nelson.

Republicans hope the group will appear voluntarily before the House banking committee hearing on March 24. House Democrats are considering whether to agree to the Republican request to call witnesses.

But Democratic leaders solidified their opposition to any congressional hearings into Whitewater and Madison Guaranty Savings & Loan Association. Senate Majority Leader George Mitchell, D-Maine, said such hearings would turn into a Republican political circus that would interfere with the work of special counsel Robert Fiske Jr.

"We can have a congressional hearing or a proper criminal investigation," Mitchell said. "I believe we should have the latter."

Fiske said Monday that any congressional hearings — including those of the House Banking Committee — present a severe risk to his independent Whitewater investigation, which is based in Little Rock.

But Republican leaders on Tuesday questioned Fiske's concerns. They said Congress should not be blocked from reviewing Whitewater issues.

Senate Minority Leader Bob Dole, R-Kan., said congressional hearings would not turn into a witch hunt and would not impede Fiske's work.

"There are big, important issues out there, and Congress has a responsibility," Dole said.

The partisan clash over Whitewater continued to dominate Capitol Hill's attention on Tuesday.

At the heart of the controversy is Whitewater, a 230-acre Marion County real estate development along the White River.

President Clinton and first lady Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater.

James McDougal also owned Madison, which failed in 1989 at a cost to taxpayers of at least \$47 million.

Allegations that money was illegally transferred between Madison and Whitewater are among the issues being investigated by Fiske.

Fiske is scheduled to meet today in Washington with Sen. Al D'Amato, R-N.Y., and other leaders to discuss Republican attempts to examine Whitewater.

The GOP request has been headed up by Rep. Jim Leach, R-Iowa, and the party's ranking member of the House Banking Committee.

Leach released the 40-person list of potential witnesses for the March 24 committee hearing.

The routine hearing is devoted to reviewing the work of the Resolution Trust Corp. The federal agency oversees disposing of the assets of failed savings and loans such as Madison.

But Republicans promise to raise questions relating to Whitewater and Madison during the hearing. Under House rules, they also can call witnesses. So, Leach wants 40 people to appear.

The list includes a variety of Arkansans, White House officials, RTC investigators and other government officials. James and Susan McDougal are on the list, as are employees of Little Rock's Rose Law Firm.

Also on the list are a number of White House and Treasury Department officials subpoenaed by Fiske last week. Among them are Deputy Treasury Secretary Roger Altman.

House Banking Committee Henry Gonzalez, D-Texas, will consider sending out invitations for the 40 people to appear. If Gonzalez goes along, appearances by the witnesses would be voluntary — at least at first.

"We are doubtful that certain of the witnesses ... will voluntarily appear before the committee," Leach and other Republicans said in a letter.

If witnesses refused to appear, the Republicans said, the committee "will consider whether the issuance of a subpoena would be appropriate."

Subpoenas would force the people to testify before Congress. House Speaker Tom Foley, D-Wash., said he would not interfere with any committee decision to issue subpoenas. The Democratic-controlled committee would have to approve the subpoenas.

Just how deeply the Banking Committee can examine Whitewater is another question. Gonzalez said he is not willing to let the hearing hamper with Fiske's work.

"I do not intend for the committee to interfere in your investigation or any other law-enforcement activity," Gonzalez said in a letter to Fiske.

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Senate's loss baseball's gain?

By Hal Bodley
USA TODAY

AI

TAMPA — Senate Majority Leader George Mitchell could be on deck to fill baseball's vacant commissioner's post.

But both the Maine Democrat, who said Friday he will not seek re-election this year, and interim commissioner Bud Selig insisted there is no deal. Baseball has been without a

commissioner since Fay Vincent was forced to resign in September 1992.

Mitchell, an avid Boston Red Sox fan, said Saturday he "would consider" the post.

But the former judge is also said to be interested in serving on the Supreme Court.

"I've made no final decision on the future," he said in announcing his retirement.

Selig said Sunday there is no

hidden agenda at work.

But he did speak with Mitchell Sunday and was among a few friends called by the senator before his announcement.

"I have a tremendous amount of respect for Sen. Mitchell," said Selig. "We speak frequently about a variety of subjects."

Mitchell was not interviewed by a baseball search committee. Its work finished in

January with Northwestern University president Arnold Weber and U.S. Olympic Committee executive director Harvey Schiller the two finalists.

But it was decided that Selig, Milwaukee Brewers president, should continue in his role until a new agreement with the players' union is reached.

► Scramble under way, 4A
► Job his for the asking? 6C

China gets tough on dissidents

By Juan J. Walte
USA TODAY

AI

A Chinese crackdown on dissidents has clouded U.S.-Chinese relations as Secretary of State Warren Christopher continues a week-long Asia trip that includes a stop in Beijing.

On Friday, Wei Jingsheng — the country's most famous dissident — was arrested after he met with U.S. human rights policy chief John Shattuck.

Wei, who spent 14 years in prison, was released Saturday.

But Sunday, police arrested Zhai Weimin, a leader of 1989's pro-democracy movement in Tiananmen Square.

Seven other dissidents reportedly have been jailed since Wednesday.

The arrests set a sour tone and dampened prospects that Christopher's Beijing talks will result in a breakthrough on human rights.

Calling the arrest "objectionable and unjust," State Department spokesman Michael McCurry said that while Washington is "gratified" at Wei's quick release, "Secretary Christopher will vigorously pursue that (human rights) dialogue" with China's leaders.

Christopher's arrival in Tokyo Wednesday comes against the backdrop of increased tensions over trade with Japan.

Christopher is in Australia today. His final stop is Vladivostok to meet Russian Foreign Minister Andrei Kozyrev. Their main topic: Bosnia.

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Aides go to court over Whitewater

By Bill Nichols
USA TODAY

AI

Six senior White House officials are to appear in court this week as headaches from the Clintons' involvement in an Arkansas land deal mount.

The six were subpoenaed Friday by special counsel Robert Fiske, who is investigating the financial dealings involving the Clintons, a land investment known as Whitewater and a failed Arkansas S&L.

Among the six: White House counsel Bernard Nussbaum, who resigned Saturday.

Sunday, meanwhile, White House officials started damage control, admitting that mistakes in the handling of Whitewater have been made, but citing Republican attacks.

"The Republicans can't run on the economy. They can't run on health care. ... So they're going to try to exploit this," George Stephanopoulos, President Clinton's senior adviser, said on ABC's *This Week With David Brinkley*.

But Sen. Phil Gramm, R-Texas, told Brinkley that "if the president wants to serve this term out, he's going to have to begin by leveling with the American people." Latest:

► The six White House aides, as well as four current and former Treasury Department officials, are to appear in court on Thursday.

The six aides: Nussbaum; senior adviser Bruce Lindsey; deputy chief of staff Harold Ickes; communications director Mark Gearan; and Maggie Williams and Lisa Caputo, Hillary Rodham Clinton's chief of staff and spokeswoman.

► Rep. Dan Rostenkowski, D-Ill., said Sunday he would "take a look" at hearings by the Ways and Means Committee if the Treasury Department asks.

► The Associated Press reported the Clintons deducted from personal income taxes more than \$1,400 in Whitewater-related property taxes; two business associates say the couple was reimbursed.

► Nussbaum's troubles, 6A

Snow melt may strain flood areas

By Maria Puente
USA TODAY

AI

Towns across the Midwest and Northeast flood plains are nervously watching their rivers, fearful that high temperatures and heavy snow melt will bring a repeat of last year's devastating floods.

"We're just waiting and watching," says Mayor Jeff Heland of Burlington, Iowa, where the Mississippi River flooded parts of downtown last year — including the basement communications room of the police department.

The National Weather Service says areas hit by last summer's floods — some still rebuilding — have an above average chance of flooding.

But the service says the odds are against floods as bad as last year's unless there are unusually heavy spring rains.

"It's definitely a concern," says J. Ronald Fischer, city manager of Cape Girardeau, Mo., one of dozens of towns along the Mississippi River to suffer flood damage in 1993.

"The temperatures have been 60 to 70 degrees, the soil is saturated and the river still isn't back to ordinary levels. Just last week it was a foot from minimum flood stage."

The Army Corps of Engineers reports that 17 million sandbags have been warehoused in the Midwest.

In Des Moines, where the Des Moines and Snake Rivers breached levees last year, officials will spend \$20 million on repairs and enhancements.

"The National Weather Service tells us the potential for a repeat of '93 is very low because there's not much snow left," says city manager Cy Carney, "but we're prepared."

Legal tab already started

By Adam Nagourney
USA TODAY

AI

White House officials under subpoena began hiring lawyers last weekend, hoping fees won't go beyond a one-time court appearance.

Although officials refused to discuss the question, at least two of those subpoenaed in the Whitewater affair — senior adviser Bruce Lindsey and communications director Mark Gearan

— told colleagues they had hired lawyers.

The 1978 Ethics in Government Act, the recently lapsed law that created independent counsels, allowed those not indicted to be repaid for legal fees.

But Whitewater has started talk of reviving the law.

President Clinton and Hillary Rodham Clinton are represented by Washington lawyer David Kendall; he is paid out of personal funds.

Rostenkowski: Hearing on Whitewater possible ✓

By Ronald A. Taylor
THE WASHINGTON TIMES

House Ways and Means Committee Chairman Dan Rostenkowski yesterday became the first senior congressional Democrat to say he would consider holding hearings on the White House's handling of the Whitewater-Madison affair.

A decision would come after talking with Treasury Secretary Lloyd Bentsen, the Illinois Democrat said on ABC-TV's "This Week." The Ways and Means Committee has oversight authority over the Treasury Department.

"He hasn't discussed it with me," Mr. Rostenkowski said. "If I call him or he calls me and there's a discussion, we'll take a look at it," he said.

The chorus of criticism swelled yesterday as President and Mrs. Clinton's ties to a bankrupt thrift and failed land deal and the White

House handling of a federal probe were compared to Watergate.

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering in the investigation," Sen. Phil Gramm, Texas Republican, said on the same ABC program.

"I think the president can solve his problem in one simple way — make all this information public, answer all the questions, and whatever dirty linen is there, it will look better now than it's going to look a month from now or a year from now," Mr. Gramm said.

"I think the president is getting deeper in a hole, and I think if the president continues to have officials of the regulatory agencies over to the White House to brief staff, if the president continues to have White House counsels interfere in investigations, that can quickly become obstruction of justice if you're not careful about it," he said, referring to the ob-

struction of justice allegations facing President Nixon at the time of his resignation.

Mr. Rostenkowski is the first senior member of Mr. Clinton's party to raise the prospects of a Capitol Hill inquiry into the propriety of White House aides being briefed by Treasury Department officials about the Whitewater-Madison affair. His remarks capped a weekend of damaging developments in the affair.

Special Counsel Robert B. Fiske Jr. subpoenaed six White House officials and three Treasury Department officials Friday to testify before a grand jury that is investigating whether there was any improper connection between Whitewater Development Corp., a failed land venture in which the Clintons were partners, and Madison Guaranty Savings and Loan Association, a failed Arkansas financial institution.

On Saturday, White House

Counsel Bernard W. Nussbaum resigned after the disclosure that he met Treasury officials for a briefing on the status of inquiries into Madison, the thrift owned by James McDougal, one of the Clintons' Whitewater partners.

Mr. Rostenkowski's response to a question about whether the Ways and Means Committee will hold hearings comes less than a week after Mr. Clinton appeared with Mr. Rostenkowski in Chicago in the midst of the 66-year-old lawmaker's battle to win a 19th term.

Mr. Rostenkowski and Mr. Clinton shared a platform Feb. 28 in Chicago, where Mr. Rostenkowski is in a tough re-election battle. Mr. Rostenkowski is under federal investigation for the alleged embezzlement of \$22,000 from the House post office.

White House spokesman Donald Steinberg said yesterday the administration has no comment on Mr. Rostenkowski's remarks, add-

ing that Mr. Clinton's trip to Chicago was not a campaign trip. The topic of the president's speech that day was crime.

Sen. Alfonse D'Amato, New York Republican, told the Associated Press that because of the administration's attempt to stonewall the investigation, the issue has "the potential of being as great, if not greater, than Watergate."

The presidency is in danger, he said, "as a result of the continued conduct and the continued pattern of deception."

Vice President Al Gore, speaking on NBC-TV's "Meet the Press," acknowledged that "mistakes were made," but said the continuing criticism was being driven by partisan politics.

"I think there's an enormous amount of partisanship in it, of course," Mr. Gore said.

House Republican Whip Newt Gingrich of Georgia, in a Cable News Network interview, denied

Mr. Gore's assertion of partisan-driven allegations. "We had nothing to do with the Nussbaum resignation," he said.

White House Chief of Staff Thomas F. "Mack" McLarty was asked on CNN's "Late Edition" whether Mrs. Clinton was aware that Treasury Department officials were briefing White House officials on the status of the Whitewater-Madison probe.

"I don't believe she was; she may have been," Mr. McLarty said. "I simply don't know that." Mrs. Clinton's chief of staff attended one meeting.

Was the president aware of the meetings? "I don't believe he was," replied Mr. McLarty.

Mr. Gore said the White House would attempt in the future to avoid even the appearance of impropriety.

"We will have the highest ethical standards in this White House," Mr. Gore said.

Bentsen aide's fast-track career jolted by Whitewater subpoena

By Maria Recio
FORT WORTH STAR-TELEGRAM

Until now, Josh Steiner's Washington experience had been nothing but an excellent adventure.

At 27, the young policy wonk caught the eye of Treasury Secretary Lloyd Bentsen, who six months ago gave him the powerful job of chief of staff.

The pairing of the 72-year-old Bentsen, the oldest Cabinet secretary, and Mr. Steiner, the youngest chief of staff in the administration, turned out to be an inspired combination. The lanky, self-effacing Steiner has proved to be an able manager and adviser who meshed with the sometimes prickly former Texas senator.

But on Thursday, Mr. Steiner experienced the worst nightmare of any chief of staff. There was his name on the front page of The Washington Post, and it wasn't good news.

In a story that embarrassed Mr. Bentsen, as well as President Clinton, Mr. Steiner was named as one of several top Treasury aides who attended questionable meetings at the White House about the Whitewater affair. It got worse.

On Friday, Mr. Steiner was one of 10 current and former administration officials subpoenaed by Whitewater-Madison special counsel Robert B. Fiske Jr. to answer questions about those meetings.

Republicans had already leapt on the latest twist in the tale of the Clintons' ties to a failed Arkansas thrift and development project and demanded that Mr. Steiner and the other Treasury officials be hauled before congressional committees.

In addition, Mr. Bentsen has asked the Office of Government Ethics for an investigation of the meetings, but a congressional dressing-down is unlikely because Democrats, who control both chambers of Congress, refuse to hold hearings on Whitewater.

Mr. Bentsen, in a statement, expressed confidence in his aides, and a spokesman said again Saturday that Mr. Steiner has his "full support." Mr. Steiner maintains

that there was nothing wrong in conferring with the White House about how to respond to media inquiries on Whitewater.

But there's no denying that it's a blot on a high-flying career.

"It's been a long week," he said with a sigh Friday before the subpoenas were served. "I'm confident everything will turn out all right. My main concern is that it's a distraction from my job."

In an interview a few weeks ago, Mr. Bentsen said he was pleased with Mr. Steiner and especially valued that "he doesn't have sharp

Fort Worth Star-Telegram

Mr. Steiner says there was nothing wrong in conferring with the White House about how to answer media inquiries about Whitewater.

elbows." By that, he meant "I don't want people who throw their power around."

As for Mr. Steiner's youthfulness, the Treasury secretary recalled that he told the younger man when he hired him: "Let's see, what was I doing when I was 27? Oh, yes, I was a congressman."

The fresh-faced Steiner, who is quick to say "I'm 28 now," has thought a lot about that line.

"First, it was a very nice way of telling me not to let my head get swollen," he said of Mr. Bentsen's remark. "And he was saying that it's not always easy to be the youngest person in the room. The point is that he's been there, although at a higher level."

Mr. Steiner's job involves coordinating the far-flung Treasury Department, which has 11 major divisions and 160,000 employees, so that key issues and ideas reach Mr. Bentsen in a timely manner.

He is with the secretary frequently during the day and may accompany him to the White House, congressional hearings or news conferences. In addition to making sure that Mr. Bentsen hears all perspectives, Mr. Steiner said he often plays devil's advocate with him.

Mr. Steiner, who is from Cambridge, Mass., is politically oriented and acts as a conduit to the White House, where he has many friends dating back to the presidential campaign of 1988, when Mr. Bentsen was the running mate of Democratic candidate Michael Dukakis. An early volunteer in that race, he quickly became one of the key staffers in charge of issues and one of those who traveled with Mr. Dukakis. He was 22.

At Treasury, where he makes \$90,000 a year, there is no particular issue that has his imprint, and experts say that should be the code for chiefs of staff.

Mr. Steiner, who had been an assistant to Deputy Secretary Roger Altman (also among the subpoenaed), won his job after Mr. Bentsen commissioned a study from a consulting group that concluded that the secretary needed a strong chief of staff.

But what is it about Mr. Steiner that makes him special?

Mr. Altman, who came from Wall Street, where whiz kids abound, said, "I never met one who had Josh's judgment and perspective."

The Treasury Department's executive secretary, Houstonian Ed Knight, said that Mr. Steiner stands out from other young people for being "cool under fire."

There is some in-house grumbling, however, that he spends too much time schmoozing with the White House, and others gripe about his attention to the press side of the job. One source said, "He's a frustrated press secretary."

Mr. Steiner sat out the Clinton campaign and spent 1991 and 1992 as executive assistant to the president of New York Public Library, a post that top Clinton aide George Stephanopoulos previously held.

MONDAY, MARCH 7, 1994 The Washington Times

Prosecutors move with great care against man charged in Klaas case

By Joyce Price
THE WASHINGTON TIMES

Prosecutors in Sonoma County, Calif., are seeking the death penalty for the man accused of kidnapping and murdering Polly Klaas, but they concede it could be at least a year before he comes to trial.

A preliminary hearing for Richard Allen Davis, a paroled kidnapper who reportedly confessed to killing the 12-year-old girl, is slated for March 23 in Sonoma County Municipal Court to determine if the many charges against him can be supported, according to Gregory Jacobs, chief deputy District Attorney for Sonoma County.

If Judge Robert Dale decides in the affirmative, the case will be sent to Sonoma County Superior

Court, which has jurisdiction in felony cases, Mr. Jacobs said.

The hearing will be held in Santa Rosa, which is 15 miles south of Petaluma, the town where Polly was kidnapped at knifepoint from her home during a pajama party Oct. 1. Petaluma — sometimes described in guidebooks as "hometown America" — is a small community about 60 miles north of San Francisco.

Davis is charged with kidnapping, murder, burglary, robbery, assault with a deadly weapon, and "lying in wait in an attempt to commit a lewd act on a child under the age of 14," Mr. Jacobs said.

But there is some question as to whether the preliminary hearing will come off as scheduled. Sonoma County Public Defender Barry Collins, who is representing Davis, has filed a motion, asking

that the preliminary hearing be closed to the public and press.

Should the judge deny the motion in a hearing scheduled for Friday, it's possible the defense might file an appeal. "If that occurs, it could be weeks — or even several months — before there's a preliminary hearing," Mr. Jacobs said.

As for the defense motion for a closed hearing, he said, "Obviously, this case is unique — it's gigantic as far as the publicity that's surrounded it."

Mr. Jacobs said he expects between 30 and 40 reporters — many from the national media — to be on hand for the preliminary hearing.

If the hearing is postponed, it's unlikely to be the last delay in bringing Davis to trial. "The defense could request a change of venue," Mr. Jacobs said. "So you could be talking about a year to a



Polly was kidnapped at knifepoint from her home during a pajama party Oct. 1.

year and a half from now before a trial begins."

Polly's murder made an activist of her father, Mark, who is pushing for mandatory life imprisonment for repeat offenders such as Davis.

mind Whitewater, and what's ahead

Here is a look at some of the ethical and legal questions raised in the Whitewater land deal investigation, which led to the resignation of White House counsel Bernard Nussbaum:

► **Whitewater.** The Whitewater controversy's roots go back to 1978, when Bill and Hillary Clinton became partners with James McDougal in a 230-acre parcel of land in north Arkansas. McDougal later owned Madison S&L, which went broke and cost taxpayers more than \$47 million. Questions about the Whitewater investment led to a broader probe of the ethics of the Clintons and their associates.

► **James McDougal.** A bankruptcy trustee in Los Angeles is investigating whether McDougal improperly hid his ownership of Whitewater when he filed for bankruptcy in 1991. Also, Madison, under McDougal, may have improperly funneled money to pay off Clinton campaign debts in 1985. Arkansas judge David Hale, indicted for defrauding the Small Business Administration, claims Clinton pressured him to make an SBA-backed loan to a company owned by McDougal's wife, Susan.

► **Handling of investigation.** The Clintons' handling of the Whitewater matter has raised more questions, especially Nussbaum's handling of documents and meetings. Aides President Clinton was not told about the three meetings that led to Nussbaum's resignation and learned of them from news reports.



Democrat-Gazette
McDOUGAL

STATUS: Clinton has promised full cooperation with special prosecutor. Hale goes on trial March 28.

POSSIBLE PROBLEMS: The Clintons could face civil or tax liabilities. Aides could lose jobs. But the most serious threat is political damage, which appears to have hurt chances for health-care reform.

VINCENT FOSTER SUICIDE



White House
FOSTER

Deputy White House counsel Vincent Foster was found dead of a bullet wound to the head in an apparent suicide on July 20, 1993. His boss, Nussbaum, searched Foster's office before U.S. Park Police did, and removed Whitewater files. Foster's Whitewater files were turned over to Clinton's private lawyer, David Kendall. In an unusual deal, Kendall negotiated terms under which those files were subpoenaed by the Justice Department.

STATUS: Special prosecutor Robert Fiske has reopened investigation into Foster's death.

POTENTIAL PROBLEMS: Fiske could challenge the suicide ruling and say Nussbaum's removal of Whitewater files had obstructed the Park Police inquiry.

WHITE HOUSE MEETINGS

White House staffers met three times with government officials investigating Whitewater, particularly the connection between the Clintons and the failed Madison Guaranty Savings & Loan. Republicans charge that the meetings were improper, possibly an obstruction of justice. Nussbaum attended all three meetings.

► **September 1993.** Treasury Department general counsel Jean Hanson tells Nussbaum the Clintons have been named in criminal referral involving Madison S&L but not accused of wrongdoing.

► **October 1993.** High-ranking White House and Treasury Department officials meet in Nussbaum's office to discuss the criminal referrals. White House officials include Nussbaum, communications director Mark Gearan and senior adviser Bruce Lindsey, who's handling Whitewater response. Treasury officials include the department's general counsel, chief of staff and press secretary.

► **February 1994.** Deputy Treasury Secretary Roger Altman meets with Nussbaum, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff Margaret Williams. Altman is acting chief of the Resolution Trust Corp., which handles S&L bailouts. Altman says the meeting was designed to give the White House "a heads up" on RTC procedures.



ALTMAN

STATUS: Nussbaum resigns as White House counsel, effective April 5. Altman withdraws from participating in Whitewater on Feb. 25, a day after revealing the meetings. White House chief of staff Thomas "Mack" McLarty issues memo admonishing White House staff against further meetings. Fiske expands probe to include the three meetings and subpoenas Nussbaum, Altman and others involved. Treasury and RTC inspectors general asked to investigate propriety of meetings.

POSSIBLE PROBLEMS: Fiske could conclude the meetings were an illegal effort to obstruct the Whitewater probe. The meetings also may have violated federal ethics rules.

THE ROSE LAW FIRM

► **Web Hubbell.** Associate Attorney General Hubbell represented federal regulators in a suit against the accountants of Madison S&L, although his father-in-law was a major borrower from Madison.



By Danny Johnston, AP
ROSE LAW FIRM

Also, the Rose Law Firm is researching whether Hubbell improperly billed some clients and charged personal expenses to the firm. The Rose Law Firm inquiry includes expenses the firm had to pay in a parking meter patent suit in which Hubbell represented his in-laws.

► **Shredded documents.** A courier said the Rose Law Firm recently shredded some documents that came from boxes that had Vince Foster's initials on them. Foster, Hubbell and Hillary Clinton were partners in the Rose Law Firm.

► **Dan Lasater.** The Chicago Tribune has raised questions about Hillary Clinton's role in representing federal regulators in a suit against a Clinton family friend. The regulators, on behalf of a failed Illinois S&L, sued an Arkansas securities firm owned by Dan Lasater, who was a contributor to Clinton campaigns and involved with the cocaine conviction of Clinton's brother Roger. The \$3.3 million suit against Lasater was settled for \$200,000.

STATUS: Fiske called the courier before a grand jury last week to testify about shredded documents. Rose Law Firm assured him no relevant documents were being destroyed. Hubbell denies all wrongdoing. Federal regulators determined the law firm hadn't violated conflict-of-interest rules in the Madison case. Fiske is reviewing the Lasater issue.

POSSIBLE PROBLEMS: Fiske could find the law firm tried to thwart his probe. Hubbell could lose his job, be censured for his Madison role and end up in a legal dispute with his old firm. Hillary Clinton could be censured for representing the government in a suit against a friend.

Written by Dennis Cauchon.

MONDAY, MARCH 7, 1994 • USA TODAY

bc-whitewater-analysis - al721

(ATTN: National editors) (Includes optional trims)

Whitewater Handling Shows Clintons Ignored Watergate Lesson (Washn)

By Jack Nelson and Tom Rosenstiel= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton's decision to drop White House Counsel Bernard Nussbaum and issue strict orders against further back-channel contacts with the Whitewater investigation came only after a belated realization that the growing appearance of a cover-up might prove more damaging than the ill-starred real estate deal itself.

Late last week, as criticism mounted in the wake of disclosures that Nussbaum had participated in a series of improper meetings on Whitewater with officials of the Treasury Department, an angry Clinton exploded at his staff, demanding an end to self-inflicted wounds.

"His anger," said one aide, "was over the fact that the way we were handling Whitewater was being perceived as a Watergate cover-up, and he and all of us here know we operate on a different level of integrity."

Yet it was Clinton himself as well as first lady Hillary Rodham Clinton who for months brushed aside warnings that Nussbaum's actions, along with some by the Clintons themselves, were fueling the controversy.

As a result, Clinton has run afoul of one of the most clearly marked pitfalls in all of Washington: the Watergate trap, in which efforts to minimize or cover up a potentially damaging situation can become politically and even legally more dangerous than the original situation.

"Whitewater is not Watergate, but we've been acting like it is," an exasperated senior Clinton aide said shortly before Nussbaum's resignation. "The siege mentality here is dumb. We ought to learn from the past and not repeat it. We should get all the facts out."

That assessment was echoed by seasoned political operatives and legal experts outside the government.

"It is kind of baffling how very smart people and supposedly smart lawyers come to Washington and think they can manage the news," said Henry Ruth Jr., a special prosecutor during the Watergate scandal, referring to the tendency of officials such as Nussbaum to try to prevent public disclosure of embarrassing information. "They invariably find out they can't and in trying to unsuccessfully manage the news, they do a great disservice to their bosses."

In the case of Watergate, President Nixon was forced to resign and several of his top aides went to prison, not because of direct involvement in what Nixon called the "third-rate burglary" of Democratic Party headquarters in the Watergate building in 1972 but because of actions taken to shield the White House afterward.

The Watergate effort, which amounted to criminal obstruction of justice, added the word "cover-up" to the Washington lexicon. Today, the term applies to any ill-conceived attempt to suppress damaging or embarrassing information even if no criminal activity is involved.

Indeed, Ruth and others note that in many of the scandals since Watergate, stupidity and poor judgment rather than evil wrongdoing have led to problems. "In most cases we are involved in things that if revealed up front would not be so serious," Ruth said.

White House aides insist that is exactly the situation with Whitewater, the failed Arkansas real estate development in which the Clintons invested during the 1970s and 1980s, a span of time that included Clinton's tenure as governor.

Clinton himself has said in repeated public statements that he wants nothing done that would interfere with the various investigations of the real estate venture and the events and individuals surrounding it including the inquiry of Whitewater special counsel Robert B. Fiske Jr.

Yet whether because of inattention, bad judgment or some other reason, the Clinton White House has often seemed bent on creating the opposite impression.

.. (Nussbaum's) incompetence deserves a large share of the credit," one senior administration official said, but he added: "I think the atmosphere existed there that created this behavior in a general way."

(Begin optional trim)

Nussbaum's miscues began following the apparent suicide of last July of White House aide Vincent Foster, who was a former law partner of Hillary Clinton's in Little Rock, Ark., and had handled matters involving Whitewater.

When police came to the White House seeking information that might shed light on Foster's death, Nussbaum refused to give them direct access to his office. Instead, Nussbaum himself sifted through Foster's papers, turning over some but withholding others.

It soon developed that some of the documents Nussbaum had held back were related to Whitewater. Critics, many of them Republicans, immediately cried cover-up.

The papers in question have now been subpoenaed by Fiske. But at this late date it is almost impossible for Clinton to erase completely the impression of a possible cover-up.

Clinton and the White House also resisted for months the appointment of a special counsel to investigate the matter, yielding only when continued revelations about Whitewater made the pressure irresistible.

(End optional trim)

Some White House aides say Hillary Clinton was especially vigorous in opposing appointment of a special counsel and in defending Nussbaum, who had served as a mentor early in her career as a lawyer and whom she had originally backed for the crucial post of White House counsel.

"Basically, she thought they could get away with opposing a special counsel because they had been promised there would be no congressional hearings" on Whitewater, one aide said. (Now, GOP pressure is becoming so great that the Democratic majority in Congress may bow to the demands for hearings as well.)

The meetings with Treasury Department officials proved to be the final straw. The department is probing a defunct savings and loan once owned by James B. McDougal, the Clintons' partner in the Whitewater project. A central question in the whole Whitewater affair is whether money from McDougal's S&L was used to benefit the Clintons.

By briefing Nussbaum and others from the White House on the progress of their activities, Treasury Department officials did something that is not routinely done for the targets of other such investigations.

(Optional add end)

Presidential historian James David Barber of Duke University argues that "cover-up" has become a component of the political culture in part because it is often easier for voters to grasp the idea that someone is hiding something than it is to understand the details of the affair itself.

"People cannot really understand the complication of a lot of political news. And so something simple often comes to be the element that is remembered," Barber said.

In the same way, says Douglas Bailey, a former Republican political consultant and now publisher of the Hotline, a newsletter about politics, the idea of a cover-up provides a handy lever to political opponents who want to keep the probe of any potential scandal alive while the investigation is in a stage where little about the case itself may be emerging.

"I don't believe I have ever had a conversation with a candidate or a campaign, where I didn't start by saying: 'Look whatever the truth is, once the subject has been raised in any way, you have to make the assumption that it is going to come out. Now do you want it dragged out piece by piece and make you look like a fool and a liar? Or do you want to have it come out all at once and have you look like just a fool? If it comes out all at once, chances are people will be forgiving. If you drag it out, people will never forgive.'"

"What is amazing is how many otherwise good and sensible people may understand that advice but simply ignore it," he said.

bc-whitewater-react times

(ATTN: National editors) (Includes optional trims)

Former Watergate Prosecutor Considered to Succeed Nussbaum (Washn)

By Ronald Brownstein= (c) 1994, Los Angeles Times=

WASHINGTON As the furor over the Clinton administration's handling of the Whitewater investigation raged across the Sunday TV talk shows, the White House appeared to be narrowing in on a replacement for presidential counsel Bernard Nussbaum, who resigned under fire for his actions during the probe.

One senior administration official said the White House would pick a successor shortly and said former Watergate prosecutor Charles F.C. Ruff had emerged "as the clear, clear front-runner for the job."

Like other White House sources, the official cautioned that no final decision had been reached. "In this game there is no guarantee until it is over," he said. But he added: "Charles Ruff is pretty far along with it."

Asked about those remarks, Ruff said Sunday: "You're way ahead of me," adding that he "was not in a position to talk about this."

In an interview on CNN's "Late Edition," White House Chief of Staff Thomas "Mac" McLarty on Sunday described Ruff as "a person of distinction." But he added: "I'm not going to get into any specific individuals."

Nussbaum resigned Saturday after it was reported last week that he had participated in three meetings between White House aides and Treasury Department officials supervising the Resolution Trust Corp.'s investigation of a failed Arkansas savings and loan owned by the Clintons' business partner in the Whitewater land development deal.

On Sunday, Republicans escalated charges that those meetings raised the specter of a "cover-up" and obstruction of justice.

"Let's not forget that Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering in the investigation," said Sen. Phil Gramm, R-Texas, on ABC-TV's "This Week With David Brinkley." "I think the president is getting deeper into a hole. If the president continues to have officials of the regulatory agencies over to the White House to brief staff, if the president continues to have White House counsels interfere in investigations, that can quickly become obstruction to justice if you're not careful about it."

Also appearing on the program, George Stephanopoulos, senior adviser to the president, said the administration doesn't believe "anything unethical occurred" during the meetings between White House and Treasury Department staffers and that "no specific information about the substance of the investigation was provided at all." The purpose of the meetings, was to discuss how "to handle the press inquiries" about the controversy, Stephanopoulos said.

But, Stephanopoulos conceded, "the meetings probably should not have happened."

Likewise, Vice President Al Gore acknowledged Sunday that "mistakes have been made" in the White House's handling of the investigation. "Whatever mistakes were made," he said on the NBC-TV's "Meet the Press," "there is an aggressive determination to make absolutely certain that there is no interference of any kind."

(Optional add end)

As a successor to Nussbaum, a longtime friend of the Clinton family, the president should pick someone more independent of his inner circle, Sen. Daniel Patrick Moynihan, D-N.Y., counseled Sunday. The person should be "someone who is not a friend of anybody working there now, but is a friend of the institution of the presidency," he said on CBS-TV's "Face the Nation."

The senior administration official said it was unrealistic to demand that Clinton appoint to the job someone he doesn't know. Instead, he argued, the test should be whether "you can imagine a president other than Bill Clinton appointing (the person) to the job."

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Legal analysts say White House counsel crossed fine line

By Judith Gaines
GLOBE STAFF

When White House counsel Bernard W. Nussbaum resigned Saturday, attributing his downfall to "those who do not understand ... the role and obligations of a lawyer," he was pointing to a conflict inherent in a job that required him to walk a fine line, a line he may not have fully understood, several local legal analysts said yesterday.

Nussbaum, 57, was criticized for meeting last fall with US Treasury officials investigating whether funds were illegally diverted from Madison Guaranty, an Arkansas savings and loan, to President Clinton's Whitewater development when Clinton was Arkansas' governor.

As a lawyer representing Clinton, Nussbaum appears to have behaved as any private lawyer typically would, said Laurie Gill, a partner with the Boston firm of Palmer & Dodge.

"In the normal course of representing a client who might have some criminal involvement, it would be absolutely routine to try to get as much information as possible about the situation," she said. "I don't think going to investigators and asking for a report violates any lawyers' ethical codes."

But the question, she said, "is whether, when you represent the president — the boss of the people doing the investigating — do you forfeit the right that the lawyer for another person would have to make inquiries about this kind of situation?"

The answer should have been yes, many local legal analysts said.

The problem inherent in the job of the White House counsel is that the counsel represents the presidency as an institution, as well as the current president, and is also chief ethics officer for White House staff, said Jamie Ann Sabino, past president of the Women's Bar Association of Massachusetts.

To a private lawyer representing a client,

"there's nothing wrong with trying to influence an investigation, as long as you don't impede the investigation, or give false information, or try to hide something or stop investigators from talking to somebody," she said. But a lawyer representing the presidency "may have a greater obligation. He's America's counsel. His client in a sense is the whole country."

Bruce A. Bierhans, a Boston trial attorney, saw the case more starkly. "The analogy of a private lawyer doesn't apply, because Nussbaum is a US government employee," Bierhans said. "The whole issue is whether he used his authority as a government employee to influence the investigation improperly."

Nussbaum "forgot he was representing the office of the presidency, instead of the president," agreed John Griffin, an attorney with the Boston firm of Hutchins, Wheeler & Dittmar. "Actions that are perfectly appropriate in the private sector are not appropriate in the political one. But sometimes it's hard to see the line in the heat of the moment."

As White House counsel, Nussbaum's job "was to protect the office of the presidency, which also means protecting the incumbent," said Charles Fried, professor of law at Harvard Law School. But because Clinton is the superior of the people conducting the investigation, and can fire them if he's displeased with their performance, there is a high risk that any discussion about the investigation would be viewed as an attempt to steer it to Clinton's benefit, he said.

Fried noted that both Clinton and Treasury Secretary Lloyd Bentsen have expressed their disapproval of Nussbaum's meetings with the Treasury investigators. "So those who don't understand the role and obligations of a lawyer" apparently include the president and the secretary of the treasury," he said, with a chuckle.

From Boston Globe page 10

2 Mass. congressmen plan to press case for Patriot

By Ana Puga
GLOBE STAFF

WASHINGTON — Rep. Martin T. Meehan conceded yesterday that it is unlikely that the Patriot missile can be resuscitated, but he still wants to give it one last try.

Meehan, a Lowell Democrat, and Rep. Peter Torkildsen, a Danvers Republican, have latched onto a study by the Massachusetts Institute of Technology suggesting that an upgraded version of the Patriot may outperform its main rival as evidence that the missile system, manufactured by Lexington-based Raytheon, should not be abandoned.

"It would be unusual to turn it around," Meehan said. "But the report is the best evidence there is that the Patriot is the best. And I think that all of us in the delegation have been trying to create a level playing field for the Patriot."

The two lawmakers, who are on the House Armed Services Committee, hope to convince a panel reviewing the Army's recent rejection of the Patriot to consider the report. At stake are hundreds of Massachusetts jobs; Raytheon is the state's largest employer.

In the initial three-year engineering phase alone, the military contract is worth an estimated \$600 million to \$800 million.

Meehan said that the Army may already have been aware of the MIT study, but given the decision to replace the Patriot with the Dallas-made ERINT,

Meehan said the report apparently did not carry much weight.

"It appears that they didn't use the report as a basis of evaluation," Meehan said.

He estimated the chance that the review panel will reverse the Army's decision as "certainly less than 50 percent."

Last month, the Massachusetts and New Hampshire congressional delegations persuaded John Deutch, the Defense Acquisition Board chairman and a former MIT provost, to appoint an independent panel to review the Army's recommendation. The panel's decision is due in April.

The MIT report, titled "Deployable Air Defense Study," was commissioned by the Defense Department last year. It concluded that the Patriot is more effective than the ERINT against jet fighters and cruise missiles. But it also found that the ERINT was better for use against missiles with chemical-weapon warheads.

The ERINT, or Extended Range Interceptor, is produced by Loral Vought Systems of Dallas. Sen. Kay Bailey Hutchison, a Republican of Texas, has estimated that winning the Army contract would bring at least 500 jobs to her state.

If Raytheon cannot hold on to the Patriot missile contract, it could still continue to manufacture ground-based command centers and other components for the Patriot system.

Clinton's Counsel Resigns

Blamed for allowing staff briefings on Whitewater probe

By Susan Hage
WASHINGTON BUREAU

Washington — White House Counsel Bernard Nussbaum resigned yesterday in the wake of an escalating controversy over White House contacts with federal regulators investigating the Whitewater affair.

But the departure of the president's lawyer — blamed for failing to recognize the appearance of impropriety in attending a series of meetings with Treasury officials over the real-estate development investigation — wasn't likely to quell a firestorm that once again has left the White House embattled and defensive.

"Nussbaum is just a scapegoat," Sen. Alfonse D'Amato (R-N.Y.), one of Clinton's most rabid critics, said. "He works for the president, and the president is responsible for his staff." D'Amato said Nussbaum was being used "by the president and first lady who continue to elude the investigation into their Whitewater dealings."

Six senior White House staff members, including Nussbaum, also began making preparations to testify Thursday before a federal grand jury investigating Whitewater. Subpoenas ordering their testimony and demanding White House records were delivered Friday night.

The developments came a pall over the White House, and many of the president's top aides, who thought Clinton's acquiescence in the appointment of Hubert Fiske Jr. as special counsel to investigate Whitewater would put the controversy behind them — at least until Fiske issued his report in a year or more.



Nussbaum yesterday

Instead, after announcing Nussbaum's resignation, Clinton remained an afternoon golf course, pointedly ignored reporters shouting questions, and flew by Marine One helicopter with his wife and daughter for a four-weekend at Camp David, the presidential retreat in Maryland's Catoctin Mountains.

At the White House, aides who had hoped to be focusing on the administration's legislative agenda instead found themselves hiring lawyers to represent them.

"Whether Bernie's resignation will fix things, to me your words, I can't know," one senior official said, shaking his head.

Please see NUSBAUM on Page 3

LONG ISLAND
NEWSDAY
3/6/94

Clinton's Lawyer Resigns

NUSBAUM from Page 3

ing on condition of anonymity. "We'll just have to wait and see." But he and other officials said they expected the White House staff eventually to be cleared of any wrongdoing, denying that the meetings with officials from the Madison Trust Corp. represented any improper use of influence.

However, doubts of the meetings — and the subpoena that followed — means that the Whitewater controversy now has touched a working circle of aides close to the president.

"The public discussion, particularly, is focus of all the problems of Whitewater, and it's growing," Sen. Dan Coats (R-Ind.) said on CNN's "Newsmaker Saturday." "It used to be a whisper. Now it's raining at the White House."

Top aides in State, Harold Ichter, White House Communications Director Mark Gurnea, senior adviser Bruce L. Canby, Nussbaum and two members of first lady Hillary Rodham Clinton's staff, Chief of Staff Margaret Williams and Press Secretary Lisa Caputo.

Top Treasury Secretary Roger Altman and three of his current or former major aides also were subpoenaed. The subpoenas called for examining three meetings White House and Treasury officials attended to discuss the issue of an investigation of Madison Guaranty Savings & Loan and its connections with Whitewater Development Corp., a real estate venture in which the Clintons were partners.

Nussbaum, now white, noted his

White House career with a hint at his critics.

"At all times I have conducted the Office of the White House Counsel and performed the duties of Counsel to the President in an absolutely legal and ethical manner," he wrote in a letter to Clinton. "Unfortunately as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House Counsel."

"I now believe I can best serve you by returning to private life."

Clinton accepted the resignation with a letter expressing "deep regret" and saying, "We have worked together in Washington at a time when serving is hard." He noted in particular Nussbaum's role in handling a recent percentage of women and cooperation to federal

investigations — including those of Eric Hard for attorney general and Louis Gurnea for assistant attorney general for civil rights — that brought him a reputation for lacking political acuity. He also was criticized for his role in the firing of the White House travel officer and for his handling of Whitewater papers after the suicide of his deputy, Vincent Foster.

On Whitewater, some officials said he should have advised other members of the staff to avoid meetings that would leave the appearance of impropriety. While on White House staff and "it was Bernie's decision" to leave, others indicated that the president had become disengaged by Nussbaum's failure to contain the controversy.

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TONY SNOW

The White House looks like a political Sarajevo after recent shelling from the national press. When people talk about Whitewatergate these days, they no longer ask, "Who cares?" They whisper: "Cover up."

Here are a few reasons why: Treasury Department officials held two special briefings last fall for top White House aides, including White House Legal Counsel Bernard Nussbaum. The topic: ongoing investigations into a variety of financial-political transactions involving the Clintons. Treasury snoops evidently warned the White House that the first family would be mentioned in upcoming indictments about Whitewatergate. Such contacts violated standards of conduct governing administration officials.

Similar problems bedeviled an onfab called last month by Deputy Treasury Secretary Roger Altman. Mr. Altman has served for more than a year as the "interim" of the Resolution Trust Corp., which sells failed thrifts and prosecutes bounders who have ripped off the American taxpayer. In his TC role, he had a chat in the White House with Mr. Nussbaum, health-care point-man Harold Ickes, and Margaret Williams, chief of staff for the first lady.

The four say they discussed whether the statute of limitations applied to Whitewater-era civil times in Arkansas. But that examination seems fishy. Congress just voted to extend the statute on savings-and-loan misdeeds, and everybody in the room knew it. Furthermore, Messrs. Ickes and Williams have no official involvement in financial-industry issues. They're their jobs to Mrs. Clinton, whose only direct concern with the RTC arises from the fact that the agency has been asking questions about thrifts run by Clinton-family friends.

[On Friday, it was announced that Mr. Nussbaum would resign from his post effective Saturday; six members of the White House counsel's office were served with subpoenas by the FBI.]

The West Wing colloquy bears eerie resemblance to get-togethers that toppled former House Speaker Jim Wright and named Charles Keating a felon in a federal pen. Mr. Wright was in the soup because he threatened to cut funding for federal regulators unless they stopped naming the owner of a Texas ft. The Keating Five tried to persuade the same officials to go easy on the Lincoln Savings and Loan.

The crucial difference between the Keating Five and the Clinton Four is that federal regulators didn't get dragged unwillingly into a discussion with powerful pols this time around.

Whitewatergate ripple effect

The crucial difference between the Keating Five and the Clinton Four is that federal regulators didn't get dragged unwillingly into a discussion with powerful pols this time around. The "independent" auditors actually arranged the get-together!

a discussion with powerful pols this time around. The "independent" auditors arranged the sit-down!

So a pattern emerges: Cover up, deny, destroy the evidence.

The New York Times disclosed late last week that the Rose Law Firm, former employer of Hillary Rodham Clinton and other senior administration lawyers, began shredding files belonging to the first lady as far back as 1991. In the last year, its slicing machines

have annihilated lots of documents belonging to Mrs. Clinton, Associate White House Counsel William Kennedy III and Associate Attorney General Webster Hubbell.

The Times also says a courier for the Rose Law Firm recently received and shredded a box of files that had come from the office of the late Vincent Foster. Washington insiders have wondered for months about the missing Foster files. Now they know: The papers have become confetti.

It also appears that some of the president's attempts to "reinvent government" could help cover the first family's tracks. When the administration fired all the U.S. Attorneys last year, it handed the Little Rock job to Clinton family friend Paula Casey. She quickly ruled that the Justice Department had no interest in a former Arkansas judge's claim that then-Gov. Clinton conspired to divert Small Business Administration loans into a development company in which Mr. Clinton held a 50 percent share.

Similarly, the administration wants to place the investigative and ethical arms of the Justice Department under political control. This "reform" would make it virtually impossible to organize an objective review of scandals involving the White House Travel

Office, the aftermath of Vincent Foster's death, and the tangled strands of Whitewatergate.

The recent Whitewater shell bursts have sent some top politicians scurrying for cover. Treasury Secretary Lloyd Bentsen sprinted from the scene of the crime last week by declaring that he did not know about the meetings between his staff and the White House. The president meanwhile conceded that the talks should not have taken place, and vowed that he knew nothing about the sensitive conclaves, including the one attended by his wife's chief of staff.

Last week's revelations leave Democratic leaders with little choice but to empanel Watergate-style select committees to dredge through the sordid sludge of Whitewatergate and find the truth.

From the first days of this administration, Clinton worthies have acted as if old standards and traditions shouldn't apply to them because they possess good character and a noble cause. But they now seem ready to learn the oldest lesson in presidential politics: The rules apply to everybody.

Tony Snow is a Washington-based editorial page columnist for the Detroit News and is nationally syndicated.

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The Washington Times SUNDAY, MARCH 6, 1994

Fiske turns up the heat; Nussbaum bows out

**'Dr. No' officially
resigns in letter to
President Clinton**

By Paul Bedard **A1**
THE WASHINGTON TIMES

The expanding inquiry into President Clinton's Whitewater Madison scandal yesterday claimed its first victim when White House Counsel Bernard W. Nussbaum quit just 17 hours after he and eight other administration officials were subpoenaed by a federal grand jury looking into the affair.

Mr. Nussbaum's resignation, effective April 5, came after administration officials for two days had pressured the former Wall Street lawyer to quit in the aftermath of his secret meetings with Treasury

Department officials regarding the federal investigation of a failed Arkansas thrift linked to Mr. Clinton.

Mr. Nussbaum was defiant to the end, and it was not certain until his private Oval Office meeting with Mr. Clinton after the president's 10 a.m. radio address yesterday that the embattled presidential lawyer would quit.

"It wasn't a fait accompli until the letters [of resignation and acceptance] were exchanged," said a senior administration official. But "it was inevitable for a thousand reasons."

Mr. Clinton accepted the resignation "with deep regret" but appeared upbeat. He was even clapping his hands as he boarded the Marine One helicopter for a previously unplanned weekend family visit to the Camp David pres-

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RESIGN

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idental retreat.

Yet the impact of Mr. Nussbaum's resignation echoed throughout the hushed halls of the White House and prompted the president to cancel a golf trip that had been scheduled for yesterday.

Mr. Nussbaum's letter to Mr. Clinton was three paragraphs long.

In it, he told Mr. Clinton that "it has been a great honor and privilege to serve you as counsel to the president."

He listed his accomplishments during his 14-month tenure, saying he was "proud of the many contributions my office has made to the wide array of policy initiatives of your administration."

But he also bitterly defended his role in the Whitewater-Madison scandal and argued that he had never breached ethics rules. "At all times I have conducted the office of the White House counsel and performed the duties of counsel to the president in an absolutely legal and ethical manner," Mr. Nussbaum wrote.

"Unfortunately, as a result of the controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House counsel, I now believe I can best serve you by returning to private life," he wrote.

The White House has started a search for a replacement, but Mr. Clinton apparently has not yet decided if he will hire from within the White House or look elsewhere.

An administration official said Mr. Nussbaum felt he hadn't done anything wrong in meeting three times with officials of the Treasury Department and the Resolution Trust Corp. (RTC) on the RTC's investigation of Madison Guaranty Savings and Loan Association.

Madison — which was owned by James B. McDougal, a former business partner of the Clintons — was shut down by federal authorities in 1989 at a cost of \$50 million. Special Counsel Robert B. Fiske

was involved in the Whitewater Development Corp. — a land co-owned by Mr. McDougal, his wife, Susan, and the Clintons — benefited from questionable Madison transactions.

Friday night, Mr. Fiske had the FBI serve Mr. Nussbaum and five other senior White House officials with subpoenas ordering them to testify before a federal grand jury on Thursday and produce all documentation related to their meetings with Treasury and RTC officials.

"I have conducted the office of the White House counsel and performed the duties of counsel to the president in an absolutely legal and ethical manner."

— Bernard Nussbaum

Other White House aides subpoenaed: senior presidential adviser Bruce Lindsey; Communications Director Mark Gearan; Deputy Chief of Staff Harold Ickes; Lisa Caputo, first lady Hillary Rodham Clinton's press secretary; and Margaret A. Williams, Mrs. Clinton's chief of staff.

Deputy Treasury Secretary Roger C. Altman, acting RTC head; Jean Hanson, Treasury general counsel; and Joshua Steiner, Treasury chief of staff, also received subpoenas.

The subpoenas seek information and all documents on three meetings — one in September, another in October and one last month — among the White House and Treasury officials in which the RTC's Madison investigation was discussed.

The subpoenas brought Mr. Fiske's investigation into the White House for the first time.

A White House official speaking on the condition of anonymity said the inquiry so far had only delved into actions by Mr. Clinton while he was governor of Arkansas. But with the issuance of the subpoenas, the official said, "this has implications for us."

The official said no other resignations are expected and rebuffed GOP calls for Mr. Altman to be fired.

And the White House has announced that the subpoenaed officials must seek their own legal representation.

At the White House, garbage began to build up because of an order not to empty the trash, shared or

reviewed. One staffer had a special yellow folder tagged "RTC Meeting."

The White House has said information revealed at the meetings — such as the Clintons' link to the probe — was never discussed with the president or first lady.

However, Republican critics charge the Clintons were tipped off in the meetings and may have taken measures to cover up their involvement in Whitewater-Madison.

White House officials have said

CONTROVERSIAL COUNSEL

White House Counsel Bernard W. Nussbaum, who resigned yesterday, was responsible for a series of ethical and political mistakes that embarrassed President Clinton.

Whitewater-Madison:

Attended several Treasury Department briefings for White House aides on the status of a probe into a failed savings and loan institution with Clinton ties.

Consequence: Those involved have been subpoenaed to testify before a grand jury.

Travelgate:

The White House asked the FBI to institute a criminal probe of fired travel office workers. Nussbaum attended a White House-FBI meeting to draft the press release.

Consequence: It appeared that the White House was using the FBI for its own political purposes. Five of the seven workers were cleared; two cases remain open.

Secret health care meetings:

Fought a legal battle through the Justice Department to keep health care task force meetings secret.

Consequence: The White House has lost several rounds in court, but is appealing.

Justice Department nominations:

Failed to closely question a leading candidate for attorney general, Judge Kimba Wood, about her domestic help, or to warn the president that civil rights nominee Lani Guinier's writings were controversial.

Consequence: President Clinton was embarrassed when it became known that Judge Wood had an illegal immigrant as a nanny. The Guinier nomination was withdrawn in the face of strong Senate opposition.

Inquiry into the death of Vince W. Foster Jr.:

Refused to let Park Police independently question White House aides, and allowed the removal of key documents from the deputy counsel's office.

Consequence: The Foster case, which the Park Police declared a suicide, has been reopened by the Whitewater-Madison special counsel.

The Washington Times

the meetings were held simply to discuss how to answer press questions about Whitewater-Madison. Initially, White House spokeswoman Dee Dee Myers said nothing improper occurred in the meetings, but Mr. Clinton later said they should not have happened.

Treasury Secretary Lloyd Bentsen also ordered an ethics investigation into the meeting.

Mr. Clinton ordered Chief of Staff Thomas F. "Mac" McLarty to issue new rules barring contact between White House officials and Whitewater-Madison investigators. The existing rules were written by Mr. Nussbaum.

Mr. Nussbaum has long been under fire because of his involvement in nearly all the Clinton White House's domestic blunders.

But his involvement in the

his apparent stonewalling of a U.S. Park Police investigation in the death of his former deputy, Vincent W. Foster Jr., sparked new calls for his resignation.

"Mr. Nussbaum has reigned over some of the darkest days of this administration. Hopefully, President Clinton can now move on to address the concerns of the American people," said Rep. William F. Clinger, Pennsylvania Republican.

He was called "Dr. No" on Capitol Hill for stonewalling GOP ef-

"Mr. Nussbaum has reigned over some of the darkest days of this administration. Hopefully, President Clinton can now move on to address the concerns of the American people."

— Rep. William F. Clinger, Pennsylvania Republican

forts to investigate White House affairs.

Mr. Clinton's aides

ing Whitewater-Madison investigation would not interfere with White House affairs.

Mr. Clinton sounded a positive note in the Nussbaum affair, saying in his letter accepting Mr. Nussbaum's resignation: "You gave this administration one of its liveliest spirits and keenest mind along with your special reverer for duty and friendship. For the contributions I will be forever grateful; for your accomplishments, I hope you will be forever proud."

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White House reels over prosecutor's zeal, subpoenas

By Jerry Seper *W*
THE WASHINGTON TIMES

Special counsel Robert B. Fiske Jr. — angry over back-room meetings between federal regulators and senior administration aides — has served notice on the White House that his Whitewater-Madison investigation will not be compromised, law enforcement authorities said yesterday.

Mr. Fiske stunned the White House Friday with subpoenas of nine top administration officials seeking information and documents about meetings they had over ongoing inquiries into alleged financial irregularities involving a

failed Arkansas savings and loan with ties to both President Clinton and Hillary Rodham Clinton.

The subpoenas, delivered by FBI agents, are part of what authorities said is a continuing effort by Mr. Fiske to aggressively take charge of the Whitewater-Madison investigation, to eliminate outside interference and to assure the public that the job is being done. That is the mandate given him by Attorney General Janet Reno.

"It's apparent Mr. Fiske wanted to get the White House's attention in this matter, and to tell the public his inquiry is real, it is under way and it is completely independent," said one law enforcement official familiar with the Whitewater-Madison probe. "I think he's done that."

The subpoenas also under-
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FISKE

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scored what authorities described as the seriousness of the White water-Madison investigation, regarded until now by the White House as a bothersome diversion.

The White House's sharpest congressional critic in the White water-Madison case, Rep. Jim Leach, Iowa Republican, said yesterday the subpoenas shift the focus of the Fiske investigation "from possible illegal acts committed by a president prior to taking office to possible illegal actions by a president in office. Obstruction of justice is now clearly the issue."

Mr. Leach is expected during House Banking Committee hearings later this month to zero in on the White House's dealings with independent regulatory agencies now looking into the Clintons' involvement with the failed Madison Guaranty Savings and Loan Association and its owner, James B. McDougal.

All nine administration officials including White House Counsel Bernard W. Nussbaum, who resigned yesterday over his handling of the Whitewater-Madison affair, are scheduled to appear Thursday before a federal grand jury in Washington.

The others subpoenaed are: Mark Gearan, White House communications director; Bruce Lindsey, senior adviser; Harold Ickes, deputy chief of staff; Lisa Caputo, press secretary to Mrs. Clinton; Margaret A. Williams, Mrs. Clinton's chief of staff; Roger C. Altman, deputy Treasury secretary; Jean Hanson, Treasury's general counsel; and Joshua Steiner, Treas-

ury's chief of staff.

They either gave or attended briefings concerning the status of the investigations by the Resolution Trust Corp. — of which Mr. Altman is acting head — into possible criminal wrongdoing in the failure of Madison, owned by Mr. McDougal, a longtime Clinton business partner.

"With this investigation being as public as it is, and with what has already been done, everyone is on notice not to dispose of anything," Mr. Fiske said yesterday of his subpoenas.

Mr. Fiske said the nine officials would appear before a grand jury in Washington, although their testimony could be used by a special grand jury being empaneled in Little Rock to hear the Whitewater-Madison case.

"The witnesses called so far have gone before one of the grand juries already sitting there [in Washington]," he said. "This is being handled by the people in the Washington office because it happened there."

The White House subpoenas also require staff officials to produce documents concerning any conversations between administration aides, the Treasury Department and the RTC in the Whitewater-Madison affair.

Mr. Fiske, a former U.S. attorney in New York whose dogged determination impressed both the Republican and Democratic administrations for whom he worked, has not been timid in the Whitewater-Madison inquiry, which he took over as special counsel on Jan. 20.

He immediately hired a staff many federal authorities consider "top notch." It includes six former federal and state prosecutors, assisted by a task force of 25 FBI



Rose Law Firm clerk Jeremy Hedges has spoken to a federal grand jury about documents that reportedly were shredded.

agents and financial analysts. The probe is being conducted out of offices in Little Rock and Washington, and at least two more lawyers are expected to be named in the next few weeks.

Key among the appointments are:

- Roderick C. Lankler, former assistant district attorney in New York who will head the inquiry into the July 20 death of White House deputy counsel Vincent W. Foster Jr.

- Russell "Rusty" Hardin Jr., a former assistant district attorney

in Houston who will be the lead prosecutor in the pending March 28 trial of a former municipal judge who has accused Mr. Clinton of pressuring him for a fraudulent Small Business Administration-guaranteed government loan.

Concerned about the slow pace of a sitting federal grand jury in Little Rock, Mr. Fiske sought — and won — appointment of a special grand jury to hear the Whitewater-Madison case. He told U.S. District Judge Stephen M. Reasoner the new jury was necessary "because of the importance of this investigation and the importance of doing it as quickly and as thoroughly as possible."

Mr. Fiske also took over the prosecution of former Little Rock Municipal Court Judge David L. Hale, president of Capital Management Services Inc., who accused Mr. Clinton and Mr. McDougal of fraud in a \$300,000 SBA-backed loan to Mr. McDougal's then wife, Susan. Mr. Hale had been indicted in September on unrelated SBA fraud charges.

The special counsel orchestrated a new investigation into the Hale matter, interviewing witnesses and obtaining documents the U.S. Attorney's Office in Little Rock had missed. On Feb. 17, he filed a superseding indictment in the case, adding new charges.

In the Hale case, Mr. Fiske personally argued against a continuance motion sought by Mr. Hale's attorney, although he will not handle the prosecution. He refused to place any importance on his appearance in the case, but said during a break in hearings last week, "I guess you noticed I was here for the entire hearing."

Mr. Fiske's office issued dozens of subpoenas in the investigation and has interviewed several potential witnesses.

One subpoena was sent to Little Rock's Rose Law Firm where Mrs. Clinton was a secretary after The Washington Times reported that documents related to the Clintons' involvement in Whitewater Development Corp., a failed northern Arkansas real estate venture, had been shredded.

Within a day, FBI agents were sent by Mr. Fiske to interview employees, and within a week, at least one of them had been subpoenaed to testify before the grand jury.

Another subpoena was issued immediately to the Arkansas Department of Banking, regulatory examinations and other documents relating to \$283,000 in personal loans to Mr. and Mrs. Clinton by an Arkansas bank. The documents used by the Clinton family in the Whitewater scandal were used by the Clinton family in the Whitewater scandal to build a political race, to build a balance on a personal account by Mrs. Clinton, and to pay the balance on a personal account by Mrs. Clinton.

Part of the Fiske probe involves a new look into the death of Vincent W. Foster Jr. in Washington by Mr. Lankler. He spent eight of his 13 years as a district attorney as the chief prosecutor under District Attorney Francis J. Berman.

Under Mr. Fiske's direction, Mr. Lankler and FBI agents interviewed a Fairbanks, Alaska, paramedic last week who worked at Fort Marcy Park in July and

saw Mr. Foster's body. Other interviews, including one involving another paramedic at the scene, are pending.

Paramedic George Gonzalez has said there were many inconsistencies at the scene, including a lack of blood one would have expected in a gunshot suicide. Mr. Foster was found laying on a gentle incline, gun in hand, with only a thin trickle of blood from his mouth, according to U.S. Park Police reports reviewed by The Times.

Mr. Fiske yesterday confirmed that witnesses in the Foster had been interviewed. "I don't think we have any trouble confirming that we have begun interviewing witnesses," he said. "I wouldn't say specifically which witnesses we have interviewed, but the process has begun."

The special counsel also has said he will hire "forensic experts and pathologists" to make an independent analysis of evidence that led Park Police to call Foster's death a suicide.

Park Police files show investigators felt Mr. Nussbaum repeatedly stopped officers from making a thorough search of Mr. Foster's White House office.

Mr. Nussbaum even claimed a newspaper article that had already been published was privileged information, an officer wrote in a report describing the scene after law enforcement agents arrived at Mr. Foster's office July 22.

"At no time during the one hour and thirty five minutes we were in Foster's office were we allowed to handle any document," an officer wrote in the file.

• Michael Hedges contributed to this report.

UNDATED: 12:18 a.m.

= Friend of Whitewater Figure Starts Legal Defense Fund

LITTLE ROCK (AP) Two former business partners of President and Mrs. Clinton don't have money to defend themselves before federal Whitewater investigators, says a friend who has set up a legal defense fund for James and Susan McDougal.

McDougal is likely to be indicted in the Whitewater investigation covering a broad range of Arkansas business dealings, said McDougal's lawyer, Sam Heuer of Little Rock.

Claudia Riley of Arkadelphia said she hopes The McDougal Defense Fund raises money for the McDougals ``to make sure that Jim and Susan are treated fairly.'' Mrs. Riley is the widow of former Arkansas Lt. Gov. Bob Riley, who died last month.

The McDougals, who divorced several years ago, were 50-50 business partners in Whitewater Development Corp., a real estate venture in the Ozarks of northern Arkansas. Special counsel Robert Fiske is investigating Whitewater and the now-defunct Madison Guaranty Savings & Loan, which McDougal owned.

= Courier Says He Shredded Foster Files

LITTLE ROCK (AP) A courier for the former law firm of first lady Hillary Rodham Clinton said he shredded some documents belonging to the late deputy White House counsel Vincent Foster, a newspaper reported Saturday.

Clayton Lindsey, who works for the Rose Law Firm, said he shredded documents in January that belonged to Foster, the Los Angeles Times reported.

Lindsey said he and his roommate, Jeremy Hedges, also a Rose courier, were instructed to destroy the papers.

Foster was a member of the firm before he became deputy White House counsel. His suicide last year is being investigated by independent counsel Robert B. Fiske Jr. in conjunction with an inquiry into Madison Guaranty Savings and Loan and the Whitewater real estate company once co-owned by the Clintons.

Lindsey is to appear March 15 before a grand jury in Little Rock regarding documents from Foster's files.

= Pryor Among Those Mentioned As Possible Majority Leader

LITTLE ROCK (AP) Sen. David Pryor is among those considered a possible successor to Democratic majority leader George Mitchell.

Mitchell, a Maine Democrat, announced Friday he will not seek re-election. He has served as majority leader since 1989, the senate's most powerful role.

Pryor, 59, is Democratic Conference secretary, the party's third-highest position in the Senate. He and others were mentioned over the weekend as possible contenders for Democratic leader.

Democrats currently have a 56-44 majority in the Senate. If they hold their majority, they would pick a new majority leader in the fall who would succeed Mitchell when the new Congress convenes in January.

The field is wide open with ``absolutely no consensus within the Senate,'' said Sen. Dale Bumpers, Arkansas' other senator and a Democrat.

= Medical School to Offer Health-Care Plan

FAYETTEVILLE, Ark. (AP) The university medical school in Little Rock will begin a program to provide health-care plans to self-insured companies.

The University of Arkansas Board of Trustees approved a \$4 million contract Friday between the University of Arkansas and QualChoice of Arkansas.

The agreement establishes the University of Arkansas for Medical Sciences in Little Rock as the provider of health plans for self-insured companies and groups. Eventually, the plan will include individual companies and individuals.

UAMS Chancellor Harry Ward said the network eventually will be able to compete with Blue Cross and Blue Shield, Health Wise, Health Source and other health insurance programs now operating in Arkansas.

An advantage to the QualChoice program, he said, is that it will allow insured individuals to see a doctor not part of the network, for a 20 percent

co-payment fee.

(MORE)

**** filed by:APW-(AR) on 03/06/94 at 22:16EST ****
**** printed by:WHPR(JEL) on 03/07/94 at 08:14EST ****

Joann Byrd ✓

Whitewater: The Sequel

Two Sundays ago, I concluded here that The Post has done more on the Whitewater story than I was giving the paper credit for doing. But in the middle, I grumbled that The Post had been beaten on, and then burned, two important stories.

Think of this as the sequel.

The journalists on this story have explanations that reveal, I confess, the cautious thinking I usually preach. It strikes me as both fair and enlightening for readers to hear their perspectives.

(The two stories I was so fond of

Ombudsman

were a Washington Times report on allegations that the Rose Law Firm shredded Whitewater documents and a New York Post report that three Fairfield County paramedics said the scene didn't convince them Vince Foster committed suicide.)

Marilyn Thompson, deputy national editor directing the Whitewater team, makes the best argument when she challenges "the assumption that the newspaper has to follow a story unearthed by a competitor even when our own reporting cannot substantiate it."

Post reporter Susan Schmidt was in Little Rock when the shredding story broke. "We expended considerable energy trying to check into that, and we're not convinced it actually happened," Ms. Schmidt says.

Ms. Thompson thinks "everyone should have been on" the paramedics' story after Mr. Foster's death. But after the New York Post report, she said, "they had been silenced."

On the Post's coverage of Mr. Foster's death, she added, "We have felt we had to exercise a standard of care. . . . I still think it's a leap to say his death was related to Madison; there are some interesting facts, but the picture is not complete."

Independent reporting also is the philosophy of Leonard Downie Jr., The Post's executive editor. "Everybody is reporting this story now; stories will appear which are entirely untrue, or partially untrue. We have to satisfy ourselves that the story meets our standards. We will be silent until we know what the score is. It looks petulant to say, 'There's nothing to the story in the other paper this morning.'"

Mr. Downie means standards for what is reported and for where it runs in the paper. "We have a long-standing relationship with our readers that we use the front page to tell them what we think is important. It's different for papers that want to send a message," and for papers whose readers do not expect serious reporting on so many subjects, he says.

Ms. Thompson points out that "in a major investigation, there is a curve. You start with the initial breaking story," publish several stories quickly thereafter, and "when the national media get on it, there is intense competitive pressure, with everybody on board and new details all the time. The reporting strategy has to change."

"We are in the highly competitive phase; there are some stories we are going to pass on, some stories are break, some stories we never get to."

The Whitewater team, she says, has pursued "reporting in the Post tradition through meticulous record searches. Where possible, we rely on documents rather than unnamed sources."

Reporter Howard Schneider reiterates that the team has "decided not to slice off individual facts without the context." Adds reporter Charles Babcock, "We are always asking, 'Is it too incremental [to deserve a separate story]?'"

Whitewater had disappeared from the news until Oct. 31 when Ms. Schmidt reported the Resolution Trust Corp.'s probe of Madison Guaranty S&L and its criminal referral to the Justice Department. The Post followed in the next weeks with major investigative reports, and has produced 30-plus enterprise stories since.

Says Mr. Schneider, "Whitewater became a story in great part because we were reporting it. We had the fundamental facts in the paper way ahead of anyone else. By the time others caught up, they caught up on mass. We thought there was no need to regurgitate what we had already reported. We were 'behind' by virtue of being ahead."

"We won't know for some time which newspaper has the most reliable sources and judgment on this story. But the principle I missed the first time around

was: we the public trust should lead its readers to believe something its own reporting doesn't support.

White House Missteps Put Clinton in Deeper Hole

PRES

By T. From A10

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demonstrate that he is aggressively pursuing the investigation.

But others said it was to be expected that he would move quickly to preserve documents, particularly in a case where there have been other allegations that documents have been destroyed.

Outsiders who are familiar with the White House operation suggest its problems go beyond Bernard Nussbaum. The consensus is that the management is still not fully operational; that there is no one with the standing to push the Clintons into steps they resist, such as being more forthcoming on Whitewater, and that the campaign mentality of damage control—where the first imperative is to find out the charge and answer it—remains too much entrenched.

"It's fairly clear that the more you try to cope with this as kind of an inside the White House political problem, the more you just make more trouble for yourself," said one official.

At the White House yesterday, there was a sense of disbelief that it had come to this. "It is crazy, it is insane, it is nuts that this thing should loom large not because of what it was back in Arkansas a decade ago but because of what we here in the White House are doing. We will get through this if we don't screw it up again. No one here and no one we talked to gives a good [expletive] about Whitewater or things that happened all these years ago."

All available public evidence endorses that view. A series of polls in February, after the special counsel was named, suggested that while a

growing number of Americans had read or heard something about Whitewater and many believed the Clintons had not been forthcoming on it, it hardly mattered.

A Harris poll early last month found that of those who had heard about Whitewater, most thought the Clintons had done something unethical back in Arkansas. But 83 percent said it had not changed how they felt about President Clinton.

But a Time-CNN poll with similar findings offered Clinton a warning applicable to his handling of long-ago issues now come to the White House: Asked if Clinton is a leader "you can trust" or "do you have some reservations," only 40 percent found him trustworthy, while 56 percent wavered.

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A 'Perilous Time' For the President

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

PRESIDENT, From A1

When President Clinton reluctantly agreed to the appointment of a special counsel on Whitewater in January, the most compelling argument was that an independent investigation would shield the president from further political battering and free him to pursue the change he promised the nation.

Less than two months later, Clinton and his White House staff find themselves deeper in a hole than when they started. By even their own accounts, it is a hole they dug themselves.

With the appointment of special

counsel Robert B. Fiske Jr., the White House expected the complex set of land transactions, legal maneuverings and dense, interconnecting stories known as Whitewater to move off the front pages and into the secrecy of a federal investigation.

The opposite has now occurred.

The Clinton White House has created a new, more easily understood and far more damaging story line: the specter of White House interference with investigations of the Clintons. The forced resignation of White House counsel Bernard Nussbaum and the subpoenas served on six top White House aides make Whitewater a more dramatic story.

See PRESIDENT, A10, Col. 1

"Grand jury" and "subpoenas" are words that are very fraught with suspicion in the public mind, said one administration official. For a president whose current standing is high but whose reservoir of public trust is not deep, "this is a very perilous time for us," the official said.

Many in the White House agree that the Whitewater damage control operation has ended up causing more damage than it has controlled. According to senior White House officials, outside Democrats and others interviewed yesterday, the route from questions about the Clintons' 1980s investments in an Arkansas land development venture called Whitewater Development Corp. to a special counsel and FBI agents walking the White House halls with subpoenas is littered with official blunders.

The result has been a White House that this week was struggling again to right itself. White House senior adviser David R. Gergen said that Clinton—who left unexpectedly yesterday for Camp David—now is committed to being "very aggressive in ensuring that this White House is open, cooperative and forthcoming" in dealing with the issues.

A flurry of orders to cooperate fully with investigations and protect documents, and the White House search for a new counsel who is supposed to "send a signal by who he is and what he does" are aimed at erasing new suspicions.

But at the same time, aides acknowledge the tidal wave of demoralization that set in at week's end at a White House where bad news never seems to stop. "We will get past this," said one, offering his reassurances that, "the Clintons did nothing wrong, not in Whitewater and not since and that will out."

But, he said, "getting through this after this week means another struggle, another phase of distraction, another level of complications with everyone getting their own lawyers, going to grand juries, unsure what they can talk about and to whom, and all this while we enter a critical legislative stage."

So on the official, "To be honest, we're going to have a hard time until things stabilize."

That the Clinton White House inflicted many of these wounds on itself is hardly disputed, even there. "We made some mistakes in this, yes," said Clinton senior adviser George Stephanopoulos.

But he argued that the White House mistakes were not a result of malign intentions. They were either

unintentional or caused by good intentions gone sour in the "hazy" area where efforts to answer congressional inquiries and respond to the news media produced the appearance of interference in the investigations, Stephanopoulos said.

"It was important to respond without interfering or even appearing to interfere," said Stephanopoulos, who like most in the White House has no direct knowledge of the circumstances surrounding the Whitewater investment. "But when you are in the midst of these inquiries, it is very difficult to meet those standards."

The transformation of Whitewater from a hugely complex and nearly incomprehensible real estate transaction in which the Clintons may or may not have lost money into a staple of the nightly news is the fruit in large part of a White House operation

whose every move made it appear that there was something to hide.

When questions about Whitewater first arose during the 1992 campaign, the Clintons responded with a report suggesting they had lost \$69,000 in the real estate deal and declined to provide much information beyond that.

The questions resumed once Clinton took office, after the Resolution Trust Corp. asked the Justice Department to investigate a savings and loan owned by James McDougal, the Clintons' partner in Whitewater. The Clintons were named in that referral as potential beneficiaries of Madison Guaranty Savings & Loan improprieties, although not accused of any wrongdoing. But the White House strategy of refusing to provide information for the ensuing stories only piqued reporters' interest, rather than making it go away.

The first major flare-up came with the belated disclosure—four months after the fact—that Whitewater documents had been among those in Deputy White House Counsel Vincent Foster's office when he committed suicide last July. Had that been revealed at the time, it might have generated questions about whether the

documents had any personal legal work for the Clintons.

But the apparent effort at deception—reporters were told about the disposition of official files and Foster's personal papers from his office, but not the Clinton personal documents—ended up hurting the White House much more.

Then, when news reports indicated that Justice Department lawyers investigating Madison wanted to

See PRESIDENT, A11, Col. 1

Nussbaum Quits White House Post

By Ruth Marcus and Ann Devroy
Washington Post Staff Writers

WUSBAUM, Press A1

White House counsel Bernard Nussbaum officially resigned yesterday with a defiant blast at his critics, saying they misunderstood the role of the president's lawyer.

Nussbaum insisted in his resignation letter that he had always performed his duties as White House counsel "in an absolutely legal and ethical manner." He said he was leaving "as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House Counsel."

The resignation takes effect April 5, and senior administration officials said they hoped to have a replacement within a week for a smooth transition. Most viewed the selection of what one called "an experienced Washington lawyer with impeccable credentials for independence" as a vital step in moving the beleaguered Clinton White House beyond its latest ethical uproar.

In searching for a successor, the White House wants a pillar of the legal community whose very presence on the staff would send a reassuring signal to Congress, the public and the media. Officials described a

See NUSBAUM, A8, Col. 1

search for a "Lloyd Cutler type," a reference to the experienced Washington lawyer who served as President Jimmy Carter's counsel.

But in looking for such a figure, the administration is hampered by the fact that the Democratic Party's runs out of the White House mean it is difficult to come up with a candidate with appropriately impressive credentials, such as government judicial service. At the same time, Clinton, as is normal for anyone selecting a lawyer, would like someone already known and trusted.

Among those mentioned yesterday were Harry McPherson, a pillar of the city's Democratic-legal establishment who served as counsel to President Lyndon B. Johnson; Washington lawyer Charles F.C. Ruff, who was considered for the deputy attorney general post; and Charles Renshaw, deputy attorney general in the Carter Justice Department and a former federal judge.

Nussbaum, 57, who worked with Hillary Rodham Clinton on the House committee considering the impeachment of Richard M. Nixon, had been a friend of both Clintons for two decades and a highly regarded Wall Street lawyer when he was named to the counsel's post.

But during his 15 months in the job, Nussbaum was repeatedly accused of having a "tin ear" for the heightened ethical standards that govern operations inside the White House and for not appreciating how actions are viewed in a political as well as legal light.

Where he viewed himself as aggressively protecting the president, others—many of them in the White House—saw him as failing to understand the ethical problems some of those efforts created.

That was reflected in the exchange of letters between Clinton and Nussbaum that served as the official announcement of the resignation agreed to on Friday. Nussbaum wrote that his "sole objective" as White House counsel "was to serve you as well and as effectively as I could, consistent with the rules of law, standards of ethics, and the best interests of the bar."

Clinton, in his letter, praised

our streets safer and our society more just for years to come."

The president, as is the custom in such letters, made only the most oblique of references to the controversies that plagued Nussbaum. He paid tribute to Nussbaum's spirit at a time in Washington when "serving is hard." He saluted him as having one of the "finest spirits" in the White House and noted his "special reverence for duty and friendship."

Nussbaum did not identify those he accused of misunderstanding his job, but many of the president's senior aides believed he was the one who lacked the understanding of how politics and the law intersect in the White House. "He was repeatedly dumbfounded," said one official, "that anyone could think he was doing something wrong" when he believed he was serving Clinton's interest.

At the White House yesterday, members of the counsel's office and other officials streamed through Nussbaum's office, offering their sympathies. Said associate counsel Beth Nolan, "I think the White House counsel's job is one in which you rarely can get public credit for all the good you do and Bernie has done a tremendously good job that he will never receive any public accolades for because of the nature of the job."

"Without getting into specifics, for every blowup, there have been 10 matters which have been handled deftly and properly," said associate counsel William Kennedy.

Asked what Nussbaum meant about criticism by those who failed to understand his role, one official said, "The duty that a lawyer has to represent a client zealously within the bounds of the law applies just as much to a lawyer whose client is the president of the United States as it does to a private lawyer. That obligation is one that hasn't been fully understood or appreciated."

Calls for Nussbaum's departure grew in intensity this week after it was revealed he participated in a series of meetings between White House and Treasury officials that touched on the Resolution Trust Corp. (RTC) investigation into the collapse of the Madison Guaranty Savings & Loan. A special counsel is now investigating Madison and its connection to the Whitewater Development.

resignation became a foregone conclusion.

Critics, even some in the White House, said the discussions between September and January were improper because they could be viewed as a early tip-off and opportunity to influence an active investigation by an independent agency, the RTC, in probe that touched on the Clintons.

Attorney General Janet Reno, FBI Director Louis J. Freeh and Supreme Court Justice Ruth Bader Ginsburg. These, he said, would be a Nussbaum legacy that would "make

On Friday, special counsel Robert B. Fiske Jr. subpoenaed 10 White House and current or former Treasury officials who participated in the discussions, and Nussbaum's forced

Repairing the White House Mess ✓

Robert Fiske has stepped into the Whitewater mess with precisely the authority and integrity that the White House, particularly in the person of Bernard Nussbaum, has so conspicuously failed to exhibit over the last few months.

By serving subpoenas on 10 senior White House and Treasury Department officials, Mr. Fiske, the special counsel appointed to look into the Whitewater case, has also served notice that he is expanding his inquiry to include the three extraordinary White House meetings at which the Resolution Trust Corporation's probe of a failed savings and loan association with close ties to the President and Mrs. Clinton was discussed.

The members of the Congressional banking committees, including reluctant Democrats, clearly have an interest in this matter. There are, for example, numerous regulatory issues involving the failed Arkansas savings and loan, Madison Guaranty. Moreover, senior officials at the agencies for which the committees have oversight responsibility have behaved improperly — notably Roger Altman, the Deputy Treasury Secretary, and Jean Hanson, Treasury counsel. They gave private briefings at the White House to keep Mr. Nussbaum, the White House counsel, and others posted on the R.T.C.'s investigation into Madison and the bank's dealings with the Clintons and their friends.

There is certainly a public value in having Congress conduct a carefully targeted examination of the incestuous relationships between the White

House and Federal investigatory bodies. Nevertheless, Congress should think twice before launching a parallel investigation of the whole history of Madison and the Whitewater development deal back in Arkansas. Such an inquiry, especially in the current partisan environment, could easily turn into an unending political circus and, even worse, jeopardize Mr. Fiske's independent inquiry and his ability to bring prosecutions, if warranted.

As for President Clinton, he has finally moved to repair the damage by his amateurish White House operation by persuading Mr. Nussbaum to return to private life. Mr. Nussbaum played a prominent part in other White House embarrassments, including the misuse of the F.B.I. in the Travelgate affair, the failure to properly vet various Presidential nominees and the apparent interference with the Park Service's investigation of the suicide of Vincent Foster, the deputy White House counsel. Given those past indiscretions, it was not surprising that Mr. Nussbaum was a central figure at all three of the improper White House meetings on Whitewater. It remains to be learned whether he was acting at Mr. Clinton's request.

There are two immediate lessons here. One is that Mr. Clinton desperately needs to get some good strong people around him to provide the White House with sound management and an ethical compass. The second is that the special prosecutor, Mr. Fiske, may have an even more challenging job than he, or anyone else, originally imagined.

Addiction by Design? ✓

Last week the Food and Drug Administration made an extraordinarily serious charge about the tobacco industry. Simply put, the agency asserted that the reason many cigarette smokers find it close to impossible to break the habit is because the industry makes it close to impossible — by deliberately adding nicotine, a potent addicting agent, during the cigarette production process.

This revelation, if it holds up, will come as a shock to the vast majority of Americans who no doubt assumed that whatever nicotine is found in cigarettes is simply the residue of the nicotine that occurs naturally in tobacco. Few consumers had the slightest inkling that nicotine might actually be sprayed on the tobacco as it is processed.

In a letter to the Coalition on Smoking or Health, Dr. David Kessler, Commissioner of Food and Drugs, cited accumulating evidence "that cigarette manufacturers may intend that their products contain nicotine to satisfy an addiction." He drew that inference from "mounting evidence" that "the nicotine ingredient in cigarettes is a powerfully addictive agent" and that "cigarette vendors control the levels of nicotine that satisfy this addiction." In fact, he said, "It is our understanding that manufacturers commonly add nicotine to cigarettes."

According to testimony from the National Institute on Drug Abuse, nicotine is as addictive as heroin, and 5 to 10 times more potent than cocaine or morphine in producing effects on mood and behavior. Some 77 percent of all smokers desire to quit but cannot primarily because of nicotine addiction, according to research cited by the F.D.A.

If the F.D.A.'s assertions prove true, they could have a profound impact on both litigation and regulation. In the courts, for example, smokers filing liability suits against tobacco companies for the health damage they have suffered have generally not been successful. Juries apparently conclude the smokers have had ample warnings of the dangers of cigarettes and have only themselves to blame. But jurors' attitudes might change sharply if they thought manufacturers were deliberately

addicting their customers to keep them in thrall to an unhealthy habit.

The F.D.A.'s ability to take regulatory action may depend on whether cigarettes can be legally considered a drug because the nicotine is intended to affect the functioning of the body. Since making cigarettes reportedly involves separating the components of a tobacco plant, pulping them, rolling them into a sheet and then spraying on flavor and nicotine, the F.D.A. suggested that this process could be interpreted as controlling the amount of nicotine to insure addiction. In other words, those little white cylinders that companion so many Americans' coffee breaks are nothing more or less than nicotine-delivery systems.

"Should the agency make this finding based on an appropriate record or be able to prove these facts in court," Dr. Kessler continued, "it would have a legal basis to regulate these products." The agency could, for example, take cigarettes off the market, or perhaps force the removal or reduction of nicotine.

But any ban on cigarettes would be so fraught with political, economic and social implications that no mid-level regulatory agency like the F.D.A. could possibly make it stick. So Dr. Kessler lobbied the issue to Congress and the Supreme Court.

Representative Henry Waxman is the first to respond: he is planning a hearing for the end of March. Dr. Kessler will be the main witness. Representatives of the tobacco industry, which was quick to assert that nicotine occurs naturally in tobacco leaf and that what is returned by spraying is no more than what was there in the first place, will also speak.

The urgent immediate need is for a searching inquiry into how nicotine is handled during the production process. Is it deliberately added? At levels known to be addictive? Why were those levels chosen? The answers should help Congress and the public determine whether the tobacco industry is simply selling a dangerous product, as has long been known, or is cynically addicting millions of customers in a crime of unconscious dimensions.

Inquiry Briefing May Have Violated 2 Rules of Ethics

By EDMUND L. ANDREW
Special to The New York Times

WASHINGTON, March 5 — The meeting between top Treasury Department officials and White House officials, including the White House counsel, Bernard W. Nussbaum, could have violated two ethical regulations that apply to Federal officials.

But even lacking legal violations, experts in ethics say the meetings appear to clash with the goal of carrying out investigations impartially and without special treatment for people in power.

That principle was called into question a week ago when Deputy Treasury Secretary Roger C. Altman acknowledged that he had briefed Mr. Nussbaum and other top White House aides about the investigation into a failed Arkansas savings and loan. Mr. Altman heads the agency conducting the investigation, the Resolution Trust Corporation.

The regulations that the meetings may have violated are in Section 2635 of Title 5 of the Code of Federal Regulations. One requires that Federal employees work on matters in which the Government has an official inter-

est, and studying the meetings.

The second requires that officials exercise complete impartiality. If, for example, a case is referred for practice by a Federal official, then it may have been improper for Treasury officials to represent the Clintons.

In 1990 the Federal Deposit Insurance Corporation rebuked and debarred a salary increase because of discussions by Neil Bush, President Bush's son, concerning a Denver savings and loan.

George Weigel, president of the Public Policy Center, said the meetings appeared to violate basic notions of fairness. "It is to me it's a matter of common sense that people who are investigating people who are subjects of those investigations should not be involved in the investigation," Mr. Weigel said.

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The Whitewater Inquiry As One Counsel Presses, Another Exits

Nussbaum's New York Tactics Falter in Washington

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, March 5 — When he first became White House counsel, Bernard W. Nussbaum told an interviewer that he viewed his mission as preventing legal problems from becoming political ones.

By that standard there are few, if any, White House officials, who would today contend that his was a successful tenure. Many of the Clinton Administration's worst political setbacks blossomed from law-related issues that Mr. Nussbaum was charged with handling.

That is certainly true in the case of how he has dealt with questions surrounding the Clintons' investment in an Arkansas real estate venture known as the Whitewater Development Company before Mr. Clinton became President. Whitewater and related issues like an investigation of a failed Arkansas savings and loan association have become the White House's greatest political threat.

Good Litigation Tactics

At various times in responding to questions about Whitewater, Mr. Nussbaum deployed his style as a New York corporate litigator with a vigorous take-no-prisoners defense of the Clintons. In the end, such behavior vastly increased suspicions about what they had done.

He first raised the possibility, for example, that the Clintons might resist turning over Whitewater documents on the grounds of attorney-client privilege. Other White House officials saw

this as a perfectly good tactic in the corporate litigation world where Mr. Nussbaum came from, but politically impossible for a public figure like the President. One official said it was akin to telling your client to plead the Fifth Amendment, a permissible approach for a mobster but not someone who needs to retain the nation's trust.

Mr. Nussbaum also argued vehemently against the appointment of a special counsel to investigate the Whitewater matter. The President eventually agreed to the appointment in the face of overwhelming political pressure.

But the most intriguing question of all may be whether Mr. Nussbaum's actions, widely dismissed as politically naive, were actually at the behest of the Clintons who are scrambling to limit disclosure. Put more simply, has Mr. Nussbaum been made a kind of a fall guy when the public perception that the White House had something to hide became too much for Mr. Clinton to bear politically?

Mrs. Clinton, for example, was said to have been second to none in her resistance to the appointment of a special prosecutor and Mr. Nussbaum could have been simply reflecting her view. Mr. Nussbaum first met Mrs. Clinton when he was a senior lawyer on the House impeachment committee investigating President Richard M. Nixon's involvement in Watergate. She is considered the person who brought him into the White House.

In his resignation letter today, Mr. Nussbaum insisted that he was paying

a penalty for being a good lawyer and striving to defend the interests of his client.

Mr. Nussbaum always seemed baffled that his style, which was so successful in the world of New York corporate litigation, often reaped scorn in Washington. Before he became the President's chief lawyer, he helped direct the corporate takeover upheavals of the 1980's.

He thrived in a world where sharp clever legal tactics and sharper elbows are the coin of success. Those who have flourished in Washington at the intersection of law and Government, have usually displayed a more finely tuned ear for political considerations.

When Mr. Nussbaum held meetings with Government lawyers last fall to determine the progress of investigations into a failed savings and loan association, Madison Guaranty, he was perhaps doing what he did in New York: trying to find out as much as he could about the case against his clients, the Clintons. But as White House counsel, it raised profound questions of tampering.

Professor Charles Wolfram of the Cornell Law School, an authority on legal ethics, said that such behavior was honed in the process of discovery in which opposing lawyers try to obtain as much information as they can from the other side while restricting the other side's access to information.

Another example that displays Mr. Nussbaum's style occurred when he told some reporters last December

that he had not previously fully explained his decision to transfer some Whitewater files to Mr. Clinton's personal lawyer because no one had asked him that precise question, a classic litigation-bred response.

To be sure, Mr. Nussbaum was involved in a variety of foul-ups before Whitewater became a major political problem. He was, for example, at the center of the White House's inability in its first several months to find an attorney general. In what would be the first major instance in which his colleagues began to suspect he was politically tone-deaf, he had argued that the President should press ahead with the nomination of Zbigniew B. Biden Jr. of Delaware, the chairman of the Judiciary Committee, said she could not be confirmed because she had hired an illegal alien as a nanny for her son.

After that, he failed to find out that the next choice for the job, Judge Kimba M. Wood, had a similar problem before her name was floated publicly.

Last month, it was disclosed that the United States Park Police who had investigated the apparent suicide last July of Vincent W. Foster Jr., the deputy White House counsel, had accused Mr. Nussbaum in a confidential report of having impeded their inquiries. The report said, for example, that Mr. Nussbaum insisted that lawyers from the White House counsel's office sit in on police interviews with staffers, perhaps intimidating them from being candid.

Move Intended to Quiet Questions on Clinton's Land Deal Seems to Backfire

By STEPHEN ENGELBERG

Special to The New York Times

WASHINGTON, March 5 — There were many in the White House, including President Clinton, who hoped that the appointment in January of Robert B. Fiske Jr. as a special counsel would ease political pressure stemming from Mr. Clinton's Arkansas business dealings.

For a few weeks, it looked like a savvy move. Stories about an investment by Mr. Clinton and his wife, Hillary, in real estate in the Ozark Mountains largely disappeared from the front pages and network news programs as Mr. Fiske hired a staff and set up shop.

But the subpoenas served Friday on three Administration officials suggest that the relief was illusory and that Mr. Clinton's White House may well be hostage to the workings of a grand jury for months or even years.

Mr. Fiske's subpoenas — served on

Treasury officials involved in three meetings with White House aides to discuss failed Arkansas savings and loan warranties to the Clintons — also illustrates how quickly the inquiry has reached inside the Clinton White House. Until now, much of the focus has been on the murky details of business deals that unfolded long before Mr. Clinton was elected President.

Common Practice

Samuel Dash, the Georgetown University law professor who was chief counsel to the Senate Watergate Committee, said Mr. Fiske's subpoenas were a straightforward use of the grand jury, a move copied by hundreds of prosecutors every day.

Mr. Dash said: "You hear an allegation. You order people to come forward. You order them to bring records. And you order them not to destroy anything. That's what any good prosecutor does."

But Mr. Dash acknowledged that grand jury proceedings, however routine, produce "smoke," suggestions that behind closed doors prosecutors are questioning someone who has done something wrong. In fact, he noted, being called as a witness could suggest the opposite, since prosecutors typically avoid calling witnesses who might become targets of criminal prosecution.

He acknowledged, however, that neither the public nor Mr. Clinton's political opponents were likely to appreciate such distinctions.

Nonetheless, subpoenas of White House officials are unusual. In the Watergate case, President Richard M. Nixon made broad claims of executive privilege and subpoenas were never issued for top Nixon aides, Mr. Dash said.

Lawrence E. Walsh, who investigated the Iran-contra affair, similarly chose to secure the cooperation of most

officials of Ronald Reagan's Administration, believing that he could get more material more quickly without subpoenas.

In his first press conference on Jan. 21, Mr. Fiske said he had worked out his charter with Attorney General Janet Reno "so that I can do anything I feel I have to do to do this job right." His mandate, as he described it that day, included a close look at Madison Guaranty Savings and Loan, the Arkansas institution owned by James B. McDougal, the Clintons' partner in the land venture, and the circumstances surrounding the suicide last July of Vincent W. Foster Jr., the deputy White House counsel.

Mr. McDougal was a partner with the Clintons in the venture, Whitewater Development Company. Even before Mr. Fiske's appointment, investigators at the Federal agency overseeing the bailout of the savings and loan industry, the Resolution Trust Corporation,

had found evidence indicating that McDougal diverted money from his son to Mr. Clinton's campaign for governor.

Resolution Trust first asked Federal prosecutors to take a closer look at Madison in the fall of 1992, when Clinton was a Presidential candidate. The agency can bring only civil investigation of criminal wrongdoing at a federally insured savings and loan like Madison Guaranty falls to the Federal Bureau of Investigation.

Bush Administration officials, of what could be seen as a political inquiry, did not push ahead in March, after the Clinton Administration took office, the Justice Department told the banking agency.

By the fall of 1993, however, the agency had produced a 600-page report on a son-related request, called a "discovery request." It named the Clintons as possible subjects of an inquiry.

Mr. Fiske did not accuse them of any wrongdoing. It was at this stage, before the referral was formally sent to the Justice Department, that Mr. Nussbaum met with Jean Hanson, general counsel of the Treasury Department, which oversees the agency.

Mr. Nussbaum and other White House officials attended a second meeting in October with Treasury Department officials in which the Resolution Trust inquiry was discussed. Ultimately, the agency did send its criminal referral to Federal prosecutors, and it was briefly investigated by a team of lawyers from the Justice Department before becoming a central part of Mr. Fiske's inquiry.

What was said, and by whom, at the meetings between White House officials and the Treasury Department is clearly a line of inquiry for Mr. Fiske. It would be improper, and possibly illegal, for anyone at the White House to impede a criminal inquiry.

The Whitewater Inquiry An Exchange of Letters

Text of Resignation Letter and Clinton Reply

Special to The New York Times

WASHINGTON, March 5 — Following is the text of the letter of resignation sent to President Clinton today by Bernard W. Nussbaum, the White House counsel, and excerpts from the President's letter in response:

Dear Mr. President:

It has been a great honor and privilege to serve you as Counsel to the President. I am proud of the accomplishments of this Administration

those that I know will be achieved in the months and years to come. I am also proud of the many contributions my office has made to the wide range of policy initiatives of your Administration.

I was also an honor to have assisted in your choice of Janet Reno to be Attorney General of the United States, Louis J. Freeh to be the Director of the Federal Bureau of Investigation, and Ruth Bader Ginsburg to be on the Supreme Court of the United

States. I am particularly proud of assisting in your selection of more than 60 men and women of the most distinguished and diverse backgrounds ever to serve on the Federal bench.

As I know you know, from the day I became Counsel, my sole objective was to serve you as well and as effectively as I could, consistent with the rules of law, standards of ethics, and the highest traditions of the Bar. At all times I have conducted the

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to the President in an absolutely legal and ethical manner. Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand the role and obligations of a lawyer, even one acting as White House Counsel, I now believe I can best serve you by returning to private life. With this letter I am therefore tendering my resignation. It will be effective April 5, 1994, to assist you in arranging for an orderly transition in the Counsel's office.

friendship and will always be grateful for the opportunity you gave me to serve. I wish you both the very best.

Dear Bernie:

With deep regret, I accept your decision to resign as Counsel to the President. Your friendship and advice have meant a great deal to me over the years.

During your tenure, this Administration named the highest percentage of women and minorities to the Federal Judiciary in history, while meet-

ing, in a vast number of cases, the highest standards set by the American Bar Association.

It has been said that the best a man can give is his living spirit to a service that is not easy. And we have worked together in Washington at a time when serving is hard. But you gave this Administration one of its liveliest spirits and keenest minds, along with your special reverence for duty and friendship. For these contributions, I will be forever grateful; for your accomplishments, I hope you will be forever proud.

Important Events in the Whitewater Affair

A brief chronology of events leading up to the resignation of Bernard Nussbaum on Saturday.

MARCH 2 A newspaper article raises questions about Gov. Bill Clinton's investment in a real estate venture called the Whitewater Development Company. Mr. Clinton, who was campaigning for the White House, was a partner. James B. McDougal, the owner of Madison Guaranty Savings and Loan, which failed in 1992, Hillary Rodham Clinton and Mr. Clinton's daughter, Susan, were also partners.

FALL 1992 The Resolution Trust Corporation, a federal agency charged with disposing of failed savings and loans, asks the Justice Department to take another look at Madison Guaranty, particularly at overdrafts it allowed. The Justice Department is reluctant to take on a case that could be seen as an attack by the Bush Administration on a political rival during the election campaign.

DECEMBER 1992 Mr. McDougal buys out the remaining interest in Whitewater. The lawyer is Vincent W. Foster Jr., a

partner in the Rose Law Firm. Mrs. Clinton resigned her partnership in that firm after the election.

JULY 1993 Mr. Foster, now the deputy to Bernard W. Nussbaum as White House counsel, is found dead in a northern Virginia park from a bullet in the head. Police rule it a suicide. Mr. Nussbaum removes Whitewater documents from Mr. Foster's office, a fact that does not become known until late December.

OCTOBER 1993 The Resolution Trust Corporation again asks the Justice Department to investigate the failure of Madison Guaranty. A week before the request is made, Jean Hanson, general counsel at the Treasury Department, meets with Mr. Nussbaum to inform him of the investigation and to say that the Clintons, while not subjects, would be named in the papers.

JAN. 12, 1994 President Clinton, responding to a growing chorus for an investigation of

Whitewater, asks Attorney General Janet Reno to appoint a special prosecutor.

JAN. 20 Ms. Reno names Robert B. Fiske Jr. to head the investigation.

FEBRUARY Deputy Treasury Secretary Roger C. Altman acknowledges meeting with Mr. Nussbaum and other White House aides to tell them of the status of the Resolution Trust investigation of Madison.

FEB. 25 Responding to criticism of that meeting, Mr. Altman recuses himself from all actions involving Madison or Whitewater and steps down as head of the Resolution Trust Corporation.

MARCH 3 The Washington Post discloses two meetings between White House and Treasury officials in October on the status of the Whitewater investigation.

MARCH 5 Mr. Nussbaum offers his resignation.

New Role, New Troubles

Whitewater Inquiry Is Putting First Lady At Center of Embarrassing Ethical Issues

By MAUREEN DOWD
Special to The New York Times

WASHINGTON, March 5 — Subpoenas and suspicions are flying. Everybody in Washington and Arkansas suddenly seems to be investigating and naming everybody else. The President is having troubles, again, and the First Lady is not just a supportive spouse, standing by her man with a glazed smile. Hillary Rodham Clinton, herself, is smack at the heart of the matter.

Bernard W. Nussbaum, the First Lady's old friend and mentor, was pushed off the sled of state today, following resident Clinton's admission that the White House counsel had made improper contacts to review the status of confidential Federal investigation to an Arkansas savings and loan related to the Whitewater affair.

But if Mr. Nussbaum sinned, someone, it was only in being too loyal to a prince and princess.

"There's no evidence he's done anything contrary to the Clintons' direction," said William Kristol, the director of the Project for the Republican Future. "The Clintons have an extraordinary inability to distinguish public from private, official from personal."

To a senior Clinton aide tried to invoke the classic Washington "Beckitt" defense, saying that while the Clintons may have wanted to be rid of their meddling problems, they did not want the rules broken. Mr. Nussbaum, who has been quoted as saying that he felt he had two clients — Bill and Hillary Clinton — "sometimes went the extra mile as a way of ingratiating himself with Hillary, even though that was always what she wanted," said a Clinton aide.

Problems are piling up for the First Lady. Mrs. Clinton and the three lawyers she brought to top jobs in the administration — Mr. Nussbaum; Vincent W. Foster Jr., his deputy who committed suicide last summer, and State Attorney General Webster L. Hubbert — are enmeshed in embarrassing ethical questions.

The Rose Law Firm in Little Rock, where Mrs. Clinton, Mr. Foster and Mr.

Hubbert were partners, is being investigated by the special prosecutor for Whitewater about document shredding and Government contracts in savings and loan cases. And, making matters even stickier, the firm has begun its own inquiry into whether Mr. Hubbert overbilled clients and misused money.

On top of all that, the health care plan that the First Lady developed and shepherded is losing public support because many Americans see it as too complicated and intrusive. And her younger brother, Hugh Rodham, is trading on her name in a stumbling bid for the United States Senate in Florida.

Mrs. Clinton's mood is not likely to be lightened by the agonizing over the departure of Mr. Nussbaum. The counsel's friends said that the First Lady had talked to him with concern in the last few days about face-saving ways he could leave the White House.

At times in the last 14 months, Mrs. Clinton has dazzled Washington as she tried to drag a dinosaur role into modern times. She has worked hard to please everyone and satisfy herself, creating an awkward hybrid of comforting old First Lady rituals and unsettling new co-Presidential power structures. But Clinton strategists have always felt there was a risk inherent in the ambiguity of Mrs. Clinton's position: She is exercising power without an official title. She is the first Presidential spouse with her own power base in the White House and her own set of top officials throughout the government who owe their jobs, and loyalty, to her as much as to her husband.

Tangled Lines of Authority

Even those close to the Clintons complain that this has created confusion, especially in a White House that has a quotidian struggle with tangled lines of authority and the tendency to trip on them.

"It's hard to run a White House with nobody in charge," said an influential Democratic friend of the Clintons. "It's especially hard to run a White House with nobody in charge and two Presidents."

Everyone in the Administration knows that power is centralized at the White House in the hands of Bill and Hillary Clinton. David R. Gergen, hired as the White House troubleshooter, seems too worried lately about his own future to help in this time of trouble. And the weak chief of staff, Thomas F. McLarty 3d, has announced each time the White House was guilty of misusing Federal agencies that he knew nothing about it.

As a special note, the White House has been accused of "MacP. McClarty" in the past.

Fears of First Lady

Marlin Fitzwater, the press secretary for President George Bush and spokesman for President Ronald Reagan, said that the blind spots that always exist with regard to a First Lady are intensified when the spouse has

such unprecedented power. "The senior staff always fears crossing a First Lady," he said. "Partly, it's the respect for the office of First Lady. Partly, it's a man-woman thing. You're afraid that when she's home with the President, she'll repeat the charges against you every night for the rest of your life."

Many high-ranking Clinton officials confess that on matters from the First Family to health care to Whitewater, they are afraid to challenge Mrs. Clinton, or even to give her honest advice about things they fear are being handled wrong.

"No one wants to tell Bill, or especially Hillary, that they can't do things the way they're used to doing them," explained a top Administration official. "And so many of these people around them are old friends, that you can't just break into the circle."

Even Mr. Fitzwater, far from the reach of the White House, pleaded humorously: "Don't say I said anything bad about Hillary. I'm as scared of her as everyone else."

'A Dangerous Pattern'

The Republicans, who recognize an abuse of executive branch power when they see it and who are desperate to deflate a President buoyed by a strong economy, are yelping.

"A dangerous pattern seems to be emerging," Mr. Dole said on the Senate floor, adding, "No doubt about it, you are asking for big, big trouble and showing some stunningly bad judgment when you start mixing politics with law enforcement."

Mr. Dole took the opportunity to remind everybody of the travel office fiasco last spring, in which Mr. Nuss-

An inquiry focuses on the First Lady and her law firm.

baum and other White House aides violated the rules and pressured the F.B.I. to attend a strategy meeting and put out a press release helping to justify the White House's peremptory dismissal of travel office staff members.

The self-critical White House report on that debacle revealed that Mrs. Clinton had strongly supported the original investigation into the travel office, as well as by her Hollywood pal, the producer Karyn Thomson, who was upset

about the planned dismissal two days before the President.

Two months later, law-enforcement officials accused Mr. Nussbaum of impeding their investigation of Mr. Foster's death: He kept from investigators a file on the Clintons' involvement in Whitewater. The night of Mr. Foster's death, Margaret Williams, Mrs. Clinton's chief of staff, was with Mr. Nussbaum as he searched his deputy's office, before police investigators had a chance to do so.

Others suggest that the Clintons came so steeped in the defensive campaign methods and the incestuous political ways of Arkansas that they did not realize that governing in Washington required different standards.

"I don't think it's unusual when people come out of one of these loose governing, second-echelon states, that they develop a sense that power is there to be used on their behalf," said Kevin Phillips, a conservative author and analyst.

Paul Costello, who worked as a press secretary for Rosalynn Carter when she was First Lady and for Kitty Dukakis during the 1988 campaign, thinks that Mrs. Clinton is being unfairly targeted because she is the first First Lady "who doesn't apologize for having power and playing the game."

"The price for that in Washington is immolation," Mr. Costello said.

Her friends see her plight as poignant. As one Administration official who is close to the First Lady put it: "She is finally where she wanted to be all her life. And she's not enjoying it. Her father died, Vince Foster died. And she feels her credibility has been badly hurt by the focus on her role in White Water."

Memories of Watergate

Several White House officials portrayed Mrs. Clinton, who appears to be more of a central figure than her husband on Whitewater, as the one who held out against the appointment of a special counsel.

Whenever the White House has been accused of bending the rules, officials have pleaded inexperience or protested that they had done nothing wrong, as Mr. Clinton did when the news hit this week that Mr. Nussbaum and Treasury officials had spoken about an investigation concerning the Clintons.

People immediately began commenting on the inherent irony: Hillary Rodham first met Mr. Nussbaum when he was the associate Watergate special prosecutor and he hired her to work on the House Judiciary panel drawing up impeachment charges. So, people wonder, wouldn't two crusading Democratic lawyers who began by watching Richard M. Nixon wither away be especially vigilant about the importance of not abusing the integrity of Federal investigative agencies?

Some Republicans and Administration officials suggest that the Clintons and their inner circle believe that they are the "good guys" who want to help the country, not Republican "bad guys," so their motives should be questioned so much when they

are people who come from the Watergate era, that's so important to understand," said one top Administration official today. "They all say to themselves: 'I know what the deal is. I'm not Ehrlichman or Haldeman. I was there. I know better. I'd never be involved in anything wrong like that.' It can blind you to what everybody else sees."

Mr. Kristol, watching from the side, agreed. "The politics of meaning absolves you from the politics of abidingness," he said.

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The Whitewater Inquiry Claims a Casualty

By GWEN IFILL

Special to The New York Times

WASHINGTON, March 5 — Bernard W. Nussbaum, the White House counsel, agreed to resign today in an effort to set aside mounting questions over his repeated contacts with Federal officials who are investigating President and Mrs. Clinton's ties to a failed Arkansas savings and loan.

The move came a day after 10 White House and Treasury Department officials were subpoenaed by the grand jury that is investigating whether there was any improper financial relationship between the failed thrift, Madison Guaranty, and the Whitewater Development Company, a real estate venture in which the Clintons were partners.

The subpoenas brought by the special prosecutor, Robert B. Fiske Jr., and Mr. Nussbaum's departure, which is effective on April 5, shifted the focus from business dealings in Arkansas to the behavior of top Administration officials since the investigation began. The actions left White House officials reeling, and the mood in their offices today ranged from bitter to resigned.

Elusive Goal

In forcing Mr. Nussbaum's resignation, White House aides hoped to take another step toward the goal that has eluded them for months: to isolate the Whitewater matter and keep it from further tarnishing the President. But no one would hazard a guess today that this had been accomplished.

Mr. Nussbaum defended his actions in a four-paragraph letter delivered to President Clinton late this morning, maintaining that as the President's lawyer he had run the counsel's office "in an absolutely legal and ethical manner."

"Unfortunately, as a result of controversy generated by those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House Counsel, I now believe I can best serve you by returning to private life," Mr. Nussbaum wrote.

Mr. Nussbaum's letter was drafted after he met with Mr. Clinton in the Oval Office for more than an hour on Friday evening. Mr. Clinton, who had told Mr. Nussbaum during that conversation that he could no longer stay on, immediately accepted the resignation today with what he said was "deep regret."

'Serving Is Hard'

"It has been said that the best a man can give is his living spirit to a service that is not easy," Mr. Clinton wrote in his response. "And we have seen that."

Mr. Nussbaum's departure, delayed for a month so that the White House chief of staff, Thomas F. McLarty Jr., could find and hire his successor, comes at a particularly turbulent time in the White House, which is attempting to sell a health care plan that appears to be rapidly losing public support.

The 57-year-old Mr. Nussbaum continued to work in his office in a jacket and tie this afternoon as Mr. Clinton and his family left to spend the rest of the weekend at Camp David.

Mr. Nussbaum, who was the senior

Nussbaum Stepping Down As Counsel to White House

Continued From Page 1

lawyer on the Senate Watergate committee that laid out the case for impeaching President Richard M. Nixon, met Mrs. Clinton when she was a junior member of the committee's staff. They remained especially close, and he made a special mention of the value he attached to their friendship in his letter of resignation.

Some officials said, however, that his loyalty to the Clintons became a liability as he appeared to step in repeatedly to shield the President and the First Lady from embarrassment on matters involving the growing Federal investigation.

Along with Mrs. Clinton, Mr. Nussbaum had resisted appointing a special counsel to look into the Whitewater matter, creating a delay that gave Congressional Democrats pause and Republicans fodder to charge that a cover-up was under way.

Republican Skepticism

Senator Alfonse D'Amato, Republican of New York, issued a statement today calling it "inconceivable" that President Clinton and his wife were unaware that Mr. Nussbaum was meeting with Treasury officials to discuss the case.

"These White House staffers are just scapegoats," the Senator said. "They work for the President, and the President is responsible for his staff."

Mr. Nussbaum was also involved in several other embarrassing incidents during the Clintons' first year, including the fitful search for an Attorney General, the decision to drop the nomination of Lani Guinier to the Justice Department's chief civil rights post, the dismissals of several travel office employees and the cataloging and hasty removal of papers from the office of his deputy, Vincent W. Foster Jr., who died last July in an apparent suicide.

In issuing the subpoenas, Mr. Fiske also asked the White House to produce documents relating to the case.

There was no indication that the subpoenas were issued for anything other than information-gathering purposes, and Joel Klein, the White House deputy counsel, immediately instructed White House staff, janitors and technicians not to destroy information and documents in files, computers, waste baskets and burn bags.

Discussions Acknowledged

The legal action came after Mr. Nussbaum, Deputy Treasury Secretary Robert C. Altman and other officials acknowledged that they had discussed the Federal investigation of Madison Guaranty, the Arkansas-based savings and loan that was headed by James B. McDougal, Mr. Clinton's partner in U.S. Bancorp. Mr. Altman said in a statement that the discussions were "not unusual."

associations and that is conducting the investigation.

Mr. Nussbaum attended each of three meetings that have drawn Mr. Fiske's attention. He held one conversation with Jean Hanson, the lawyer for the Treasury Department, in early October last year, about a week before the Resolution Trust Corporation asked the Justice Department to investigate the failure of Madison. Mr. Nussbaum also participated in a meeting with several other senior aides in which Mr. Altman discussed the status of the Resolution Trust investigation and met with press officials who were presenting reporters' questions.

In addition to Mr. Nussbaum, only Ms. Hanson took part in all three of the sessions. The two were the only partici-

pants in what White House officials have described as the most troublesome encounter, on Sept. 29, in that meeting. Ms. Hanson told Mr. Nussbaum that the Clintons would be mentioned as possible beneficiaries of illegal actions in the Resolution Trust Corporation's request for a Justice Department investigation of Madison.

Aides Subpoenaed

The six White House aides subpoenaed to testify were Mr. Nussbaum, Bruce Lindsey, a senior adviser to Mr. Clinton; Harold M. Ickes, the deputy chief of staff; Mark D. Goss, the communications director; Maggie Williams, the chief of staff to Hillary Rodham Clinton; and Lisa Caputo, Mrs. Clinton's press secretary.

At the Treasury Department, Mr. Altman, Ms. Hanson and Josh Weiner, chief of staff to Treasury Secretary Lloyd Bentsen, were subpoenaed along with Jack DeVore, who was previously Mr. Bentsen's chief spokesman.

Mr. Altman this week received a letter he wrote on Thursday to Senator Donald W. Riegle, the chairman of the Senate Banking Committee, in which he said that an ethics officer in the Treasury Department had said in advance that such a meeting would be "no problem."

After revealing the meeting in testimony to Congress late last month, Mr. Altman said he would recuse himself from future participation in the matter. White House and Treasury Department officials said today that there had been some White House uneasiness about Mr. Altman's decision to recuse himself but that no one had directly suggested to him that he should change his mind.

Others, however, including Vice President Al Gore, supported Mr. Altman's decision to recuse himself. Some officials had also urged White House strategists to acknowledge the impropriety of the meetings up front and state that they would never occur again.

White House Intransigence

But White House spokesmen refused to reverse themselves and admit that such meetings could be considered improper until Republicans, and some Democrats, in Congress began to complain that the exchanges of information were inappropriate.

The White House intransigence swung the spotlight back to Mr. Nussbaum from Mr. Altman and officials said, it finally became inevitable that Mr. Nussbaum, who had emerged as the common denominator in several White House embarrassments, would have to resign.

But Mr. Nussbaum resisted previous calls for his resignation, and in the exchange of letters today both he and Mr. Clinton called attention to the White House counsel's achievements, including the successful appointments

of Attorney General Janet Reno and Louis J. Freeh, the director of the Federal Bureau of Investigation.

White House officials said that the Government would not provide lawyers for the staff members who have been subpoenaed, and it remained unclear how many of them would have to testify in person before the grand jury and where that would occur.

In the meantime, some staff members are furious at having been drawn into a mess that they had worked so hard to set aside at a time when they were trying to focus on legislative matters.

"It's not because anybody did anything wrong," said one White House official. "I don't think anybody did anything wrong. It's just the idea that you have to call home and explain it."

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The Dallas Morning News

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EDITORIALS

WHITEWATER, AGAIN

Altman and Nussbaum should go

President Clinton keeps saying no one has anything to worry about in the current investigation of his and Mrs. Clinton's connection to a failed Arkansas savings and loan in the 1980s. Now, if only he could convince his own sides of that.

In recent months, officials from the White House and the Treasury Department met at least three times to discuss an inquiry by the Resolution Trust Corp. into Madison Guaranty Savings and Loan of Little Rock. The acting chief of the agency, Roger Altman, who is also deputy treasury secretary, has admitted calling one of the meetings. On two other occasions, Treasury officials met with White House counsel Bernard Nussbaum.

On Thursday, Treasury Secretary Lloyd Bentsen ordered his subordinates to cease all contact with the White House about the Madison case, which has become widely known as "Whitewater." Mr. Clinton now agrees that the meetings should not have occurred.

The plot thickened Thursday when an employee of Mrs. Clinton's old employer, the Rose Law Firm, reportedly told a federal grand jury in Little Rock that files pertaining to the late White House lawyer Vincent W. Foster Jr. had been ordered destroyed. Did the shredding commence after special counsel Robert Fiske Jr. announced that he was expanding the scope of his investigation into Madison and Whitewater to include Mr. Foster's suicide? If so, the shredding may have been illegal.

Blurred lines of authority leading to and

administration. Whether it's Mr. Altman at the Treasury or Webster Hubbell at the Justice Department, it is obvious that those officials are more interested in accommodating the White House than they are in doing their jobs. As Mr. Altman has been touted as a candidate for Mr. Bentsen's job, should the latter choose to leave, the tragedy of errors so far may be just a prelude of things to come.

For his part, White House counsel Nussbaum suffers both from bad judgment and incompetence. Beginning with his plodding oversight of high-profile presidential nominations to his heavy-handed interference in the investigation of National Park Service police into Mr. Foster's suicide, Mr. Nussbaum has repeatedly failed. He and Mr. Altman should have the good grace to tender their resignations.

Special counsel Fiske now has his work cut out for him. He should use his powers to obtain all notes taken at the Treasury White House staff meetings, and he should formally ask the two best-known former associates of the Rose Law Firm in the administration, Mrs. Clinton and Mr. Hubbell, what they know about the destruction of related documents.

Mr. Clinton himself has been all too detached from what is going on around him. And he has been ill served by aides who misunderstand that their role is not just to defend and protect the president, but to help keep him out of trouble in the first place. But in the end, if Mr. Clinton will not set them straight, it's no one to blame but himself.

Nussbaum's Defiance Proved Ill-Suited for Politics

By Ruth Marcus
Washington Post Staff Writer

An irrepressible, energetic lawyer who made a fortune on Wall Street as a takeover litigator, Bernard Nussbaum encountered difficulty almost from his first days in the counsel's job.

Many officials at the White House and elsewhere have said for months that his professional mind set of fighting to the death is not well-suited to the counsel's position, where the president's chief lawyer is called on to make judgments at the intersection of law and politics.

At the White House this week, few if any senior officials were willing to go beyond a token defense of Nussbaum's presence. "There are some who are very upset and think that he's the top ethics enforcer and can't believe that a series of events raising ethical questions have also centered on him," one senior official said. On the other hand, the official said, "there is a body of thought here that it's terribly important to treat Bernie with fairness and dignity on this."

As the furor over his activities mounted, Nussbaum's reluctance to resign was characteristic. Some suggested this week that it was precisely that defiant stubbornness that attracted the president and Hillary Rodham Clinton to Nussbaum.

"The accusation against Bernie is he's been an overly zealous advocate," another senior official said. "You drop out the adjective and you find what the president and the First Lady find to be a desirable commodity in there."

Nussbaum first met the Clintons when Hillary Rodham worked for him as a junior lawyer on the House Watergate committee considering impeachment proceedings against President Richard M. Nixon. Rodham told him at the time that her then-boyfriend, a young Arkansas lawyer named Bill Clinton, was about to run for Congress and would be president someday.

Nussbaum scoffed, but he kept in touch with the young lawyers over the years, contributing to Clinton campaigns and helping raise funds during the presidential campaign two years ago. When the Clintons got to the White House, they wanted a tough and experienced lawyer who would be unquestionably loyal to them. Nussbaum fit the bill, and he came to the White House, hanging a black-and-white photograph of the impeachment committee staff on the wall of his West Wing office next to the First Lady's.

But while Nussbaum's impressive



Bernard Nussbaum was described by one senior official as "an overly zealous advocate."

and somewhat frenetic manner made him a popular figure among the White House staff, doubts quickly arose about his political judgment.

Nussbaum was not involved with the initial selection of corporate lawyer Zoe E. Baird to be attorney general, but his first instinct was to fight on even after disclosures that she had employed undocumented immigrants as household help evaporated her support in the Senate. He then failed to question closely the next prospective nominee, federal Judge Kimba Wood, leading to the belated discovery that she too had hired an illegal immigrant to care for her child.

Then, Nussbaum failed to heed warnings that University of Pennsylvania law professor Lani Guinier's academic articles on voting rights could cause problems for her confirmation as assistant attorney general for civil rights. Eventually, Clinton was forced to withdraw Guinier's nomination, saying he never would have picked her had he read the articles himself.

The problems that those missteps caused for Nussbaum paled in comparison to the outcry over a series of incidents in which he was seemingly heedless of how his actions would appear to outsiders.

The first was the handling of the White House travel office firings. Associate Counsel William Kennedy

gate the allegation of wrongdoing by the employees—drawing a rebuke from Attorney General Janet Reno and Nussbaum's promise not to let it happen again.

Nussbaum himself—despite his Watergate experience—sat in on a White House meeting with the FBI to draft a press release confirming the existence of a criminal investigation, an episode that raised the specter of the White House using a law enforcement agency for its own political purposes.

Nussbaum's difficulties mounted with the death last summer of Deputy Counsel Vincent Foster. The night Foster committed suicide, Nussbaum and other top aides entered Foster's office to look for a note, then failed to seal the office.

When Park Police officers arrived to investigate, they found Nussbaum uncooperative. He initially refused them permission to enter Foster's office or to examine his papers. When he did permit a Justice Department-Park Police search, Nussbaum insisted on going through the documents himself and turning over anything he found relevant. In that search, Nussbaum overlooked Foster's torn-up note decrying life in Washington.

At the time, the White House said Foster's personal papers were given to his personal lawyer and his official files parceled out among the office. Months later, it was revealed that a third category of documents—personal files of the Clintons', including files on Whitewater—were given to the Clintons' private lawyer.

At that point, Nussbaum exacerbated the problem of the belated

revelation by suggesting that Clinton might cite executive privilege and withhold the documents from prosecutors if they sought them—a classic lawyer's response but a political blunder. Several days later, but not without a series of damaging stories, the documents were in fact provided.

Nussbaum was also in the forefront of resisting the increasing clamor for appointment of a special counsel to investigate Whitewater, the real estate development venture in which the Clintons were partners. "Bernie fought and fought and fought that to the end and fought past the end," said one official. "Even after it was done he would say it was wrong, it was a mistake."

The furor that finally caused Nussbaum's demise was triggered by the disclosure of Nussbaum's participation in three meetings with

Treasury Department officials concerning the investigation of Madison Guaranty Savings & Loan. In one meeting, Nussbaum was informed that the Clintons were named in a Resolution Trust Corp. request for a criminal investigation of the failed Arkansas thrift.

Another senior official, asked for an assessment of Nussbaum's performance, could say only, "I think he's very loyal and committed to the president. . . . I think there have been missteps that a lot of people have made around here."

Asked whose tally was longer than Nussbaum's, the official sighed. "It's tough," he

Rose Firm Lawyers Say Shredding Was Not Related to Foster Inquiry

By Susan Schmidt
Washington Post Staff Writer

Documents shredded last month by a courier at the Rose law firm in Little Rock, Ark., contained firm financial statements and minutes of partnership meetings, according to firm lawyers, and not sensitive materials handled by Vincent Foster, who served as deputy White House counsel before his suicide last July.

But investigators reexamining the circumstances of Foster's suicide and the law firm's relationship to the failed Madison Guaranty Savings & Loan have questioned the courier, Jeremy Hedges, a college student employed by the firm, before a federal grand jury, according to sources close to the firm.

Foster, Hillary Rodham Clinton and Associate Attorney General Webster L. Hubbell were Rose partners before coming to Washington. The law firm represented Madison and a number of businesses linked to the S&L. Foster's suicide is part of the wide-ranging investigation into Madison and the Clintons' Whitewater real estate venture being conducted by Special Counsel Robert B. Fiske Jr.

Fiske said Feb. 9 that he would investigate an allegation reported in

the Washington Times that Rose employees shredded documents related to the Whitewater investigation.

The New York Times reported yesterday that Hedges was brought before the Whitewater grand jury on Feb. 16 and testified that he did not know exactly what he had shredded but that the outside of the box bore Foster's initials, as did binders contained inside. He also reportedly said he saw Foster's name on some of the documents.

Rose firm sources said the box of material to be shredded was put together by a clerk in helping a lawyer change offices.

Foster had worked on Whitewater tax returns for the Clintons, and at the time of his death had set up a blind trust for their assets.

The Rose firm, one of the largest in Arkansas, has been at the center of controversy over its representation of Madison before the state securities commission while Bill Clinton was governor. Hillary Clinton helped represent the S&L in the matter.

The firm has been conducting an internal inquiry into the client billing practices and expense accounts of Hubbell, a former managing partner.

THE WASHINGTON POST SATURDAY, MARCH 5, 1994

White House Counsel to Resign Today

FBI Serves Subpoenas on Senior Clinton Staff Members in Broadened Financial Probe

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

Bernard Nussbaum yesterday told President Clinton he will resign today as White House counsel, sources said, in the face of a torrent of criticism prompted by contacts he had with officials involved in the investigation of a failed Arkansas savings and loan with ties to the Clintons.

Even as the White House was preparing the official resignation statements, Nussbaum and much of the senior staff at the White House were being served by the FBI with subpoenas from the special counsel investigating Madison Guaranty Sav-

ings & Loan and its connections with Whitewater Development Corp., a land development venture in which the Clintons were partners.

Those receiving subpoenas include White House Deputy Chief of Staff Harold Ickes; Hillary Rodham Clinton's chief of staff Margaret Williams and press secretary Lisa Caputo; White House Communications Director Mark Gearan; senior adviser Bruce Lindsey; Deputy Treasury Secretary Roger C. Altman; and three of his current or former senior aides.

The subpoenas were the first indi-

cation that special counsel Robert B. Fiske Jr. has broadened his investigation to include three discussions in which White House and Treasury officials talked about the Resolution Trust Corp.'s investigation into Madison was discussed.

Nussbaum was present at all of the sessions, including one in September when Jean Hanson, general counsel at Treasury, informed the White House counsel that the RTC was poised to ask the Justice Department to launch a criminal investigation into Madison. The RTC request for the investigation included

references to the Clintons as possible beneficiaries of Madison illegal activity, although it did not allege any wrongdoing on their part.

At another session in October, Gearan, Lindsey, Nussbaum, Hanson, Josh Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, and Jack DeVore, the Treasury press secretary, also discussed the status of the RTC investigation. Altman, Steiner, Hanson and DeVore, who has since left the government, all were subpoenaed yesterday, a Treasury spokesman said.

Sources said that White House officials were considering successors

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■ Law firm says shredding was not related to Foster probe. Page A6

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to Nussbaum, including Washington lawyer James Hamilton, who helped conduct background checks of prospective nominees during the transition and who since has become the personal lawyer for the family of the deputy counsel Vincent Foster, who committed suicide last July.

New York lawyer Susan Thomases, a close confidante to Hillary Clinton and a former Nussbaum ally, is among those searching for replacements, the sources said.

The 57-year-old Nussbaum, who hired Hillary Rodham as a young lawyer to serve on the House committee considering President Richard M. Nixon's impeachment, becomes the first high-level official at the Clinton White House to resign under fire.

He has been at the center of a string of ethical controversies.

Nussbaum made his mark as a Wall Street lawyer specializing in the high-stakes takeover litigation that boomed during the 1980s and boasted last year that he had "the single best training anybody could have for this job"—advising corporate chieftains. But in the view of many colleagues, he had a hard time making the transition to a job that required a blend of legal skills and political judgment, and in which his litigator's instinct to fight on often caused more harm than good.

Even before the furor over his Madison meetings, Nussbaum had been the target of significant criticism.

Some outside observers and senior White House aides believed that his tenure was a problem for the president but that Nussbaum was too proud to quit under pressure and that the Clintons were too loyal to

this week when the White House contacts with Treasury were revealed.

Administration officials concluded yesterday that not only was Nussbaum's continued presence at the White House causing the president serious political damage, but also that Nussbaum's ability to perform his job had been irreparably harmed.

"Definitely there has been permanent damage to his ability to function," said one senior official. "He is a focus and a spotlight for criticism... in a way that is unprecedented." Through a long day of appearances yesterday, Clinton was asked five separate times about Nussbaum and whether he retained confidence in his friend and counsel. The president did not come to Nussbaum's defense, but instead, defended the actions he took this week to prevent further contacts between White House officials and others on the Whitewater or Madison matters.

Asked finally at a news conference with Ukrainian President Leonid Kravchuk if he retained confidence in Nussbaum, Clinton said, "I have nothing to add to what I said yesterday."

On Thursday, the president had said the meetings between White House and Treasury officials should not have occurred, and he ordered a memo circulated throughout the staff banning any contacts between White House officials and others in the executive branch on the issue of Madison and Whitewater.

The meetings about the RTC request for a criminal investigation into Madison has led to Republican charges that the White House was trying to manipulate or get advance details on an investigation involving the president.

Republicans continued their calls yesterday for investigations into the contacts, and in the Senate have threatened to hold up some Clinton nominations unless hearings into the contacts are held.

Nussbaum was involved in many of the most damaging episodes of the Clinton administration's first year: the vetting of prospective Attorney General nominee Kimba M. Wood; the nomination and eventual withdrawal of Lani Guinier to head the Justice Department's office of civil rights; the firing of the White House travel office, and the handling of Whitewater documents after the suicide of Deputy Counsel Vincent Foster.

Administration officials yesterday said the on-and-off pressure on Nussbaum to resign had exploded

Officials at the White House yesterday said much of the routine work there paused as the president's aides chewed over the growing clamor for a Nussbaum firing.

One senior official said Nussbaum retained "very little support even though he gets a lot of sympathy" among the president's staff because of the perception there that he has not only failed to save the White House from ethical embarrassments but caused some of them.

Officials said Nussbaum's future was discussed in at least three separate sessions that occurred throughout the day at the White House, ending with a final meeting with the president in the Oval Office that stretched into the early evening.

THE WASHINGTON POST SATURDAY, MARCH 5, 1994

Fiske and assistant both have history of giving to GOP

By Lisa Hoffman
SCRIPPS HOWARD NEWS SERVICE

The special counsel investigating Whitewater-Madison and a lawyer he has hired to assist him have made sizable campaign contributions to Republicans in the past several years.

Federal Election Commission records show that Whitewater special counsel Robert B. Fiske Jr. has given \$5,300 to the Republican National Committee and Republican candidates since 1992.

A Wall Street lawyer and former U.S. attorney in New York, Mr. Fiske has long-standing Republican ties.

One recipient of Mr. Fiske's donations — Sen. Alfonse M. D'Amato, New York Republican, to whom Mr. Fiske contributed \$1,000 in 1992 — is now one of the sharpest critics of President Clinton's Whitewater dealings.

William Duffey — an Atlanta lawyer whom Mr. Fiske hired Feb. 23 to help in the wide-ranging investigation of Whitewater and its connections to Mr. Clinton and Hillary Rodham Clinton — has contributed even more.

In the past two years, Mr. Duffey donated a total of \$7,000 to Repub-

licans, including \$1,000 to the Bush-Quayle presidential primary campaign in 1992, records show. He said in an interview he also has given to Democrats in the past, and considers political contributions part of a citizen's responsibility.

Attorney General Janet Reno picked Mr. Fiske Jan. 20 to head the inquiry, praising his integrity and fairness.

Miss Reno gave him a broad mandate to investigate the relationships of the Clintons with Madison Guaranty Savings and Loan Association, Whitewater Development Corp. and Capital Management Services Inc., all in Arkansas.

The inquiry also will encompass the July 1993 death and affairs of White House Deputy Counsel Vincent W. Foster Jr.

Mr. Fiske last month hired seven lawyers to work with him on the Little Rock-based investigation, which could take as long as 18 months.

Among them was Mr. Duffey, a partner in the high-profile Atlanta firm of King and Spalding. Mr. Duffey is an expert on banking law, and specializes in complex internal investigations.



Robert B. Fiske Jr.

In 1993, FEC records show, Mr. Duffey gave \$1,500 to the Georgia Republican Party and a political action committee established by Sen. Paul Coverdell, Georgia Republican. Mr. Duffey also contributed \$3,250 to Mr. Coverdell in 1992, when he was in a tough race against incumbent Sen. Wyche Fowler, Georgia Democrat.

Aside from the \$1,000 he contributed to Mr. D'Amato, Mr. Fiske also gave former U.S. Attorney General Dick Thornburgh \$1,000 in 1991, when Mr. Thornburgh unsuccessfully ran for the Senate in Pennsylvania.

Mr. Thornburgh, when he was attorney general, had pushed for Mr. Fiske to be named to the No. 2 Justice Department post in 1986, but conservative Senate Republicans objected.

Hubbell involved to tune of \$20,000

By Michael Hedges
THE WASHINGTON TIMES

AT

Webster L. Hubbell billed taxpayers more than \$20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period in August 1990, despite his contention that he had only "indirect" involvement in the case.

As managing partner of Little Rock's Rose Law Firm, Mr. Hubbell submitted a bill to the federal government that said he worked without a day off, through three weekends, averaging more than eight hours a day between Aug. 4 and Aug. 23, 1990, at a fee of \$125 an hour.

The bills raise a fundamental question about Mr. Hubbell's role in a matter where federal auditors feared he had a conflict of interest. In an attempt to soothe those concerns, Mr. Hubbell assured a federal lawyer overseeing the case that his involvement would be indirect.

But his billing of the government indicates a full-time role.

Mr. Hubbell's billing practices are the subject of an in-house investigation at the Rose firm, according to a report Wednesday in *The Washington Post*.

In a statement released that day, Mr. Hubbell, now associate attorney general, acknowledged that he had been questioned by the firm about his billings. He added, however: "I am not aware of any investigation, and I have never overbilled a client."

The Rose firm had gotten the Madison contract to represent the Federal Deposit Insurance Corp., which had taken over the failing thrift despite the concerns of at least three federal regulators that Mr. Hubbell's involvement would constitute a conflict of interest.

Mr. Hubbell has denied the conflict-of-interest allegations. Those charges have become part of special counsel Robert B. Fiske Jr.'s investigation of matters relating to the Madison case.

himself from the ongoing white-water-Madison inquiry, yesterday refused comment on any matter related to the Madison case.

The bills examined by *The Washington Times* give only a sketchy account of the work Mr. Hubbell said he was performing. For example, on Sunday, Aug. 19, 1990, Mr. Hubbell charged the government \$1,050 for 8.4 hours spent in "trial preparation; prepare cross-examination." No trial ever occurred in the case, which

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was settled out of court.

On Sunday, Aug. 5, 1990, Mr. Hubbell charged \$1,037.50 for 8.3 hours for "work on pre-trial issues, research, review work papers for cross-examination."

Mr. Hubbell was one of seven members of the Rose firm who billed the government during that month. The total for the period reached \$75,486.

Hillary Rodham Clinton, another Rose partner, represented Madison in a separate matter before Arkansas state banking regulators. Mrs. Clinton and her husband — then governor of Arkansas — were partners with Madison President James B. McDougal and his wife, Susan, in Whitewater Development Corp., a northern Arkansas real estate venture.

In a bill submitted for his August work and that of his colleagues, Mr. Hubbell sounded chagrined to be charging the federal government at such a rate. "I am enclosing our firm's bill for the month of August. I apologize for its size," he wrote an FDIC official.

By the time the case was settled, Rose had billed the government — which by then had taken over Madison — \$400,879 and agreed to a questionable settlement with a Little Rock accounting firm, Frost & Co., which had been sued for improper auditing of Madison.

The \$1 million settlement in the case, which has drawn severe criticism from members of Congress, was only a fraction of the insurance Frost carried. The Rose firm's fees were 40 percent of the money recovered in the settlement.

In a letter to the FDIC inspector general, Rep. Jim Leach, Iowa Republican, urged an investigation of that deal. "Mr. Hubbell settled the suit for a fraction of the firm's insurance coverage, and then had the gall to demand \$400,000 in fees," he said.

Sen. Lauch Faircloth, North Carolina Republican, wrote to the acting director of the FDIC this week urging that the Hubbell connection to the Madison case be investigated further.

"It would appear either that Mr. Hubbell did a significant amount of work on the case, and thus had a conflict of interest, or that Mr. Hubbell did an insignificant amount of work and padded the bill to make it appear as if he did a significant amount of work," Mr. Faircloth wrote.

When the Rose Law Firm sought the contract in the suit against Frost & Co., which in 1985 had found Madison solvent, it raised red flags for federal officials handling the Madison meltdown.

Paul Jeddeloh, a staff attorney for the FDIC, wrote to April Breslaw, the lawyer handling the matter for the federal agency in Washington, expressing his concerns in June 1989.

He pointed out that Mr. Hubbell's father-in-law, Seth Ward, was a "Madison insider" who was able to obtain a judgment against Madison of approximately \$447,000.

David Paulson, FDIC managing agent of Madison, expressed the same concerns as Mr. Jeddeloh in letters to Ms. Breslaw.

Reached at his office yesterday, Mr. Paulson, now an adviser at Agribank in Minneapolis, said: "We had concerns from the start. We tried to elevate those concerns to a higher level in Washington, but we never got it resolved. A prudent individual would have drawn the conclusion that there was a conflict."

Mr. Paulson said that it had been emphasized that the federal regulators were trying to clear up an S&L mess that "stunk with insider deals. The word at the time was that we were to take ultimate care on possible conflicts. We were here to clean up that mess, and we didn't want our integrity impaired."

Another federal regulator, FDIC credit specialist Kenneth Schneck, wrote in August 1989 that "an apparent conflict exists in that Mr. Hubbell is the win-in-law

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FEDERAL DEPOSIT INS. CORP.

PAGE: 12

SEPTEMBER 26, 1990

PLEASE MAKE CHECKS PAYABLE TO ROSE LAW FIRM (TAX ID # 57-1448814) - RETURN THIS STUB WITH YOUR CHECK

MADISON GUARANTY - FIRST			
08/18/90 W. HUBBELL	7.30	912.50	TRIAL PREPARATIONS; PREPARE CROSS EXAM
08/19/90 B. J. CAMP	7.00	280.00	REVIEW DOCUMENTS AND ORGANIZE
08/19/90 G. SPEED	9.00	1,125.00	CONTINUATION OF EXHIBIT PREPARATION AND REVIEW OF LOAN DOCUMENTATIONS; PREPARATION OF SUMMARY CHARTS; CONFERENCE WITH R. DONOVAN; PREPARATION OF CROSS INDEXING OF LOAN FILES
08/19/90 W. HUBBELL	8.40	1,030.00	TRIAL PREPARATIONS; PREPARE CROSS EXAM
08/20/90 W. HUBBELL	9.50	1,187.50	MEETING WITH GARY AND RICE; LETTER TO APRIL; TRIAL PREPARATION ETC.
08/21/90 W. HUBBELL	12.50	1,562.50	DEPOSITION OF J. JULIUS; TRIAL PREPARATIONS; CONFERENCE WITH R. BASSETT; COMPLETE WITH RICE, ETC.
08/22/90 W. HUBBELL	7.50	937.50	TRIAL PREPARATIONS; TELEPHONE CONFERENCE WITH APRIL REGARDING SETTLEMENT ISSUES

Rose Law Firm billing records

of Seth Ward who was an insider at Madison Guaranty and is the brother in law of Seth Ward II. Both of these men have sued Madison Guaranty."

Once the FDIC had taken over Madison, a suit against the S&L by the Wards became, in effect, a suit against the government, which was paying the Rose firm and Mr. Hubbell to represent it in a related Madison matter.

Ms. Breslaw, the Washington-based attorney overseeing the Madison case for the FDIC's director's and officer's liability section, sought to assuage those concerns.

In a June 1989 letter to Mr. Paulson, she said, "I understand your concern about Webb Hubbell's family relationship to Mr. Ward. However, it's important to keep things in perspective."

Ms. Breslaw also told Mr. Paulson that Mr. Hubbell had assured her he was not the "primary" attorney in the case. "Hubbell is involved only in an indirect way," she said. "I am not inclined to take a case that has obtained fine results in other matters."

But the billing records show much more than an "indirect" involvement by Mr. Hubbell. During the month of August 1990, he billed the government for 180 total hours. Richard T. Donovan, ostensibly the lead attorney on the case, submitted a bill for 104 hours.

HUBBELL'S BILLINGS

A chronology of the billing by Webster L. Hubbell during a 20-day period in August 1990 for work on the Madison Guaranty Savings & Loan case.

	Hours	Billing amount
8/4	7.40	\$ 925.00
8/5	8.30	1,037.50
8/6	7.40	925.00
8/7	9.40	1,175.00
8/8	8.50	1,062.50
8/9	8.20	1,025.00
8/10	9.50	1,187.50
8/11	9.10	1,137.50
8/12	7.40	925.00
8/13	9.10	1,137.50
8/14	6.10	762.50
8/15	6.50	812.50
8/16	7.00	875.00
8/17	8.50	1,062.50
8/18	7.20	900.00
8/19	8.40	1,050.00
8/20	9.50	1,187.50
8/21	12.50	1,562.50
8/22	7.50	937.50
8/23	8.60	1,075.00
		20,775.00

Whitewater counsel subpoenas 6 in White House

by Paul Bedard
THE WASHINGTON TIMES

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The FBI last night subpoenaed six top White House officials, three Treasury Department officials and documents relating to their meetings at the White House concerning a federal probe of a failed Arkansas thrift linked to President Clinton.

The subpoena, served by an FBI agent to all six in the White House counsel's office, forced the White House to delay until today the ouster of Counsel Bernard W. Nussbaum. A senior administration official said Mr. Nussbaum could resign today.

Mr. Nussbaum, under fire for his secret meetings with Treasury officials, was one of the six White House aides subpoenaed in special counsel Robert B. Fiske Jr.'s investigation of Madison Guaranty Savings and Loan Association of Little Rock, Ark.

Mr. Fiske is investigating whether Madison's owner, James B. McDougal, diverted depositor money to Mr. Clinton's 1984 gubernatorial campaign and to the Whitewater Development Corp., a land deal in which Mr. McDougal and his wife, Susan, were partners with the Clintons.

Also subpoenaed were senior presidential adviser Bruce Lind-

sey; Communications Director Mark Gearan; Deputy Chief of Staff Harold Ickes; Lisa Caputo, first lady Hillary Rodham Clinton's press secretary; and Margaret A. Williams, Mrs. Clinton's chief of staff.

Legal experts said the special counsel's action was swift and sent a signal to the White House that he isn't going to allow meddling in his probe.

"It was the prudent thing to do," Washington lawyer Jed L. Babbin said.

Mr. Clinton, who was attending the musical "Grease" at the National Theater when White House spokeswoman Dee Dee Myers an-

nounced Mr. Fiske's action, had no comment.

Miss Myers said in statement that the FBI delivered the subpoena at 7 p.m. It demands "the production of documents concerning conversations between the White House and the Department of Treasury or Resolution Trust Corp. (RTC) with regard to the Madison Guaranty matter," she said.

"The White House will comply fully and promptly with the subpoena," Miss Myers said.

The White House has said Mr. Nussbaum attended at least three meetings with RTC and Treasury officials:

- In late September Mr. Nussbaum and Deputy Treasury Counsel Jean Hanson discussed the naming of the Clintons in the RTC's probe of Madison.

- Federal regulators closed Madison in 1989 at a cost of \$50 million.

- RTC officials met at the White House in October with Mr. Nussbaum, Mr. Gearan, Mr. Lindsey, Ms. Hanson, and two Treasury officials — Jack Devore, Treasury Secretary Lloyd Bentsen's spokesman at the time, and Josh Steiner, Mr. Bentsen's current chief of staff.

- A meeting was held early last month at the request of Deputy Treasury Secretary Roger C. Alt-

man, who is the acting head of the RTC, in Mr. Nussbaum's office. It included Mr. Ickes and Ms. Williams.

Mr. Altman, Ms. Hanson and Mr. Steiner also received subpoenas last night.

Those meetings, which gave the impression that the White House received inside information on the Madison investigation, sparked congressional calls for Mr. Nussbaum's firing and for hearings to probe the gatherings.

At a news conference yesterday with Ukrainian President Leonid Kuchma, Mr. Clinton said he had

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SUBPOENA

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taken measures to block future meetings between White House officials and outside agencies looking into the Whitewater-Madison affair.

"Let's don't mess it up. I mean, I've made it as clear as I can: Bend over backwards to avoid any appearance of conflict; set up a fire wall between the White House and any of the appropriate agencies; have a central point of contact if anyone calls us," Mr. Clinton said.

To prevent any shredding or other disposal of documents detailing discussions at the meetings, White House Deputy Counsel Joel Klein issued three memos to all White House staff forbidding such action.

His memos bar the removal of all "burn bags," trash and computer records in the White House "Oasis" computer system in the West Wing. That rule is in effect until just before the six senior

staffers testify.

The provision was apparently sought to a White House version of the shredding of Madison- and Whitewater-related documents that sources say took place at Little Rock's Rose Law Firm, the former employer of Mrs. Clinton and others in the administration.

"The destruction of documents after receipt of this subpoena may constitute obstruction of justice," Mr. Klein wrote in a three-page summation of the subpoena.

Administration officials said the FBI will collect the documents next week.

Mr. Klein's directive came a day after the White House issued ethics rules governing meetings between its officials and federal agencies looking into Whitewater-Madison. Mr. Nussbaum wrote the rules.

And the special counsel's subpoena came a day after Mr. Bentsen's request for the independent Office of Government Ethics to investigate the meetings between his staff and the White House.

The subpoena could be politi-

BERNARD W. NUSSBAUM, WHITE HOUSE COUNSEL

Born: March 23, 1937

Education: Columbia University, B.A. 1958; Harvard University, LL.B. 1961; George Washington University School of Law, honorary doctorate 1993.

Occupation: Lawyer, federal official

Family: Married; 3 children

Religion: Jewish

Political career: Assistant U.S. attorney, Southern District of New York, 1962-1966; lawyer and senior partner, Wachtell Lipton, Rosen & Katz in New York, 1966-1993; senior counsel to House Judiciary Committee during impeachment inquiry of Richard Nixon, 1974; counsel to President Clinton, 1993.

Source: Who's Who in America 1994, White House biography



The Washington Times

cally devastating to the White House because it brings the Whitewater probe directly into the West Wing.

The story is expected to escalate today when Mr. Nussbaum resigns after defying the president for a day. Mr. Clinton held a meeting with the former Wall Street lawyer

yesterday, but the counsel deferred requests for his resignation until today, after the legal impact of the subpoena could be evaluated.

The expected resignation and the subpoena are coming not long after Mr. Clinton bragged that his administration is scandal-free.

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(ATTN: National editors) (Includes optional trims)

Editors: fixes throughout.

9 Administration Officials Subpoenaed in Whitewater Scandal (Washn)

By David Lauter= (c) 1994, Los Angeles Times=

WASHINGTON Whitewater special counsel Robert B. Fiske Jr. Friday subpoenaed nine Clinton administration officials, including White House counsel Bernard Nussbaum, whose resignation is widely considered imminent because of the way he has handled the Whitewater controversy.

Those subpoenaed include six White House aides who participated in meetings with Treasury Department officials about aspects of the investigation of the failed Whitewater Development Corp., in which then Arkansas Gov. Bill Clinton and his wife, Hillary Rodham Clinton, were partners.

Fiske was expected to subpoena administration officials as part of his effort to determine what happened in Whitewater. But his decision to summon those involved in the recent White House-Treasury meetings makes clear that he also intends to examine related, subsequent actions to see if any improprieties occurred.

Subpoenaed were Nussbaum, White House counselor Bruce Lindsey, Deputy Chief of Staff Harold Ickes, Communications Director Mark D. Gearan, Mrs. Clinton's chief of staff, Margaret Williams, and the first lady's press secretary, Lisa Caputo.

Lindsey has been the chief White House official handling Whitewater-related questions for Clinton. Ickes, Williams and Nussbaum met last month with Deputy Treasury Secretary Roger Altman, who briefed them on procedures that the Resolution Trust Corp. a Treasury agency was following in pursuing its investigation of Madison Guaranty Savings & Loan, a failed Arkansas thrift that was owned by James B. McDougal, the Clintons' partner in the real estate deal.

Gearan and Nussbaum took part in a meeting last fall with Treasury Department officials at which the Madison Guaranty investigation was discussed. Participants have said that they discussed only one topic at the meeting: how to respond to news media inquiries about Madison Guaranty.

Fiske also subpoenaed Altman and two other Treasury officials who participated in the meetings. General Counsel Jean E. Hanson and Joshua Steiner, the department's chief of staff.

Nussbaum has been under fire for allowing the meetings to take place and for participating in them. Congressional Republicans and other critics have charged that the meetings could have allowed White House officials to interfere with Treasury's investigation of possible wrongdoing at the Madison Guaranty. President Clinton conceded Thursday that the meetings, two last fall and one last month, created an appearance of impropriety.

Fisk is investigating the Clintons' role in Whitewater Development and, among other things, whether funds from Madison Guaranty might have been used to pay off Clinton campaign debts or to offset their losses on the real estate deal. The Clintons have said that they lost about \$69,000 on the venture. Madison Guaranty was seized by federal regulators in 1989 at a cost to taxpayer of at least \$47.6 billion.

In a memorandum to the White House staff, Deputy Counsel Joel Klein said that the subpoenas, which call for the officials to appear in federal district court in Washington on March 10, cover "any and all documents and/or communications referring or relating to any contacts, meetings or conversations about or regarding Madison Guaranty Savings & Loan, its

~~subsidization, and all other documents and/or communications~~
Treasury Department or the Resolution Trust Corp.

Klein warned that "the destruction of documents after receipt of this subpoena may constitute obstruction of justice" and suggested that, "if you have any doubt about whether a particular document is called for ..., you must save it."

Klein also directed White House aides not to purge any computer records

and directed officials to stop removing from the White House any paper, including trash thrown in wastebaskets.

White House Press Secretary Dee Dee Myers said that staff members would fully comply with the subpoenas and that the White House would have no other comment.

President Clinton was informed of the subpoenas about 7 p.m. EST, shortly before they were served, aides said, and he instructed the staff to cooperate.

(Optional add end)

The subpoenas, the first known to have been issued to White House officials in the investigation, perhaps temporarily delayed the resignation of Nussbaum, whose yearlong tenure as the White House chief counsel has been marked by frequent controversy.

Earlier in the day, Clinton conspicuously distanced himself from his embattled aide at a White House press conference, ducking several public opportunities to voice confidence in him.

"I have nothing more to add to what I said yesterday," Clinton said when asked about Nussbaum.

Clinton's reference was to remarks he made Thursday criticizing the meetings Nussbaum attended with Treasury Department officials.

"We have to be careful," Clinton said at the press conference. "I think I have sent a very clear and unambiguous signal that there's no point in letting a process mess this White House up when we have not yet been accused of any wrongdoing. And since there was no wrongdoing on my part, I want a full, complete, thorough investigation, and I want it to go forward unimpeded and then to be over."

While Clinton did not mention Nussbaum by name, his words appeared to be a clear rebuke, given that Nussbaum's job has been to oversee the internal processes of the White House to ensure that they do not "mess up."

As he has done before, Clinton complained about the political use that Republicans have made of the Whitewater matter, saying that "there is no evidence of abuse of authority on my part as President, or any of the kinds of things for which their parties and administrations were accused."

"The Republicans have behaved in a fairly blatant, bald and totally political way," Clinton said. "Since they have often complained in the past of political motivation, I think that they would show a little more restraint and judgment in this case."

But White House officials made clear that Clinton, who thought the Whitewater issue had been taken off his back by the appointment of Fiske as a special counsel earlier this year, also believes that he was let down by members of his staff, including Nussbaum.

Clinton and Nussbaum subsequently met in the Oval Office, and officials widely predicted that the presidential aide's resignation would come later in the evening. But after news of the subpoenas, officials said the announcement would be put off, perhaps until after the weekend.

-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

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Pressure Growing, Clinton Meets About Resignation of Nussbaum

White House Lawyer's Exit Is Called Inevitable

By DOUGLAS JEHL
Special to The New York Times

A1

WASHINGTON, March 4 — Under mounting pressure from Congress and from Federal officials investigating his failed Arkansas land deal, President Clinton met with Bernard W. Nussbaum, the White House lawyer, in the Oval Office tonight to arrange Mr. Nussbaum's resignation.

The meeting ended without an announcement of Mr. Nussbaum's fate. But with the need growing for an aggressive response to Congressional criticism of the White House's handling of the Whitewater affair, a senior White House official said it was inevitable that Mr. Nussbaum would step down and that only the timing remained undecided.

Compounding the White House's political problems, the Federal Bureau of Investigation tonight informed three Treasury Department officials and a former Treasury aide that they would be compelled to testify about a series of meetings in which they briefed Mr. Nussbaum and others about the status of an investigation into a failed Arkansas savings and loan that had ties to the Clintons.

Called by Grand Jury

Howard Schloss, a spokesman for the Treasury Department, said that Deputy Secretary Roger C. Altman; Jean Hanson, the department counsel, and Josh Steiner, Treasury Secretary Lloyd Bentsen's chief of staff, had been subpoenaed by the grand jury sitting in Little Rock, Ark., under the direction of the special prosecutor investigating the bank failure and the Clintons' investment in a real estate venture, the Whitewater Development Company.

A participant in the meetings said that Jack DeVore, then Mr. Bentsen's closest aide, also was notified that he must appear before the grand jury.

Associates of Mr. Nussbaum said the 57-year-old lawyer had hoped to postpone his resignation long enough to diminish the impression that he had been dismissed.

But the Oval Office meeting capped a day in which Mr. Clinton and his staff maneuvered to limit the fallout from disclosures this week of the meetings disclosed to anyone else connected to a Federal investigation.

The disclosure of the conversations has fueled Republican demands for a new inquiry into the Clintons' investment and put pressure on Mr. Clinton to act firmly to disavow the talks. Today, there were signs that some Democrats were also considering hearings on Whitewater.

Mr. Clinton had to cope with the question of Mr. Nussbaum's fate through a day whose main event was to have been a meeting with President Leonid Kravchuk of Ukraine. At two sessions where reporters were present, a picture taking session and a joint news conference.

The question posed to Mr. Clinton was whether Mr. Nussbaum would remain at his post. Mr. Clinton later added discussions with top aides to his afternoon calendar to consider that very question.

Before the latest round of criticism over his role in the Whitewater affair, Mr. Nussbaum had already been at the center of a series of White House political misuses, including the failed nomination of Lani Guinier to a top Justice Department post, the torturous search

for an Attorney General and the removal of files from the office of Vincent W. Foster Jr., Mr. Nussbaum's deputy who committed suicide last July.

A Difficult Position

Officials said that history, coupled with Mr. Nussbaum's most recent actions, had left his position difficult to defend, especially after Administration officials said that the unquestioned support of his political patron, Hillary Rodham Clinton, had become in doubt.

"If this was the first time in the barrel for him, maybe we could fight for him," a senior White House official said tonight. "But the third time is hard."

Earlier today, Mr. Clinton refused twice to comment about Mr. Nussbaum's fate, a telling symbol in the Washington political lexicon. The President was said by aides to be particularly upset that the White House lawyer had not anticipated the sensitivity of his participating in a series of meetings with senior Treasury Department officials to discuss the status of the Federal investigation into the bankrupt Arkansas savings and loan.

That company, Madison Guaranty Savings and Loan, is now being scrutinized by Robert B. Fiske Jr., the special counsel who has been appointed to look into the role it played in Mr. Clinton's investment in the Whitewater development. Mr. Clinton on Thursday expressed dismay that the meetings had taken place, but that only led Republicans in Congress today to voice new complaints about the White House's conduct.

After poking for months at Whitewater's embers, the Republicans expressed new confidence that the missteps would finally force Congress's Democratic majority to undertake hearings. And, more dangerously for the White House, some Democrats began to echo them privately.

In the Senate, where Republicans are already pledging to hold up approval of important White House nominations until a Whitewater hearing is scheduled, aides to senior Democratic senators said there was growing uneasiness among their bosses.

Saying that they were growing resigned to the possibility that some kind of inquiry might be necessary, if only to quiet the mounting furor from Republicans and other critics, the aides said the matter had been referred to Senate Democratic leaders.

Associates of Mr. Nussbaum said he would have preferred that a decent interval pass before he resigns his post. But they said Mr. Clinton's failure to express confidence in him during public appearances today could only have been intended as a message that it was time to leave.

Other officials said aides to Mrs. Clinton had told associates in the Administration that she was disappointed in the way Mr. Nussbaum, her one-time mentor, had handled the matter. Because of her close friendship with Mr. Nussbaum, Mrs. Clinton's views on the issue are crucial.

Poisonous Signals

Mr. Nussbaum was said by associates to have talked with Mrs. Clinton about whether he should resign. He had not talked with Mr. Clinton until the two met this evening in the Oval Office.

Even this morning, a close friend of Mr. Nussbaum's said: "None of us see how he can survive much longer." And in a capital where poisonous signals are often perfumed, remarks made this morning by Dee Dee Myers, the White House spokeswoman, only reinforced that sentiment.

While insisting that reports Mr. Nussbaum was considering whether to step down were "news to Bernie," Ms. Myers pointed out that "nobody's bulletproof in this White House."

By this afternoon, senior White House officials were discussing what the consequences of a resignation by Mr. Nussbaum might be, and whether it might help close the political wounds inflicted by the disclosure of the meetings.

In addition to Mr. Nussbaum, only Ms. Hanson, the Treasury Department's general counsel, took part in all three of the sessions. The two were the only participants in what White House officials have described as the most troublesome encounter, on Sept. 29 in that meeting, Ms. Hanson told Mr. Nussbaum that the Clintons would be mentioned as possible beneficiaries of illegal actions in a request for a Justice Department investigation of Madison Guaranty by the Resolution Trust Corporation, the agency responsible for failed S & L's.

That was more than a week before the R.T.C. formally referred the case to the Justice Department and before the decision became final, giving Mr. Nussbaum advance knowledge of information that under other circumstances is regarded as highly sensitive.

Varying Participants

The other two meetings, which took place in October and again last month, also included varying casts of other officials, including Bruce Lindsey, a senior adviser to Mr. Clinton; Mark D. Gearan, the communications director; Roger C. Altman, the Deputy Treasury Secretary; Mr. DeVore, then Mr. Bentsen's press secretary; and Mr. Steiner. After disavowing the meetings on Thursday, Mr. Clinton sought at a news conference today to emphasize that, with new procedures imposed on Thursday, the White House has now erected a "a clear and appropriate firewall" to prevent further contacts between his aides and Federal investigations into Madison Guaranty and the Whitewater case.

Seeking to turn the focus to his critics' conduct, Mr. Clinton accused Congressional Republicans of engaging in "fairly blatant, bald and totally political" efforts to make an issue of the meetings, in which he said he had not been accused of "doing anything wrong."

Before this week's first disclosure of his participation in an unusual meeting, Mr. Nussbaum had told friends that he believed his job was to be a kind of a lightning rod for the Administration. But he told the friends that he hoped to stay in the White House for at least another year.

THE NEW YORK TIMES, SATURDAY, MARCH 5, 1994

The Whitewater
affair may claim a
major victim.

In Hot Water

It is a truth universally acknowledged that a change in the political landscape makes an enormous difference in the world view of some part of the electorate. And so it is that the letters and phone calls once filled with cries of "Why aren't you slamming them more on Iran-contra?" and "What about Neil Bush and Silverado?" now reverberate with the complaint "How come you're being so hard on the Clintons?"

Those complaints have grown with the slow spiral of Whitewater and the plethora of questions about what the President and Mrs. Clinton knew and exactly when they knew it. The choice of language is neither flippant nor coincidental, for over this enterprise and perhaps every politically suspect action/reaction for the foreseeable future hangs a long shadow.

Twenty years ago this August the first American President to resign from office took off for the Coast in a helicopter from the White House lawn, the impeachment snapping at his conservatively shod heels. There are Republicans who still refer to Watergate as a third-rate burglary. They've been thirsting for anything quite so third-rate on the Democratic side of the aisle ever since.

Whitewater was a third-rate land deal in which the Clintons say they lost money. From this stone thrown into the murky pond of Arkansas politics have spread concentric rings: questions about everything from interest deductions on the couple's tax returns to conflicts of interest within the powerful law firm where Mrs. Clinton, as well as a number of other players in the new Administration, were once partners.

But the water in Washington, if sometimes toxic, is far more transparent than in Little Rock, and more questions were bound to be asked about the real estate deal and related matters once Mr. Clinton became President. While Whitewater in all its earliest manifestations seemed little more than a civics lesson in the incestuous survival tactics of a small state capital, the aftermath has been infinitely more worthy of notice.

To wit, this week: reports of meetings between officials at the Treasury Department, who are investigating the failed S&L linked to Whitewater, and White House aides, whose bosses are one focus of that investigation.

the files of Vincent Foster, Deputy White House Counsel, onetime attorney for the Clintons and Mrs. Clinton's former partner, whose suicide last year is still under investigation. And the hits just keep on happening, leading to the inevitable question: Who's in charge there? And why haven't they done a better job?

Do Watergate and Whitewater have much in common besides H₂O, or hot water? No way, nohow, nowhere near. But with the Nixon White House as an anti-model, how in the world could Hillary Rodham Clinton and Bernard Nussbaum, who met when both were working on the House Judiciary Committee investigation into Watergate, think that the

initial response to questions about Whitewater was, in the parlance of a previous era, to stonewall? How could either have failed to detect echoes of the past in meetings between White House staff and representatives of investigating agencies?

The people, we're sometimes told, don't care. They care about crime and health care and schools, not about the Clintons' tax returns or Vince Foster's suicide. Ever since Bobby Ray Inman went nuclear in a televised press conference and informed the American people that he could not afford to be Secretary of Defense because the press was mean, there has been a faintly apologetic atmosphere surrounding the reporting enterprise.

Anyone who has been in the newspaper business over the last quarter-century can remember vividly when Watergate, too, was being styled as a liberal media vendetta, a story only reporters cared about. In retrospect, there was nothing third-rate about it; it was a first-rate exercise in the arrogance and abuse of power. In retrospect, the people cared a great deal.

When all the stories and the investigations are done it may well be that Whitewater will be fourth-rate, fifth-rate, in retrospect not worthy of all the fuss. But reporters are not paid to operate in retrospect. Because when news begins to solidify into current events and finally hardens into history, it is the stories we didn't write, the questions we didn't ask that prove far, far more damaging than the ones we did. □

It's not 'appearances,' Mr. President, it's conflict

"As nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action," said Bill Clinton yesterday, bobbing and weaving his way around the most recent break in the Whitewater levies. Mr. Clinton apologized for the naughty "appearances" and assured the nation that his staff from now on "will be much more sensitive." Pretending the affair was all wrapped up, Mr. Clinton said, "I don't think there will be further problems."

The president can certainly hope. But the problems he already has are not about to go away. Nor are these problems about mere "appearances." The president admitted yesterday that senior Treasury Department officials have been having pow-wows with top White House officials. Discussed was the progress of the Resolution Trust Corp.'s investigation into the failed Arkansas Savings and Loan tied to the Clinton's land dealings. These Treasury officials are involved in the running of the RTC, an independent agency that is currently without a head. As revealed yesterday in *The Washington Post*, Treasury's general counsel, Jean Hanson, passed on confidential information about the RTC's criminal referral on Madison Guaranty Savings & Loan. In the referral the RTC asked the Justice Department to investigate criminal wrongdoing at Madison, and named the Clintons as objects for inquiry (without actually accusing them of wrongdoing).

This would be bad enough if it weren't for the fact that the details were related to Bernard Nussbaum, the White House counsel. This is the same Mr. Nussbaum who has been accused of being involved in some sort of Whitewater coverup; the same Mr. Nussbaum who secretly removed Whitewater files from the White House office of Vince Foster before they could be discovered by FBI agents investigating Mr. Foster's death; the same Mr. Nussbaum who recently met with deputy Treasury secretary and acting RTC chief

Roger Altman for a Madison Guaranty update.

Mr. Altman has already admitted that that meeting — at which Jean Hanson was also present — showed "bad judgment," and has recused himself from any other Whitewater matters. But the interest of the attendance roster does not stop there. Mr. Altman's meeting with the Clinton team included not only Mr. Nussbaum but also deputy chief of staff Harold Ickes and Hillary Clinton's top aide, Margaret Williams. Ms. Williams is no stranger to Whitewater funny business. As *The Washington Times'* Jerry Seper first reported, she was another Clinton staffer in on the Foster files search after his death.

Nor was this meeting some kind of isolated indiscretion. Feeding the White House inside information on the Whitewater investigation was a recurring practice at Treasury, involving the repeated involvement of several of the department's key political officials.

As much as the White House may try, no one is buying the argument that this sort of insider legal trading is just a matter of "appearances" of the sort Mr. Clinton has promised to rectify. What matters is behavior. The behavior of Clinton administration officials, both in the White House and at Treasury, calls for thorough investigation. No doubt special Whitewater counsel Robert Fiske Jr. will look into this fiasco. But if 12 years of precedent about the threshold of executive branch misconduct required for Congress to take notice has any meaning, there is need for the congressional investigation being demanded by Republicans in both houses. The fear of tough questioning in front of a Capitol Hill panel is just what would have made Mr. Altman and his assistants think twice before jumping into the Whitewater quagmire. The Democrats' persistent abdication of their investigative and oversight responsibilities when it comes to questions of Mr. Clinton's behavior has emboldened administration officials to engage in actions that reek of coverup.

A visitor from Ukraine

The meeting that takes place at the White House today between President Clinton and Ukrainian President Leonid Kravchuk could easily have taken place under happier circumstances. Oksana Baiul's gold-winning performance at the Olympics is indeed one of the very few things Ukrainians have to cheer about these days. But even with Mr. Kravchuk a beleaguered leader and a lame-duck president, it is an important meeting. Ukraine is a central piece in the puzzle of the former Soviet Union; its success or failure as an independent republic will have a large impact on the future of Russia, the other republics — and Europe as well.

As of now, one would have to admit, the future does not look too promising. The Ukrainian parliament is not very happy with the agreement on nuclear weapons concluded during Mr. Clinton's mini-state visit to Kiev in January and has not even ratified the Nuclear Non-Proliferation Treaty. And President Kravchuk, who led Ukraine to independence, is stepping down in a few months (presidential elections are scheduled for June). The current political scene — dominated by communist apparatchiks, state managers and hard-line nationalists — is not likely to produce pro-reform candidates. The Ukrainian currency is now so worthless that at Christmas-time last year, people used it to trim their trees. At the time of its independence, Ukraine boasted it would pursue a "third way" between capitalism and socialism, which would allegedly minimize the trauma of social change. State subsidies for factories in the Tyrannosaurus Rex class keep flowing freely and

drove inflation to an insane 6,500 percent in 1993.

And add to these problems the crisis looming in the Crimea, the largely Russian-populated peninsula that Nikita Khrushchev somewhat nonchalantly gave to Ukraine as a reward for good behavior. The Crimeans recently elected as their leader a hard-line Russian nationalist Yurii Meshkov, whose campaign platform consisted mainly of the promise to reunite the Crimea with Russia. It is an issue that contains the potential for armed conflict between Ukraine and Russia. Ukrainian nationalist extremists, for their part, have threatened to blow up the nuclear power plants sooner than accept Russian dominance. Maybe a crazed thought, but certainly not a happy one for Ukraine or its neighbors.

At the same time, our relations with Russia have clearly entered a more complicated phase. Russia's growing international assertiveness, the political muscle exerted by Russian hard-liners and the Ames spy scandal add up to a wake-up call. Russia and the United States are hardly international "partners," but will remain, at some level, natural competitors — as Alexis de Tocqueville predicted. Ukraine may be a basket case, but is a country with great resources and potential.

It remains in our interest to see it emerge as a counterbalance to Russia in Eurasia. It may well be that our efforts to make Ukraine relinquish its nuclear weapons will be counterproductive in that sense. Instead, let's encourage, as best we can, economic measures to rescue Ukraine from the sinkhole of economic collapse.

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(ATTN: National editors) (Includes optional trims)

Whitewater: Clinton Concerned Over Appearance of Impropriety (Washn)

By David Lauter and James Risen= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton said for the first time Thursday he was concerned about the appearance of impropriety stemming from meetings between White House and Treasury Department officials on the Whitewater affair.

The statement came as Treasury's second-ranking official cut all ties to the continuing investigation and the White House, hearing growing cries of "cover-up" from congressional Republicans and others, stepped up damage control efforts to try to keep Whitewater from blowing up into an uncontrolled political problem once again.

As those efforts continued, pressure built on the White House official who has direct responsibility for avoiding ethical lapses

White House counsel Bernard Nussbaum. Despite widespread speculation inside the White House and on Capitol Hill, officials denied reports that Nussbaum intended to resign, saying such rumors were premature.

But two officials conceded that Nussbaum has been widely blamed for Clinton's renewed difficulties. "Nussbaum may be a smart guy," said one former administration official familiar with the Whitewater issues. "But he's tone deaf."

Senate Republicans, seeking to keep Whitewater alive, called for an investigation into the meetings between White House and Treasury officials and threatened to hold up confirmation of the administration's choice for a senior banking regulatory position unless hearings were held.

Deputy Treasury Secretary Roger Altman met last month with three White House officials to brief them on a Whitewater-related investigation by the Resolution Trust Corporation, of which Altman is the acting director. The investigation involves Clinton and his wife, Hillary Rodham Clinton.

Senior administration officials said Thursday Altman will officially remain the RTC's acting director until the end of this month but has now canceled all RTC-related meetings and activities.

Last fall, Treasury officials held two other meetings with White House aides to discuss Whitewater-related matters. Officials at Treasury and the White House insisted those meetings involved nothing other than efforts to respond to inquiries from reporters.

Thursday afternoon, Treasury Secretary Lloyd Bentsen issued a statement saying he had ordered Treasury officials to have no further contact with the White House about Whitewater-related issues and had asked the independent Office of Government Ethics to examine the earlier meetings "to ensure that all ethical guidelines were followed."

The administration containment effort started with Clinton, who, in sharp contrast with his recent practice, gave reporters a lengthy answer when asked about whether he was concerned about the appearance of improprieties in the case.

"The answer is yes, I'm concerned about that," he said. "As nearly as I can determine, no one has actually done anything wrong or attempted to improperly influence any government action, but I think it would be better if the meetings and conversations hadn't occurred."

Noting the several investigations of Whitewater-related affairs, Clinton said "it's very, very important that while all this is going on, that the activity around it should be handled in such a way as to avoid even the appearance of a conflict," Clinton said. "In addition to what the rules are, what I want the people here to understand is never mind what the rules are, bend over backward to avoid the appearance" of a problem.

Clinton's remarks were in sharp contrast to earlier statements by him and top aides on Whitewater. Until Thursday, they had brushed aside complaints about appearances, insisting that because no one has been proven to have engaged in wrongdoing, allegations about appearance problems were simply politically motivated.

That earlier approach remained at the Justice Department, however, where Attorney General Janet Reno dismissed questions about associate attorney general Webster Hubbell, a longtime Clinton friend from Arkansas. The Washington Post reported earlier this week that Hubbell's former law firm, the Rose Law Firm of Little Rock, Ark., was investigating allegations that Hubbell had overbilled clients. Hubbell has denied any overbilling.

Reno gave Hubbell a strong vote of personal confidence, saying: "I have been extraordinarily impressed with his honesty, his candor, his professionalism and the sacrifices he's making to serve the American people. He advised me that he had not overbilled or done anything wrong," Reno said. "At this point, I have no substantiated information that Mr. Hubbell is doing has done anything wrong."

But Reno said she had not asked anybody in the department to look into the matter. "At this point, all I know is that some unnamed source says that the law firm is looking at allegations of wrongdoing," Reno said. "All I know from substantiated sources of any kind is that the law firm is reviewing the matter, they've asked Web questions, he's answering the questions and they're resolving partnership issues."

(Optional add end)

Whether either Hubbell or Treasury officials have actually done anything wrong remains in considerable doubt. In Hubbell's case, for example, a former senior partner at the Rose firm said Thursday he had heard no indication of overbilling by Hubbell or of an actual "investigation" by the firm.

Administration officials close to Hubbell insist, as well, that only a handful of bills are under review by the Rose firm and that no single item among them is more than \$400.

As for the Treasury meetings, interviews with several officials appeared to substantiate the assertion that the two meetings last fall were designed simply to respond to a press inquiry, not to influence the investigation.

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PAUL CRAIG ROBERTS

Risky tactic for Whitewater inquiry?

Whitewatergate special prosecutor Robert B. Fiske, Jr. is too experienced a lawyer to be making such a big mistake. He is damaging the credibility of a key witness in the Whitewater scandal by trying the witness first before questioning him about President Bill Clinton's role.

The witness is David Hale, a former Arkansas judge who has been indicted for Small Business Loan fraud. Mr. Hale has information about Mr. Clinton's role in possibly illegal financial dealings. Mr. Fiske himself has said that in order to investigate Whitewater allegations against Mr. Clinton, "it is imperative that we interview defendant Hale or compel his testimony." Mr. Fiske went on to add: "This cannot be done until the present case [against Hale] has been resolved."

Perhaps Mr. Fiske is simply caught up in the traditional dirty tactics of prosecutors and isn't thinking. When a defendant has knowledge that bears on a case other than his own, prosecutors prefer first to convict the defendant and then to question him prior to sentencing. Since the prosecutor's recommendation will affect the length and severity of his sentence, the witness can be squeezed to tell the prosecutor what he wants to hear.

Harvard law professor Alan Dershowitz has noted that this squeeze tactic allows prosecutors to enlist perjury in pursuit of other defendants. By prosecuting the witness first before hearing what he has to say and holding the sentence over his head like the sword of Damocles, prosecutors can get the squeezed witness not only to sing, but also to compose.

We certainly do not want President Clinton to join the long list of Americans who have been implicated by squeezed witnesses. But, of course, we don't know what Mr. Fiske's motives are. Perhaps he wants the squeeze hold on Mr. Hale in order to compel exonerating testimony.

The Whitewatergate allegations swirling around the first couple, and their suspicious behavior in purloining files from a dead man's office and lying about it, are far more serious for the country than the prosecution of a small-timer for petty loan fraud.

To prevent questions from arising about the truth of Mr. Hale's Whitewater testimony, and to dispel questions about his own integrity, Mr. Fiske must drop the current prosecution of Mr. Hale, immunize him, and put him on the stand about Whitewater. Mr. Hale's testimony will be a lot more credible, whether it implicates or exculpates Mr. Clinton, if Mr. Fiske is in no position to squeeze him.

Giving Mr. Hale immunity will make it difficult to successfully prosecute him on the loan fraud charge. However, we have to decide what is more important: putting Mr. Hale away for small business loan fraud or getting to the bottom of Whitewatergate.

Nothing is more important than the integrity of the process by which a sitting president is investigated. If Mr. Hale gives exonerating testimony about Mr. Clinton after Mr. Hale is convicted, but before he is sentenced, there will be screams of bought testimony and coverup. Mr. Fiske should not risk the perception of his own integrity on such an outcome.

If, on the other hand, the public



perceives that Mr. Fiske squeezed implicating testimony out of Mr. Hale, it will discredit the entire Whitewater investigation.

Mr. Fiske might contend that he doesn't intend to question Mr. Hale until after he is sentenced, but this, too, raises questions about Mr. Fiske's motives. It permits partisans to impugn the credibility of a convicted jailbird, who can be

described as "embittered."

The Whitewater allegations are very serious. We must get to the bottom of them. If a significant percentage of the public comes to the belief that we are governed by a crook, cynicism will poison the political system. To maintain public confidence in our system as well as confidence in his own integrity, Mr. Fiske must not jeopardize the cred-

ibility of the testimony of a key Whitewater witness by putting Mr. Hale in the classic prosecutorial squeeze.

Paul Craig Roberts, a distinguished fellow of the Cato Institute, is a columnist for The Washington Times and is nationally syndicated.

FRIDAY, MARCH 4, 1994 *The Washington Times*

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Pruden on Politics

By Wesley Pruden



The nightmare on Pennsylvania Avenue

You have to get off the porch if you want to run with the big dogs, and there's nothing like the prospect of fresh meat to send old yellow hounds racing to the back yard.

This is not one of those fraudulently authentic quotes at Arkansas sound bites Bill Clinton manufactured for the '92 campaign, but the president knows better than anyone else that a lot of people who were saying only a few days ago that there's nothing to Whitewater aren't any longer saying that.

Suddenly even The Washington Post, which slept through wake-up call after wake-up call sent through the courtesy of The Washington Times, the editorial pages of the Wall Street Journal and the New York Times, the Los Angeles Times, and even the Washington bureaus of London's Sunday Times and Sunday Telegraph, is suddenly wide awake.

The Post's revelations this week of suspected chicanery by Webb Hubbell at the Rose Law Firm, maybe even felonious chicanery, put meat on the bones of at least one and, who knows, maybe all four of the Rose skeletons that Bill Clinton brought with him to Washington.

Mr. Hubbell, the attorney general-in-fact, may be perfectly innocent of this particular scam, of padding the bills of the Rose firm's government clients by overbilling and charging clients for his own pleasures, but he can't argue with the fact that his old firm is looking into his ethics (as well as his expense accounts and credit card slips).

Given the imaginative ethics of the Clinton administration, the first reaction of a lot of people, particularly in Arkansas, was that Messrs. Clinton and Hubbell themselves cooked up this Rose internal investigation as a diversionary tactic, to fuzzle the focus of the Whitewater investigation and get the hell off the White House.

But no, surely not even Mr. Clinton's powers of persuasion could persuade his pal Webb to shoot himself. (We're supposed to believe Vince Foster did.) It's the worthies at Rose themselves who are

intimidated by the prospect that past professional indiscretions of Webb — and maybe Hillary and Vince Foster — could even now pull down the firm, leaving dozens of innocent reputations in tatters and ruin.

Hence what one White House insider calls "the blind panic" at the big house on Pennsylvania Avenue — and growing guilt and consternation in many newsrooms, where for months and months there has been a consensus that Whitewater was a figment of ideological imagination. The Little Rock press is particularly sheepish: They had 12 years to look at what Bill and Hillary were up to, and never saw a thing.

Newspapers, like all institutions, reflect the customs and instincts of their communities, and even though Little Rock's two newspapers — the liberal Gazette and the conservative Democrat — were locked in a war (only the Democrat survived), Mr. Clinton and his friends were never examined with a skeptical and disinterested eye. In the land of the blind the one-eyed man is king, and maybe nobody saw anything funny. Nobody smelled it, either.

Robert S. McCord, a decent and kindly man who was a senior editor of the Gazette before it sank, scolds the nosy reporters who won't follow the mild and meek Little Rock example in the current



Hillary Clinton

of the Bulletin of the American Society of Newspaper Editors.

"Ever since I became a newspaperman more than 40 years ago," he writes, "politicians have been saying that newspapers maligned politicians to the extent that public offices no longer commanded respect and qualified persons were reluctant to seek them. For the first time, I believe it. The country may have more to fear from the baby-boomer journalist than the baby-boomer politician."

Alas, this is exactly the treacherous sentiment that frightened publishers, indifferent editors and lazy reporters want to hear, and for a long time Bill and Hillary could count on either indifference or idolatry from the press here. They got by with stuff in the Cotton States League, so why not in the National League?

Now they profess to have got religion at last, that at last they understand that even presidents aren't supposed to be above the law, and promise they won't try again to cook the Whitewater investigation by misplacing documents, stonewalling Congress, and conducting cozy private negotiations between the dog and the fox.

But it may be too late. The president can send out for new ethics, he can dump an attorney general-in-fact. But how do you dump a first lady?

Embassy Row

The French ambassador couldn't have been kinder. He praised the United States, congratulated the United States, compared the United States to France as champions of the "universal message" of individual rights.

Only three weeks earlier, French and American diplomats had been hurling insults across the Atlantic. In late January, State Department spokesman Mike McCurry tweaked the French in his now-famous phrase, "a strange moral calculus," to describe Parisian attempts to persuade Washington to pressure the Muslim-led government in Bosnia into accepting a European peace plan that would carve up the country.

In response, French Foreign Ministry spokesman Richard Duque insisted Paris is, too, "talking on a moral level" and dismissed Mr. McCurry's comment as "polemics" on a "grave subject."

Apparently the French envoy to the United States was left to repair the diplomatic damage. Ambassador Jacques Andreani, in a Feb. 10 speech in Miami, reminded his audience that both countries will mark the 50th anniversary of the U.S.-led D-Day Invasion in June. President Clinton will travel to Normandy for the celebration.

Mr. Andreani talked of the importance of U.S. involvement in Europe and of European failure to deal with the Bosnian war. He spoke the day after the United Nations and NATO set a deadline for the Serbs to withdraw artillery from Sarajevo.

The ambassador said World War II "brought us both a lesson and a reason for hope" that the United States would never again withdraw from Europe.

"We believe," he said, "that U.S. political commitment, rendered credible by its military presence on European soil, remains a crucial component of European stability."

Later, with French flair, he said, "I'm pleased to underscore one important fact: My country and yours... look at themselves as the bearer of a universal message... that extends beyond nations and states, beyond races and ethnicities, beyond ages and continents."

"This message is about the inalienability of human rights and the primacy of the individual... about the balance of power and democracy, about freedom and the rule of law."

Not a word was mentioned about calculus.

Mr. Clinton this week nominated David M. Ransom, a career Foreign Service officer, to be U.S. ambassador to Bahrain.

Mr. Ransom, who joined the State Department in 1965, has served as deputy chief of mission at the U.S. Embassy in the United Arab Emirates and as a country director for southern Europe and for the Arabian peninsula.

The South African Embassy is trying to get the word out to about 100,000 South Africans in the United States that they are eligible to vote in their country's first non-racial election, which will usher in a post-apartheid era for the troubled nation.

The embassy this week emphasized that it is conducting a non-partisan publicity campaign throughout the United States to inform South Africans about the April 26-28 elections.

While voters in South Africa will vote over a three-day period, voting outside the country will take place only on April 26 between 7 a.m. and 7 p.m. No provision has been made for postal votes. Voters in the United States will have to personally cast their votes at polling booths at locations to be announced by the Independent Electoral Commission, the electoral authority in South Africa.

All South African citizens aged 18 years or older are eligible to take part in the elections. South African citizens in the United States, including those who are permanent residents in the United States, can vote in the election as long as they have retained their South African citizenship and their South African passports or other identity documents, are valid.

DIPLOMATIC DIARY

Today

■ 6:30 p.m. — Lecture — Ambassador Madeleine K. Albright the U.S. representative to the United Nations, speaks at the National Museum of American History, 12th Street and Constitution Avenue NW. Contact: 202/357-4335.

■ 7:30 p.m. — Concert — The Chilean ensemble, Quilapayun, performs a free concert. The OAC Building, 17th Street and Constitution Avenue NW. Contact: 202/458-3000.

If you have a tip, suggestion, question, call Embassy Row at 202/636-3297.

FRIDAY, MARCH 4, 1994 The Washington Times

Bad to Worse

IT'S A BAD sign when the president has to order his own staff to refrain from engaging in the sort of conduct most first-year law students would immediately recognize as improper. It really shouldn't require a memorandum from Chief of Staff Thomas F. McLarty to get across the fact that White House officials have no business meeting with Treasury Department officials about the status of the independent Resolution Trust Corp.'s probe into the failed Madison Guaranty Savings and Loan. Especially is this so when the Clintons are named in an RTC criminal referral as potential beneficiaries of illegal Madison activities. The failure of so many important White House figures to get that message is sapping confidence in the administration's handling of the Whitewater affair.

Treasury officials, it now turns out, twice reported to White House superiors on the status of the RTC investigation. In one instance, Treasury general counsel Jean Hanson met with White House counsel Bernard Nussbaum to tell him about the RTC's referral of the Madison failure to the Justice Department for investigation of possible criminal activity. She also reportedly informed Mr. Nussbaum that the Clintons were named in the action but had not been accused of any wrongdoing. If any two officials should have recognized the impropriety of such discussions, it would be counsels for the White House and the Treasury Department.

RTC policy on the confidentiality of its investi-

gations is clear. Criminal referrals are restricted and privileged information; improper release could jeopardize civil or criminal litigation. How can administration lawyers not respect that prohibition?

The second meeting, also held in Mr. Nussbaum's office, involved a discussion between White House and Treasury spin controllers on how to handle Madison press inquiries. Disclosure of this meeting and the earlier one comes on the heels of last week's admission by Deputy Secretary Roger Altman that he had given a "heads up" to Mr. Nussbaum on how the RTC, which he runs, would treat potential civil claims springing from Madison. So confusion over how to negotiate the Whitewater ethical maze evidently isn't limited to the White House.

Treasury Secretary Lloyd Bentsen yesterday reinforced Mr. Clinton's actions. In a statement Mr. Bentsen distanced himself from the amateur political operators in his department and instructed Treasury officials "to have no contact with the White House about this case." He also asked for an investigation by the Office of Government Ethics into contacts between White House and Treasury officials.

Congressional Democrats have refused to hold hearings or to demand answers to legitimate questions about this affair. Naturally, the Republicans are having a field day. Mr. Clinton lamely said yesterday, "I think it would be better if the meetings and conversations had not occurred." That's not the half of it.

Narrowing the 'Three Strikes' Zone

THE PRESIDENT is moving in the right direction on the "three strikes" provision in the crime bill. His alternative proposal, now being studied by the House Judiciary Committee, still needs some tinkering, but it is a much better proposal than either of the two provisions passed by the Senate.

Public support for "three strikes" arises out of an understandable dissatisfaction—escalating to fury in some cases—with multiple, serious offenders who serve one prison term after another and return to violence each time they are released. The solution, life in prison without possibility of parole after a third such offense, is harsh, but not out of line for those very violent offenders who pose the greatest threat to public safety. The problem with the Senate bill is that it is far too broad, imposing the penalty for a whole range of felonies, some of which—destruction of mailboxes, for example—are relatively minor property crimes.

The president proposes a far more careful definition of violent crime. With one exception, it encompasses only those offenses that involve physical harm to individuals. These include murder, kidnapping, rape, aggravated assault and gun crimes, among others. Inexplicably, the list also

includes arson and defines it so broadly that it would cover the destruction of a bicycle or a tool shed far from any occupied building. These are property crimes that do not warrant life sentences. A more limited definition is needed.

Another major change in the Senate language has been suggested, but the president declined to endorse it. Criminal justice experts have pointed out that very few people over 50 commit violent crimes. They have suggested releasing chronic offenders who have completed their sentences, once they pass this threshold. We believe the idea at least deserves some debate, but the president apparently has decided that a clearer message is sent by staying with the simple "no parole" position. Any president has an option to grant clemency to an aged prisoner, of course, and perhaps that should be emphasized in the bill if an age-based amendment is not adopted.

The bill could require an annual review of this segment of the prison population for purposes of recommending clemency. This makes sense not only in terms of public safety but also as a reasonable remedy if prison overcrowding and the high cost of maintaining an aged population turn out, as has been predicted, to be a problem.

Reno Supports Hubbell, Says No Inquiry Planned

*RTC Begins Its Own Probe Into Billing
By Arkansas Law Firm on S&L Matters*

By Michael Isikoff
and Susan Schmidt
Washington Post Staff Writers

Attorney General Janet Reno said yesterday she has full confidence in Associate Attorney General Webster L. Hubbell and plans no internal department inquiry into questions about his past client billings and expenses at the Rose law firm in Little Rock, Ark.

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A Landmark Access Overhaul At Empire State

By Liz Spayd
Washington Post Staff Writer

The Justice Department yesterday settled one of the first complaints filed under the Americans with Disabilities Act, reaching an agreement that will require nearly \$2 million in changes to New York City's Empire State Building.

Over the next nine months, the landmark tourist site will be revamped, starting at its Fifth Avenue entrance and ascending 86 flights, in order to bring the structure into compliance with the disability



ASSOCIATED PRESS
Settlement will bring \$2 million in renovations.

law. Ramps will be added, bathrooms will be redesigned, ticket counters will be lowered, stairs will be removed, even walls will be modified so visitors in wheelchairs will be able to reach the 86th-floor observation deck.

Justice Department officials said they believe the building's national prominence will help set the pace for future settlements. "This is more than just one building. It is a symbol," said John Wodatch, who oversees disability issues at Justice. "It shows that what ADA is talking about involves a wide variety of American life, including enjoying tourist attractions."

The most comprehensive law protecting the rights of the disabled, the ADA requires that workplaces, restaurants, movie theaters, doctors' offices and other public spaces be accessible to all.

Since provisions of the law went into effect two years ago, federal agencies have received thousands of complaints. The complaint against the Empire State Building Co. was filed on Jan. 27, 1992, the day after the ADA took effect. It took two years for the Justice Department and building owners to negotiate a settlement—a time lapse that riled the disability rights group that filed the charge.

"We're obviously pleased that the complaint was finally settled but dismayed at how long it took," said the building is still not accessible, and it won't be for almost a year," said Cary LaChen, an attorney with New York Lawyers for the Public Interest, which filed the suit.

A spokesman for Helmsley-Spear Inc., the property management company for the Empire State Building, said negotiations were protracted because the building is a landmark site and many architectural changes required approval by city officials and historic preservation groups.

Clinton Faults Contacts With Officials on Probe

White House Counsel Considers Resigning

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

The Clinton administration yesterday moved on three fronts to a new controversy over White House contacts with Treasury officials on an investigation into the failed Madison Guaranty Savings & L

President Clinton said the contacts should not have occurred and the White House issue a new memorandum to all staffers reiterating the ban on such meetings. Officials said White House counsel Bernard Nussbaum was considering resigning. And at the Treasury Department, Secretary Lloyd Bentsen asked the independent Office of Government Ethics to investigate the contacts.

Clinton said no wrongdoing had occurred in the three separate discussions between White House advisers and officials familiar with the investigation into the collapse of Madison and its connections to the Whitewater land venture, in which the Clintons were partners. But, he said, "I think it would be better if the meetings and conversations had not occurred."

The White House has confirmed on three occasions from September to February, senior officials including Nussbaum met with high-level Treasury officials who had been briefed by the Resolution Trust Corp. on the status of its investigation and its request to the Justice Department to investigate possible criminal activity in connection with the collapse of the thrift. The RTC request for a criminal investigation included references to the Clintons as potential beneficiaries of illegal Madison actions, but did not accuse them of any wrongdoing.

White House Chief of Staff Thomas F. "Mac" McLarty yesterday issued a "memorandum for the White House staff" stating that any contact from an executive branch or independent agency regarding Madison, the Whitewater Development Corp. or related matters should be directed

BRIEFING, From A1

ed to deputy White House counsel Joel Klein. Klein has been charged with determining whether such contacts should be allowed, banned or referred to the Clintons' personal attorney.

Nussbaum normally would make such determinations. Since he was party to all three of the contacts, however, officials said the role was shifted to Klein. Some administration officials suggested yesterday that Nussbaum's involvement in what are seen as ethical breaches caused him to consider resigning.

At the Treasury Department, Bentsen said he had no knowledge of any of the contacts and announced he has asked the independent Office of Government Ethics to investigate. Treasury officials said the request was made in response to a Washington Post story yesterday outlining the three contacts.

The largest meeting took place in mid to late October when Nussbaum, White House Communications Director Mark Gearan and Bruce Lindsey, the senior aide to Clinton who is his point man on the Whitewater and Madison matters, met with Bentsen's chief of staff, his press secretary and the general counsel.

According to sources, the counsel, Jean Hanson, had been briefed earlier that month by senior RTC officials on the status of their investigation into Madison, which included their decision to ask the Justice Department to investigate the collapse of Madison and Clinton connections to Madison through Whitewater. Madison's owner was partners with the Clintons in Whitewater.

Officials said the month before, Hanson had told Nussbaum that the RTC either had referred the matter to Justice or was likely to and that the Clintons would be mentioned as possible beneficiaries of illegal Madison activities, without any charge that they themselves had engaged in illegal activities.

In addition to those sessions, Deputy Treasury Secretary Roger C. Altman, who also heads the RTC in the absence of a permanent nominee from the White House, told Congress last week that he had briefed Nussbaum and others at the White House recently on how the RTC would proceed with potential civil claims arising out of Madison's collapse.

Gearan said the White House found out about the Bentsen action from news reports, but welcomed it. Asked why Bentsen, not Clinton, had asked for the review, he said, "I don't speak for the secretary of the treasury."

The White House in its first months issued a general memo banning contacts between officials there

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and those in regulatory or investigatory agencies on specific subjects without approval by the White House counsel's office and then under only certain circumstances.

Following the controversy surrounding the White House handling of their firing of seven travel office aides last year, officials were warned in new memos and statements from McLarty about contacts between them and investigatory agencies.

Yesterday's memo, a senior official said, was not so much a new rule as "an effort to heighten sensitivity" to the issue. Clinton said, "I think now that there is an actual formal process underway, everyone will be much more sensitive." The McLarty memo, he said, is a way to "bend over backwards to avoid not only the fact but any appearance of impropriety."

Clinton said the numerous investigations into various aspects of Madison and Whitewater should "go forward unimpeded and as quickly as possible" and that the White House cannot interfere or take actions that create the appearance of interference.

"We don't need to have any implication that we are in any way trying to manage or affect this process," he said. "We are not. We must not. And I don't want the American people to give it a second thought."

The contacts gave Republicans in Congress further ammunition to press their demands that Altman, Hanson and other Treasury officials be made to explain their actions at public hearings.

Sen. Alphonse D'Amato (R-N.Y.), ranking minority member of the Senate Banking Committee, said in an interview that "it is inconceivable" that Hanson would have briefed Nussbaum on the criminal referrals "on her own." Altman and Bentsen have said they didn't know about the earlier meetings. D'Amato said "it cries out" for Hanson to be questioned by Congress about her role in the three briefings. D'Amato said 43 Republican senators have pledged to hold up the nomination of Ricki R. Tigert to head the Federal Deposit Insurance Corp. until the banking committee holds hearings on the briefings.

Rep. Jim Leach (R-Iowa), ranking minority member of the House Banking Committee, said in a statement that "all participants in these meetings should not only be sanctioned for their breach of the public trust, but they should be brought before Congress to provide full public disclosure of their actions and discussions."

McLarty's memo underscored the difficult position in which Nussbaum finds himself. Nussbaum has been at the center of many of the most criticized incidents of the Clinton administration, from the vetting of prospective nominees such as Kimba Wood and Lani Guinier to the firing of the White House travel office employees and the handling of the investigation into the suicide of deputy counsel Vincent Foster.

Nussbaum has previously been combative in the face of criticism and withstood repeated calls from newspaper editorials and elsewhere for his resignation. But administration officials said yesterday that the

former Wall Street litigator was shaken by the latest round of criticism. Asked how Nussbaum was holding up, one senior official said, "I don't think as well as other times."

Nussbaum did not return telephone calls yesterday or Wednesday.

Other administration sources said that Nussbaum's wife, Toby, is "fed up" with Washington and what she sees as its unfair treatment of her husband. One official said that Nussbaum, even before the recent round of criticism over his contacts with Treasury officials, was seeking "peace with honor. I think he wants the timing to be right but I feel more and more now like he's had enough."

At the White House, Nussbaum has few defenders among the senior staff, many of whom openly question his political judgment and believe he has damaged the administration. But Gearan said that Clinton "has confidence in Mr. Nussbaum, he believes he's made many important contributions to the administration," including the appointments of Attorney General Janet Reno, Supreme Court Justice Ruth Bader Ginsburg, and FBI Director Louis Freeh.

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HEADLINE: Reno Supports Hubbell, Says No Inquiry Planned;
RTC Begins Its Own Probe Into Billing By Arkansas Law Firm on S&L Matters

SERIES: Occasional

BYLINE: Michael Isikoff, Susan Schmidt, Washington Post Staff Writers

BODY:

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Big Easy politics

As New Orleans voters get ready for what is expected to be a close vote in tomorrow's mayoral election, they continue to be subjected to racist and anti-Semitic leafletting despite clean-campaign pledges.

Locked in what the most recent poll says is a dead heat are Donald Mintz, 50, a Jewish corporate lawyer, and Marc Morial, 36, a one-term state senator and son of the city's first black mayor, the Associated Press reports.

At least four fliers were circulated. One charged Mr. Morial, who is an unwed father, with being bisexual, using drugs and taking kickbacks. Others called blacks "jungle apes" and Jews "the curse of the planet."

"I don't really think it's more vicious than we've seen in other races," said Susan Howell, political scientist at the University of New Orleans. "What makes it exceptional is that they signed a pledge to run a clean campaign."

The preliminary results of a probe by the city's Human Relations Commission linked one flier to the Mintz campaign. The flier, before the Feb. 5 primary, urged Mr. Mintz was indicted for distributing one of the fliers.

Mr. Mintz denies involvement with the fliers. He used one attacking "bloodsucking Jews" to galvanize the Jewish community in a fund-raising effort that received more than \$250,000 from out-of-town contributors.

"With a majority-black electorate, Morial should have an advantage," Ms. Howell said. "Instead they're neck-and-neck, which means he has to pull it out, so it is to his advantage to keep the emphasis on the fliers."

"The biggest issue here is race," she said. "Blacks still tend to vote for blacks, whites for whites. Beyond that, both groups are worried about crime and quality of life in the city."

The Doggetts

Teresa Doggett, a Texas Republican who's hired political strategist Ed Rollins to help with her campaign for state comptroller, is married to John Doggett

III of Anita Hill fame.

In October 1991, Mr. Doggett, a Texas lawyer, testified against Miss Hill at a Senate Judiciary Committee hearing, in which she accused Clarence Thomas of sexual harassment.

Mr. Doggett, a graduate of Yale Law School, said Miss Hill pursued him for dates, and after he deflected her advances, lectured him about "leading women on."

Feinstein no shoo-in?

Sen. Dianne Feinstein, California Democrat, may be in for a race, reports the Christian Science Monitor.

Although the early outlook was that she would be difficult to unseat, the entrance of Republican Rep. Michael Huffington into the race makes the chances of a Democratic coronation in the fall less automatic.

"You cannot write this guy off," says Sherry Bebitch Jeffe, a political scientist at the Claremont Graduate School. "You can't write anybody off who has sixteen [million] to eighteen million dollars [to spend]. It will make Feinstein focus."

Mr. Huffington plans to spend at least \$5 million of his money on the campaign and raise an additional \$10 million from individuals. The Monitor says this is twice the amount Mrs. Feinstein spent on the race two years ago.

Baker: Undecided

James A. Baker III, former secretary of state, was asked yesterday about running for the presidency: "I'll have to tell you that while I haven't decided I'm going to do it, I haven't decided I'm not going to do it."

In a C-SPAN interview Mr. Baker added, however, that Republicans make a mistake talking now about the presidency because it takes the focus off this year's elections in which GOP gains are expected.

The deadline for deciding? "I think you have to make a decision like that by January or February of 1995. I think that you shouldn't wait any longer than that; ... a lot of the big states are moving their primaries up."

Inside Politics

**Just my best side**

After more than six months of negotiations, Republicans and Democrats in the House have agreed to dump the wide-angle television shot that reveals that even the members don't show up for the local rhetoric.

No more will the camera cut away to reveal an empty chamber as a fire-breathing member pounds the lectern during special orders. The House, which controls the cameras, will not feed these shots to C-SPAN and others.

"Obviously, this is an attempt by Congress to manage its appearance," John Jackson, political science professor at Southern Illinois University, told the Philadelphia Inquirer. "But their problems go a lot deeper than that."

Today's quote

"This act of evil is not the act of a people. It's the act of a person or persons. Let's show America and the world that we can make that distinction, that we are not only the best of cities, but the wisest of cities," said New York Mayor Rudolph Giuliani in the aftermath of the shooting of four Hasidic students.

Gingrich opposition

Former Rep. Ben Jones, "Cooter" in the TV series "The Dukes of Hazzard," announced he will seek the Democratic nomination to oppose House Minority Whip Newton Gingrich in their sub-urban Atlanta district.

He told the Associated Press that Mr. Gingrich is not "representing that district. He's representing himself. He has a power-based national agenda and he's been ineffectual in his district."

A two-term congressman who lost in 1992 after his district was dismantled in reapportionment, Mr. Jones acknowledged he has a steep uphill race against Mr. Gingrich. He claimed as well he is a "recovering PAC-alcoholic."

Although he accepted support from political action committees in four previous congressional campaigns, Mr. Jones says he understands "the fleas come with the dog and if you're going to take PAC money, you're not going to be independent."

He said he would not accept contributions from PACs and will challenge Mr. Gingrich to do likewise. His status as a recovering alcoholic was an issue in his first two congressional campaigns.

Mr. Gingrich told the Atlanta Constitution that Mr. Jones is "a very fine spokesman for liberalism" and added, "I look forward to what I hope will be an idea-oriented campaign, not a name-calling campaign."

'Living history'

Sen. Robert C. Byrd is not only a self-taught historian; he is "a piece of living history," says the New York Times.

Adam Clymer adds that the West Virginia Democrat is a throwback to the days of the two-hour speech. In an age in which

the label "big spender" carries some political danger, he also is not shy about his commitment to domestic "investments."

In a profile of the 76-year-old after leading opposition to the balanced-budget amendment, Mr. Clymer adds, "He intimidates on the floor. He counts favors carefully. At times he sounds like a one-man committee supervising conduct for this very special club."

Mr. Byrd himself says members are less than they were: "We don't have the same inspiration, the same goals, the same motivation. Most important today is the 20-second sound bite, making of the headlines."

"It is not as uplifting as it once was."

Aides in slammer?

Whitewater will embarrass President Clinton, cost him some extra taxes and raise ethical questions about the first lady but is unlikely to get much worse than that, writes Wall Street Journal columnist Albert R. Hunt.

"If the current performance continues, however, it's less than a long shot bet that one or two White House aides could end up in the slammer — not for what happened in Arkansas in the 1980s, but for the way matters are being mishandled in Washington in the 1990s," Mr. Hunt says.

One reason for this is that no one has the standing to tell Mr. Clinton how badly it is being botched. Another is the otherwise helpful Hillary Rodham Clinton's chilling reaction to controversies involving her conduct.

"In short," Mr. Hunt concludes, "the first lady needs a Hillary Clinton."

Travelgate recalled

It has been nearly a year since the wholesale firings at the White House travel office occurred for what the Clinton team described as economy reasons. It has turned out to cost a bundle.

The Philadelphia Inquirer told it up: Five of seven employees received more than six months of leave and now

work elsewhere in government; four other government workers were moved into the office; Congress spent \$150,000 for the fired workers' legal fees; three government probes continue.

"When you add this whole thing up, it's going to cost hundreds and hundreds of thousands of dollars," said Rep. Frank R. Wolf, Virginia Republican. On the other hand, the White House says the office now employs four persons instead of seven.

But a number of sources say the new travel office is not as efficient. And no one knows what the cost will be for an investigation by the General Accounting Office, an internal FBI review and a Justice Department look at corruption allegations.

Health opposition

Further evidence of growing opposition to the Clinton health care proposal:

A USA Today-CNN poll shows an 11-point drop in support in the past month; a Washington Post-ABC News poll: 80 percent think health care quality will decline under the Clinton plan; 64 percent thought so in October.

The Department of Health and Human Services reports that 55 percent of emergency room visits are not urgent. Emergency room visits by the uninsured are absorbed by paying patients. This is a key factor in rising health costs.

Stags at bar

The Utah Legislature passed a bill to allow the Elks and other fraternal organizations to discriminate against women and still hold state liquor licenses.

The Utah House, in the final hours of the session that ended Wednesday at midnight, voted 39-35 to amend the state's Civil Rights Act to exclude fraternal, sororal or charitable organizations from some provisions.

The Senate passed the bill earlier. GOP Gov. Mike Leavitt would not say whether he intends to sign, veto or allow the measure to become law without his signature.

• Compiled by Alan McConagha.