# Whitewater drains Clintons' support

As the Whitewater investigation grows, a USA TODAY/CNN/ Gallup Poll finds another decline in President Clinton's ratings. Hillary Rodham Clinton's perceived role in the matter also seems to have hurt her public standing.

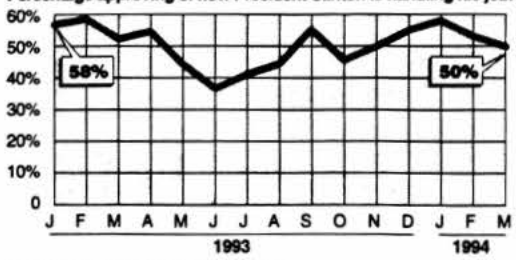
USA TODAY CNN GALLUP POLL



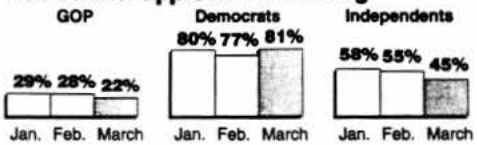
By H. Darr Beiser, USA TODAY

## Approval rating down

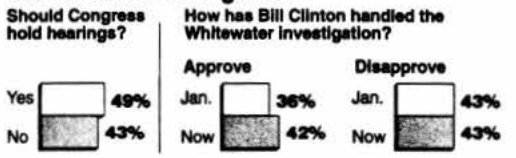
Percentage approving of how President Clinton is handling his job:



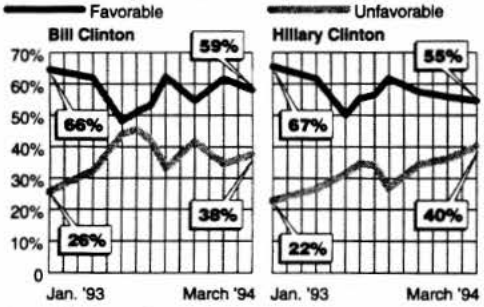

## Democrats' approval still strong




## Whitewater investigation




## More view the president favorably than the first lady:

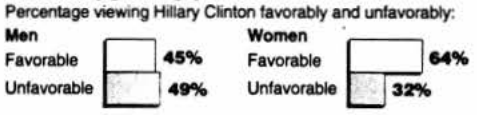



## Views of the Clintons' and other administration officials' actions in the Whitewater affair:

| | Bill Clinton | Hillary Clinton | Clinton officials |
|---|---|---|---|
| Probably illegal | 18% | 18% | 24% |
| Probably unethical, but not illegal | 43% | 38% | 44% |
| Nothing seriously wrong | 31% | 34% | 19% |

## Favorability gender gap

Percentage viewing Hillary Clinton favorably and unfavorably:




## How the Clintons compare in personal qualities:

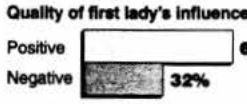
| | Bill Clinton | Hillary Clinton |
|---|---|---|
| Honest, trustworthy | 48% | 56% |
| Inspires confidence | 49% | 60% |
| Shares your values | 49% | 50% |
| Cares about your needs | 60% | 61% |
| Effective manager | 49% | 67% |

## Assessing Hillary Clinton

**Hillary Clinton's influence in the administration:**

| | Sept. '93 | March '94 |
|---|---|---|
| Too much | 41% | 53% |
| Too little | 4% | 4% |
| Right amount | 48% | 39% |
| Other | 7% | 4% |

**Quality of first lady's influence:**






By Tim Dillon, USA TODAY

**Perceptions of Hillary Clinton's decline:**

| | Sept. '93 | March '94 |
|---|---|---|
| Is good role model | 76% | 67% |
| Is warm, likeable | 71% | 65% |
| Qualified for high White House post | 71% | 69% |
| Puts country's interests ahead of politics | 62% | 50% |

Source: USA TODAY/CNN/Gallup nationwide telephone poll of 1,023 adults conducted March 7-8. Margin of sampling error: ± 3 percentage points.

By Marty Baumann, USA TODAY

USA TODAY • THURSDAY, MARCH 10, 1994

**WASHINGTON**

## Study: Abortion coverage 'clearly the status quo'

As Congress considers whether to include abortion coverage in health reform, a new study finds two-thirds of the typical fee-for-service insurance plans and health maintenance organizations cover abortion and sterilization.

The study was done by the non-profit Alan Guttmacher Institute, a Planned Parenthood group that studies reproductive issues. Rep. Nita Lowey, D-N.Y., says the survey shows that abortion coverage "is clearly the status quo. American women expect reform to preserve and expand services, not take coverage away."

The National Conference of Catholic Bishops warned Congress against including abortion. "Such inclusion as a basic benefit would force all Americans to subsidize abortion," said spokeswoman Gail Quinn.

**FIRST OUT:** Rep. Craig Washington, D-Texas, became the first House incumbent to fail this year in a bid for re-election, losing to Houston City Council member Sheila Jackson Lee in Tuesday's primary. "I've done my time," said Washington, who is in his second term.

**BRIEFLY . . .** Sen. Jay Rockefeller, D-W.Va., took himself out out of the race to succeed retiring Majority Leader George Mitchell, D-Maine. . . . A Senate bill was introduced to increase federal license fees for firearms dealers to $600 from the current $66. . . . The United States signed a $100 million agreement to bolster private business in Ru a.

**THE WORLD**

## Mortar shells, car blast snarl London's Heathrow

London's Heathrow Airport was thrown into turmoil briefly Wednesday when five mortar rounds landed on a runway. Police said none of the rounds exploded and no one was hurt. The runway was closed, backing up international flights at one of the world's busiest airports. The attack came about 17 minutes after a Concorde flight arrived from New York, The Associated Press reported. Minutes after the rounds landed, a car exploded next to a hotel on the airport's fringe. Police suspected the blast was related to the attack. The mortar fire, which followed phone warnings from the Irish Republican Army, came just before the House of Commons voted to renew the anti-terrorism act.

**OIL DEAL:** Colombia intends to move on plans to sell up to 20,000 barrels of oil daily to Cuba, despite protests from exiles in Miami, said Energy Minister Guido Lulle Amin.

**PEACE FORCE:** Turkey offered 1,000 troops for the U.N. peace force being readied for Bosnia-Herzegovina. U.N. Secretary-General Boutros Boutros-Ghali was still opposed to accepting troops from countries close to the conflict.

**COURT BLAST:** Seven people were killed when a man convicted of beating his girlfriend returned to a German courtroom, opened fire with a pistol and then detonated a bomb. The man, 39, died. Also killed by the blast in Euskirchen, 17 miles west of Bonn: the woman and her mother.

# Probe of Mrs. Clinton's Stockholdings Is Sought by 81 GOP House Members

By Christi Harlan
*Staff Reporter of* The Wall Street Journal

WASHINGTON – Some 81 Republican members of the House asked the Office of Government Ethics to investigate Hillary Rodham Clinton's holdings in an investment partnership that sold short several health-care stocks early last year.

Mrs. Clinton, wife of President Clinton, has been a limited partner since 1986 in ValuePartners I, a hedge fund managed by Smith Capital Management of Little Rock, Ark. Among other investors in partnerships sponsored or managed by Smith Capital was James McDougal, former chairman of the failed Madison Guaranty Savings & Loan Association and former business partner of the Clintons in Whitewater Development Co., the Republicans' letter said.

A 1986 financial statement for Mr. McDougal and his wife, Susan, lists among their assets Whitewater Development as well as three separate interests in unspecified "Value Partnerships," totaling $142,060. The statement was obtained by The Wall Street Journal.

### 'Appearance of Impropriety'

Mrs. Clinton's investment, held at the same time she headed the presidential task force on health-care reform, "constitutes the appearance of impropriety and conflict of interest," said the letter signed by Louisiana Rep. Robert Livingston and 80 other representatives.

Mrs. Clinton's interest in the hedge fund was disclosed last May in filings with the ethics office. At the time, a White House representative said that Mrs. Clinton "has no input, communication, review, oversight or control over the investments that the fund makes." The representative couldn't say for certain that Mrs. Clinton was unaware that her money was invested in medical-company stocks.

Rep. Livingston and his co-signers cited Mr. McDougal and other, unidentified friends of Mrs. Clinton who were participants in Smith Capital investments as people who were in a position to inform Mrs. Clinton that ValuePartners I was selling short health-care stocks.

### Six Reports to Investors

In addition, the letter said, Smith Capital issued at least six reports to investors in its partnerships in 1992 and the first six months of 1993, reporting its short sales of health-care and pharmaceutical stocks.

Hedge funds, such as ValuePartners I, are aggressive investment pools that can buy stocks with borrowed money and can sell stocks short – that is, borrow shares and sell them at current prices in anticipation of replacing them at lower prices.

"At the time that Ms. Rodham Clinton's actions caused the drop in the prices of these stocks, her personal investment in ValuePartners I, of which she had repeated notice, was intentionally structured to profit from price declines in pharmaceutical company stocks," the letter said.

### Placed in Blind Trust

The fund, and other of the Clintons' holdings, were placed in a blind trust last July.

Rep. Livingston and his colleagues previously asked the Securities and Exchange Commission whether it was investigating the short sales of ValuePartners I. The commission, as is its policy, responded that it could neither confirm nor deny the existence of an investigation.

# House Banking Panel Clears Measure Allowing Nationwide Branch Networks

By Albert R. Karr
*Staff Reporter of* The Wall Street Journal

WASHINGTON – The House Banking Committee approved legislation that would let banks operate nationwide branch networks.

The committee voted 50-1 for a bill to remove the remaining restrictions on banks' ability to form unified branch networks across state lines. Two weeks ago, the Senate Banking Committee unanimously cleared a similar nationwide banking bill, and the legislation's opponents conceded that Congress seems certain to enact it this year.

The committee approved the measure after a pair of 34-16 votes rejecting amendments dealing with service to the poor and minorities. One would have required banks applying for approval of interstate-branch acquisitions to maintain or improve banking services in local communities, especially low-income or minority neighborhoods; the other sought to ensure that banks provide basic, low-cost services for poor people.

### New Freedom

Michelle Meier, a lobbyist for Consumers Union, one of a number of groups fighting the legislation, said it will "dramatically change the traditional relationship between consumers and their banks." While federal policy has been to limit bank size with curbs on interstate branching, the bill will give banks new freedom to collect deposits in one community and use them to fund loans across the country, making it "even harder" for consumers in slow-growth areas to get loans, Ms. Meier said.

But banking committee members argued that a stronger banking system that is more diverse geographically can better withstand blows like the credit crunch of the late 1980s. Like the Senate panel, they avoided any attempt to restrict the ability of nationwide banks to sell insurance. That kind of restriction had been a persistent obstacle to interstate banking, because major banks opposed giving up insurance sales as the price of gaining nationwide banking.

The measure still must be passed by the Senate and the House, and the minor differences in the two bills must be ironed out. But Ed Yingling, a lobbyist for the American Bankers Association, said the House committee's action "should put this bill on the fast track toward enactment. He said it "succeeds in balancing the needs of bank customers, existing state law and the long-term best interests of both large and small banks," without "throwing all kinds of unrelated baggage aboard."

The bill would, over three years, allow banks to create coherent national networks, moving into new states only through acquisitions.

The lone vote against the measure came from Rep. Bernard Sanders, the Vermont independent.

### Small-Business Loans

The House panel also voted 46-5 to make it easier for banks to package small-business loans into securities and sell them to investors. The Senate Banking Committee late last year passed a broader bill that would also encourage the development of a private secondary market for small-business loans.

By voice vote, the House panel approved a measure intended to open foreign financial markets to U.S. firms. The bill would strengthen the ability of federal regulators to curb the activities of foreign financial-service firms if those companies' host nations don't open their markets to U.S. institutions. A similar bill has cleared the Senate.

The House committee also passed by voice vote a measure that would tighten controls on use of the U.S. banking system to launder money.

THE WALL STREET JOURNAL THURSDAY, MARCH 10, 1994

# What's News— A

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## *Business and Finance*

**THE U.S. AND JAPAN** tentatively settled several important issues in their dispute over cellular phones, and the two sides appear headed toward a compromise that would avert U.S. sanctions against Japanese goods. Although differences remain, an accord would signal compromise at a critical time in relations between the U.S. and Japan, and would be a boost to Motorola's effort to expand in Japan. It could, however, hurt AT&T.

(Article on Page A3)

* * *

**The economy expanded** moderately in January and February despite the California earthquake and a bitter winter, the Fed said. Moreover, the Fed's regional report suggested that many merchants expect solid sales growth in the coming months.

(Article on Page A2)

* * *

**Raytheon said** it will consolidate operations and cut as many as 4,400 jobs, or 7% of its work force, in the next two years, in an effort to cut costs in its defense and commercial units.

(Article on Page A3)

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**The House banking panel voted** to remove the remaining restrictions on banks' ability to form unified branch networks across state lines.

(Article on Page A2)

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**Brokers would be barred** from selling most municipal bonds unless the underwriters guaranteed that the issuers would file financial statements, under rules proposed by the SEC.

(Article on Page C1)

* * *

**Florida's insurance** department accused 87 sales agents for Metropolitan Life of fraudulent sales practices. The administrative complaint is one of the most sweeping actions ever against a group of insurance agents.

(Article on Page A4)

* * *

**Some of the biggest U.S. companies** are joining forces in a well-financed push for new laws to curb jury awards and discourage frivolous lawsuits.

(Article on Page B1)

* * *

**Pacific Investment Management** and Thomson Advisory Group agreed to merge, in a move that would create one of the largest publicly traded money-management firms in the U.S.

(Article on Page A8)

* * *

**A probe into General Instrument's** powerful position in the cable-television equipment market by Justice officials sprang in large part from the bitter feud between Viacom's Sumner Redstone and TCI's John Malone.

(Article on Page A5)

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**Ameritech plans** to form a joint venture with a Canadian company to allow computer users to get access to an array of computerized information at all levels of government.

(Article on Page B5)

**IBM gave** its former chairman a severance payment of more than $3 million in cash last year, plus salary, pension, stock options and bonus.

(Article on Page B5)

* * *

**General Motors launched** a corporate advertising campaign that highlights humility and "enthusiasm for the customer" instead of products.

**GM and a small firm agreed** to develop an electric car battery, with ex-GM Chairman Stempel in a key role.

(Articles on Pages B6 and B5)

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**Markets—**

**Stocks:** Volume 309,802,870 shares. Dow Jones industrials 3853.41, up 1.69; transportation 1743.33, off 8.39; utilities 210.39, off 1.25.

**Bonds:** Lehman Brothers Treasury index 5333.49, up 17.54.

**Commodities:** Oil $14.18 a barrel, up eight cents. Dow Jones futures index 144.46, off 0.04; spot index 131.04, up 0.58.

**Dollar:** 105.80 yen, up 0.43; 1.7025 marks, off 0.0118.

* * *

## *World-Wide*

**PUBLIC HEARINGS APPEARED** likely on Whitewater despite Fiske's opposition.

The probability of congressional hearings increased despite the special counsel's efforts to persuade lawmakers that the sessions could thwart his investigation. But two GOP senators said Republicans might delay any hearings at least until Fiske finished the first phase of his inquiries. Separately, 81 Republican House members asked the Office of Government Ethics to investigate Hillary Clinton's holdings in an investment partnership that sold short health-care stocks. (Related articles on Pages A3 and A20)

*A Wall Street Journal/NBC News poll found that more Americans view Whitewater as a political squabble than as evidence of misconduct by Clinton.*

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**Support is eroding** for the Clinton health plan, according to a Wall Street Journal/NBC News poll. At the same time, however, the poll reveals strong support for the basic provisions of the president's plan. Many people don't realize that these provisions are part of the Clinton proposal. (Related articles on Pages B1 and A20)

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**The U.S. should expect to contribute** about half the 50,000 troops that probably would be needed to monitor a peace pact in Bosnia, the Joint Chiefs chairman said. Meanwhile, administration officials said the U.S. is considering nearly doubling its troops in Macedonia, to some 500 peacekeepers. (Article on Page A4)

* * *

**Clinton unveiled** his proposal for streamlining the nation's unemployment system while providing increased job-search services, counseling and training for the jobless. The plan, projected to cost more than $13 billion over five years, is targeted largely at the middle class. (Article on Page A2)

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**Five mortars were fired** at London's Heathrow Airport, and Parliament voted shortly afterward to renew Britain's antiterrorism laws. No one was injured in the attack, which police linked to the Irish Republican Army. (Article on Page A13)

* * *

**An Israeli inquiry commission inspected** the Hebron mosque where a Jewish settler killed Palestinians. The panel was told that army guards let the gunman enter the mosque even though he wore a marksman's protective headset and carried a bag of ammunition. He told an officer, "I'm doing reserve duty," as he entered the shrine.

* * *

**A top Chinese dissident has written** an open letter calling for the National People's Congress to discuss "individual political rights and God-given human rights" at its annual session starting today. The dissident, Wang Dan, had been warned by police earlier this week to stop his pro-democracy activities or face harsh penalties.

* * *

**Yeltsin refused** to meet with Nixon in Moscow because the former U.S. president conferred with the Russian president's political opponents, former Vice President Rutskoi and Communist leader Zyuganov. Other government officials also canceled their scheduled meetings with Nixon, who arrived Sunday. (Article on Page A13)

**Russia's defense minister rejected** demands to withdraw troops from Estonia and Latvia by Aug. 31, declaring that no one can tell Moscow what to do. In a sharp rebuke to Western leaders who have been insisting that Russia must adhere to the deadline, Grachev said the pace of withdrawal is "an internal affair."

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**Four more nations will withdraw** their soldiers from Somalia, U.N. officials said, following similar pullout moves by the U.S. and nine other countries. U.N. officials expressed concern that still more foreign troops would leave the African nation.

* * *

**Weapons inspectors have experienced** some difficulties in examining North Korean nuclear sites, the State Department said, and the U.S. urged Pyongyang to fulfill its commitments. One U.S. official said problems had developed over where the international inspectors could go.

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**South Africa's President de Klerk balked** at using force against the government of Bophuthatswana, where pro-election protesters were hurt in clashes with the black homeland's police. Bophuthatswana's leader opposes April's vote. The African National Congress hopes to sweep the vote and later reincorporate all 10 homelands.

* * *

**Died: Lawrence Spivak,** 93, moderator of NBC's "Meet the Press" from its beginning in 1947 until 1975, in Washington, of congestive heart failure.

# Mr. Stark's Race Backward

Representative Pete Stark, a California Democrat, heads the House subcommittee in charge of Medicare. So it comes as no surprise that his idea of health-care reform is to shove as many Americans as possible into Medicare, making him czar over an industry almost as large as the Italian economy.

But while Medicare-for-all might be the right prescription for Mr. Stark, it is the wrong reform for the rest of us. Medicare has demonstrably failed to control costs and provide first-rate care. Building reform on the Medicare model would send health care careering in the wrong direction.

Mr. Stark would open Medicare — the Government plan that pays hospital and doctor bills for the elderly — to the uninsured of any age. The new program, which he calls Medicare Part C, would charge premiums to cover its costs. That is unlike existing Medicare, which charges enrollees only 10 percent of their medical cost (a fact that explains the program's popularity among the elderly).

Mr. Stark rejects the reforms of Mr. Clinton and Representative Jim Cooper of Tennessee, which are designed to control costs by forcing large health plans to compete against one another. He would, instead, attempt to control costs by slapping price controls on doctors and hospitals. That is the system that Medicare uses now. And it fails. Medicare costs spiral out of control because while Washington can control prices, it cannot control volume — how many office visits, tests and procedures doctors provide patients.

The Stark plan is dismayingly backward-looking. Price controls, he proposes, would be based on how much Americans have spent in the past on individual health services. But in a system in which, as studies show, perhaps one-third of expenditures are wasted, such a calculation would lock in bad practice.

Medicare's fee-for-service coverage, which reimburses doctors for nearly anything they do, rewards doctors and hospitals for providing unneeded procedures. In attempting to control that problem, Washington has been forced to impose incomprehensibly complex regulations. The result is a system that does not constrain costs and drives providers toward procedures that patients do not need but that involve risk.

A better way to achieve high-quality, affordable health care is the creation of integrated networks of doctors and hospitals that are paid a fixed annual fee for taking care of enrollees. That way doctors have incentive to keep patients healthy, with ample doses of preventive care, and to weed out unwarranted procedures. That is the approach adopted by Mr. Clinton and Mr. Cooper. Mr. Stark wants to push health care back to the past.

# Whitewater Scandal Hunters Come Up Short

To the Editor:

"Slovenly White House Ethics," your Feb. 27 editorial on the Whitewater matter, proves it is possible to hyperventilate on no oxygen at all.

The Clinton Administration hardly needs to be "educated" on "the normal protocols of governance." It is rather you who need a crash course on journalistic ethics. In a Jan. 11 editorial, you simultaneously acknowledged that there was "no specific charge against the President and Mrs. Clinton," yet called for the appointment of a special counsel nevertheless. You accused this Administration of ethical lapses — the same Administration that imposed the toughest set of government ethics regulations in a generation. The accusations against the President and the First Lady are ludicrous and almost beneath response. Almost.

Despite the hysterical innuendo of your Feb. 27 editorial, the basic facts of the Whitewater matter are well known by now. In 1978, the Clintons and two business partners bought 230 acres of land in northern Arkansas. Four years after this investment, James McDougal, the partner who managed Whitewater Development Company affairs, purchased Madison Guaranty Savings and Loan. The Clintons were never borrowers, owners, directors or officers of Madison Guaranty (although Mrs. Clinton briefly represented it in 1985).

Ultimately, the Clintons sold their stake in Whitewater and suffered a loss of more than $68,000. When was the last "scandal" in which the key issue was not how much money the participants made, but how much money they lost? It is a measure of the Alice in Wonderland logic of Republicans and New York editorials that the Clintons have been chastised for not taking an extra tax deduction in this situation (they had deducted more than $40,000 of these losses as interest payments). Surely, this is the first time in history a political figure has been criticized for *not* taking advantage of a tax loophole.

The whole Whitewater controversy is being used by the political opposition as a weapon to attack an Administration that is attempting to grapple with the real problems facing real people in America. Fair enough: politics is politics.

The Clintons, understanding that the forces of the status quo will stoop to anything to derail positive change, acknowledge when it's better to fight another day. They are cooperating fully with the special counsel.

Has the Clinton team really taken the nation "back to the sham ethics of the early Reagan Administration"? Ed Meese, Rita Lavelle, Anne Burford, James Watt, Michael Deaver, Charles Wick, Ray Donovan, John Fedders, Louis Cordia, Michael Cardenas, Wesley Plummer, Louis Giuffrida — the list goes on, but nothing in the Clinton Administration compares with this "Hit Parade of Sleaze."

What is "just about tapped out now" is not the Clinton Administration's deposit of public trust, but rather the patience of the American people for scandalmongering without a scandal.

JAMES CARVILLE
Washington, March 4, 1994

*The writer, a political consultant, directed Bill Clinton's 1992 campaign for President.*

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## Partisan Politics

To the Editor:

Your Feb. 27 editorial inaccurately implies that I oppose a full investigation of the failure of Madison Guaranty Savings and Loan and its dealings



Knickerbocker

with the Whitewater Development Company. You also suggest that I am myopically defending the Clinton Administration. At no time in the Senate Banking Committee's hearing on the Resolution Trust Corporation did I defend anyone's actions. I stated several times that there are legitimate questions that need to be answered.

But I also made it clear that a partisan, political hearing is not the proper venue. Such a hearing could jeopardize the work of Robert Fiske, the independent counsel, a lifelong Republican who was nominated by President Bush to be second in command at the Justice Department.

My primary concern is to prevent damage to the prosecutor's ability to carry out a full, fair and independent investigation. I stated this several times during the hearing, although you did not report it. Congress has proved it can interfere with and bumble investigations. Oliver North, John Poindexter and others had their convictions overturned because of conflicts that arose from the Congressional hearings into the Iran-contra affair. Mr. Fiske shares this concern.

At the hearing, I also expressed my belief that the partisan attacks appeared especially hypocritical in light of past Republican opposition to renewing an independent counsel statute and to extending a statute of limitations on recoveries against savings and loan wrongdoers. Moreover, they have asked not one question about the 193 failed savings and loans, which cost taxpayers much more than Madison.

Another concern is the apparent Republican apathy to larger issues in the savings and loan bailout. Not a single Republican member of the Senate Banking Committee bothered to attend a key hearing last September with five hours of testimony by 13 Resolution Trust whistleblowers, who described the agency's massive problems in excruciating detail. This reinforces the perception that there is little to the professed concern about Madison beyond the partisan intention of inflicting injury to a Democratic President and First Lady for matters that were not Federal, but state-regulated, and that took place before they entered the White House.

While you have focused on a single savings and loan, Madison, a number of us have tried to engage in oversight of Resolution Trust's handling of hundreds of failed institutions, most of them far more costly to taxpayers. Billions of dollars are being wasted at the Resolution Trust, and I have recommended steps to stop the financial hemorrhaging.

Your newspaper might consider deploying some of its investigative resources to exploring the reasons for the collapse of the Resolution Trust's ability to sue savings and loan wrongdoers in Texas, at a cost to taxpayers that would appear to be in the billions of dollars.

JOHN KERRY
U.S. Senator from Massachusetts
Washington, March 1, 1994

THE NEW YORK TIMES, THURSDAY, MARCH 10, 1994

# The Censorship Sweepstakes

School officials in California and New York, two states with supposedly sophisticated education systems, are in a race to see which can impose the more benighted censorship.

California got off to a big lead when it removed works by two Pulitzer Prize winners from a statewide English test for 8th and 10th graders. The students were supposed to read the literary selections, then write essays about them, in a major reform of the testing system designed to measure students' ability to think.

First on the chopping block was an Alice Walker story, entitled "Roselily," which describes the musings of a black woman from the South as she prepares to marry a Muslim and move to Chicago. A "Traditional Values" group denounced it as anti-religious because the Muslim man blames the woman's Christian crowd for following "the wrong God," and she thinks of his religion in the context of ropes, chains and handcuffs.

State education officials removed that story from the test. They had a fig leaf of rationalization — the test questions had been published in a newspaper and thus compromised. But officials also acknowledged they feared that controversy over the question could jeopardize the acceptance of the whole testing program.

The next whack was administered by two members of the State Board of Education who said two items should be removed or changed on grounds that verge on lunacy.

One, an Alice Walker essay entitled "Am I Blue?" was yanked on the ground that it discussed "a particular dietary practice in political, dogmatic terms." It was, as one board member put it, "anti-meat-eating." The essay explores a woman's thoughts as she watches the unhappiness of a horse confined in a paddock; it ends with her spitting out the steak she was eating. One board member feared this would upset meat-loving students just at the time they were expected to write a good essay.

The other, a chapter from Annie Dillard's memoir, "An American Childhood," was removed because of its depiction of violence. The excerpt describes a gaggle of children, ages 7 to 10, who throw snowballs at cars and get chased by a driver who finally catches two and calls them "stupid kids." If that be violence, let's have more of it — snowballs for guns seems a good trade-off.

New York's censorship was perpetrated by local school officials, not the state. The Southampton middle school has just canceled a student production of the fairy tale "Peter Pan" because local Indians complained about references to "redskins" and "squaws" and the gibberish in the song "Ugg-a-Wugg." This is a tad more defensible than the California censorship; the Southampton children are younger and more impressionable.

Even so, the best way to deal with offensive stereotypes is to address them head on in class discussions, not duck a play that is ubiquitous in the culture — on television, in the movies, in live theater — and is, after all, a fantasy.

# An Insider for Outsiders

Lloyd Cutler's arrival as White House special counsel marks the third time that President Clinton has reached for an outsider to repair damage inflicted by his inner circle of Arkansas cronies and campaign loyalists. David Gergen, a Republican who has largely disappeared during the Whitewater crisis, arrived last summer to reshape Mr. Clinton's public relations strategy; Harold Ickes, a New Yorker, came to rescue the health care plan only to be subpoenaed in the Whitewater mess.

Mr. Cutler has now been called upon to help clean up that mess. The 76-year-old Washington insider is no stranger to official quagmires. He advised Jimmy Carter when Mr. Carter's Administration had ethical problems, and served on President Bush's Commission on Federal Ethics Reform. He publicly chided the Clinton staff "for personal ambition and excessive zeal" during the uproar over the White House travel office.

Mr. Cutler also brings a psychic seniority that could give Mr. Clinton's operation the seasoning and direction it needs. He says he will ask senior officials to testify on Whitewater if Congress asks them to — and that all meetings between Federal agencies and White House staff members will be cleared through his office. He also promises to serve the office of the Presidency, not just the interests "of the President in office." This would be a refreshing change after months of evasiveness by the rest of Mr. Clinton's entourage.

# Social Services' Little List

After an unfavorable court ruling, New York has agreed to be more careful in releasing the names of people who end up on its list of alleged child abusers. Too bad the state did not act before on its own, but its quick response should help correct a longstanding unfair practice.

The State Department of Social Services keeps a confidential list of suspected child abusers based on calls to a hot line. Within 60 days, local social service departments investigate the calls. If the complaint is unfounded, the state expunges the report. If the investigation finds "some credible evidence" to support the complaint, then the person stays on the list unless the evidence is shown to be false. The list, which now contains about 400,000 names, was originally designed to keep tabs on troubled families.

But a 1984 state law expanded its use by requiring that the names of potential employees who would work with children in schools, day care and foster care services and adoption agencies be checked against the list. Of about 90,000 such checks each year, about 1,000 names are matched.

Any person who is denied a job or loses one as a result of being on the list is entitled to a hearing, where the state has to sustain the allegation of abuse by a "fair preponderance of the evidence."

The fact that the state could put a person on the list with only "some credible evidence," but would then need a higher standard of proof for employment cases, was challenged by Anna Valmonte, a former teacher's aide living in Orange County. She made the list after slapping her 11-year-old daughter in the face. She insisted that her daughter had been caught stealing and that other forms of discipline had not worked. The state refused to remove her name, saying it didn't need to meet the higher standard, since she had not been denied a job. She sued to protect her right to *future* employment.

Her case was dismissed by a Federal district court last year. But last week the Federal Court of Appeals for the Second Circuit said it was unconstitutional for the state to require someone who wants to work with children to lose a job before being able to challenge the abuse registry. The court also warned that the credible-evidence standard for employment screening purposes posed an "unacceptably high risk of error."

Officials at the State Department of Social Services will now offer a hearing using the higher standard before telling an employer or agency that a prospective employee is listed in the registry. That is a reasonable way to avoid ruining someone's career and livelihood unjustifiably.

THE NEW YORK TIMES, THURSDAY, MARCH 10, 1994

**Journal**

FRANK RICH

# The Silent Partner

Amazingly, Tuesday was the second anniversary of the New York Times article that broke the Whitewater mess — as Whitewatergate is known to those of us who have not yet convicted the President. But it was just last weekend that the 16-year-old collision of a failed land deal and a failed S.&L., a story comprehensible only with Rube Goldbergesque flow charts, became a national craze.

What changed? In substance Whitewater may have little in common with Watergate — an abuse of power by a President in office — but in form Whitewater has now started to mimic Watergate as cheesily as "Pretty Woman" replays "Pygmalion."

Last week we got our first smoking gun (the meetings of White House and Treasury aides) and Saturday night mini-massacre (of Bernard Nussbaum). Not to mention subpoenas by a grand jury, shredded documents, threats of Congressional hearings and the Vice President's infelicitous talk of a White House "firewall" ("firestorm" meets "stonewall"?). Hovering above it all is Vincent Foster's suicide, far more compelling than Watergate's one mysterious fatality (remember the air-crash death of Mrs. Howard Hunt?).

Asked by The Washington Post why television coverage of Whitewater was minuscule late last year, a CBS News producer said, "It's one of the most difficult stories to explain that I've ever encountered." This week an ABC hand said why the once-impenetrable yarn now leads the evening news: "Whitewater is no longer all in the past. It has a foreground set in the White House, with a clear narrative line being played out in real time. A perfect television scenario." Viewers can indeed follow the White House Whitewater drama of 1994 without even understanding the Arkansas Whitewater story of 1978.

What will hasten the narrative's end? Those of us who would like to see Bill Clinton's promising Administration get back to serious business cannot just wish the mess away, especially given the White House's propensity to "screw up" (David Gergen's spin) or "cover up" (as Mr. Integrity, the Republican Senator Alfonse D'Amato, insinuates). But one early step was suggested during the President's Tuesday news conference with his new counsel, Lloyd Cutler, when Brit Hume asked if the First Lady might hold her own Whitewater press conference.

"I think I'll let her speak for herself," was Mr. Clinton's non-reply. To which the unspoken follow-up question must be: Why doesn't she?

Hillary Rodham Clinton, after all, is among the most revered people in the country. Many, possibly most, Americans have accepted her in her precedent-breaking role as a partner in her husband's Government. And, as the week's events have made perfectly clear, she is at or near the center of nearly every Whitewater event, '78 and '94.

Since she has the political capital, the firsthand knowledge, the poise and brains to answer many of the growing list of Whitewater questions, why not do so? Especially since the health-care plan she steered hangs in the balance.

## Hillary Clinton and Whitewater.

Yet Mrs. Clinton persists in ducking the press. The same counterproductive secrecy that whipped up suspicions about her task-force meetings on health care still rules. When she appeared in New York last week to tour a hospital, reporters were kept out of conversational range. Not even the subsequent departure of her mentor, Mr. Nussbaum, from Washington inspired a public word.

The press blackout is not total. Mrs. Clinton did find time in New York to have tea with gossip columnists who could be counted on not to ask about Whitewater. Last Friday she also gave an interview to Elle magazine — embargoed until April. The few vague excerpts in an Elle press release — in which Mrs. Clinton attacks her critics instead of answering them — stand as her sole comments on recent Whitewater eruptions.

Like everything else that does not parse in this mess, it makes no sense that Hillary Rodham Clinton, who has brought the job of First Lady into the late 20th century in every other respect, would follow a strictly restricted press diet more appropriate to Pat Nixon. If she were true to herself and spoke up for herself, she might put the brakes on Whitewater-Watergate analogies that increasingly leave the Administration twisting slowly, slowly in the wind. □

**Essay**

WILLIAM SAFIRE

# Needed: A 'Team B'

WASHINGTON

Boris Yeltsin is in a snit. He canceled a date with Richard Nixon in Moscow because the former President dared to visit the recently freed Aleksandr Rutskoi, as well as the Communist Party chief and a motley assortment of Russian politicians, reformers, putschists and shovists, all lusting after Mr. Yeltsin's job.

"I am glad President Clinton supports this position," huffed the Russian President, apparently over-interpreting a sympathetic cluck from Mr. Clinton over the phone. To American reporters, Mr. Clinton mildly indicated otherwise.

Ironically, Clinton will have his own seeing-Nixon problem after the former President returns March 18. On one hand, Clinton sorely needs a bark-on, politically savvy assessment of the cast of characters vying for power in Moscow; a Nixon briefing would also show a Clinton interest in foreign affairs.

On the other hand, the White House spin doctors — constantly murmuring the mantra "Whitewater Ain't Watergate" — are frozen in horror at the prospect of a picture inviting wags to caption "Tricky to Slick: Try Modified Limited Hangout Route."

What to do? The split-the-difference photo op will probably be of Clinton listening intently to Nixon's report over the phone.

More important, what to do about an American policy toward Russia that has been overtaken by events? That's a subject that has been seeking a new consensus ever since December's democratic election derailed economic reform and put empire-revivalists within striking distance of power.

In a nutshell, Clinton is still zigging while Russia has zagged. We cannot talk of aid toward a market economy while Russians reject the rudiments of private property and contracts, nor sign accords about "strategic partnership" while Moscow issues stern warnings to nations reaching for NATO protection.

Nor can we reinvent the cold war, lest that quash the enlightened Russian minority's hopes for democratic progress, or lest simplistic neo-containment encourage an amalgam of nationalists, militarists and mafiosi.

The Administration that talked with such fervor about "change" now finds itself requiring basic change of early-90's changes, or at least a major course correction, but is fearful of making a historic mistake. Clinton's Russia policy troika — Strobe Talbott and James Collins at State, Nicholas Burns at the N.S.C. — is well informed and articulate, but sticks to outdated partnership rhetoric rather than wrestle with grand theory.

To provide establishmentarians with a basic strategic fix, a cascade of heavy thinking is on the way:

1. In the current Foreign Affairs, Zbigniew Brzezinski calls for "the consolidation of geopolitical pluralism within the space of the former Soviet Union." Zbigese for balancing aid to Russia with aid to Ukraine and the other new independencies.

2. In an unnoticed but memorable speech last week titled "The Russians Are Tough Rivals, Not Partners," Senator Richard Lugar —

## To reformulate Russia policy.

somebody's next Secretary of State — overcomes the present fear of line-drawing to call for "associate membership" in NATO for Eastern European states with criteria and a timetable for full membership.

3. In a New York Times Op-Ed piece before leaving with Nixon on his current trip, Dimitri Simes urged the depersonalization of our Yeltsin relationship, and the exploration of lines to Grigory Yavlinsky, Sergei Shakrai and even the non-reformist Viktor Chernomyrdin. (No wonder Yeltsin is in a snit.)

4. In a recent 90-page report from Harvard's John F. Kennedy School, Fiona Hill and Pamela Jewett detail Russia's intimidation of neighbors in the guise of protecting its "near abroad" ethnic kin. The section on the Baltics is especially damning.

5. In Henry Kissinger's monumental book "Diplomacy," coming out April 18, the final chapter will offer his Weltanschauung of the new world order. The Kissinger course is both conceptual and specific, and today's water-treaders cannot ignore its intellectual reach and strategic grasp.

And then Nixon's "Beyond Peace" in May. With all this policy firepower incoming, would it not be a useful service to their President for Talbott & Co. to appoint a prestigious "Team B" to suggest an alternative Russia policy to Mr. Clinton? □



25

# G.O.P. Dismisses Qualms About Whitewater Hearing

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, March 9 — Republicans in Congress today dismissed the concerns of the Whitewater special prosecutor that public hearings on the affair could disrupt his investigation. But the Republicans promised the prosecutor, Robert B. Fiske Jr., that if such hearings were held, Congress would not grant witnesses immunity from prosecution.

Still, after an hourlong meeting with two Republican Senators, Alfonse M. D'Amato of New York and William S. Cohen of Maine, Mr. Fiske said, "I would prefer that there be no Congressional hearings."

But Mr. D'Amato, the top Republican on the Banking Committee, said, "I think it's inevitable that there will be hearings."

In an odd role reversal, Democrats, who ignored the pleas of the special prosecutor when they wanted to hold Iran-contra hearings during the Reagan Administration, seized today on Mr. Fiske's qualms and held fast against a Congressional investigation.

### At Least One Hearing

At least one day of public Congressional testimony seems bound to occur. That will be on March 24, when the House Banking Committee holds a hearing on the status of the savings and loan bailout. Republicans, seizing a chance to ask questions about the Whitewater matter, have asked 40 witnesses, including several top Administration officials, to appear.

Since the White House has promised to cooperate and since damage can probably be contained at a one-day session, the senior officials will probably testify.

But with Democratic majorities in the Senate and the House of Representatives, no full Congressional investigation can occur over their objection. Republicans are hoping they can force the Democrats to relent by accusing them of holding to a double standard when a Democrat is in the White House, but so far the public pressure has not reached the point where Democrats feel they must comply.

Mr. Fiske's arguments notwithstanding, the question of whether extensive public hearings will ever occur will turn exclusively on politics. Republicans hope to use issues involving Mr. Clinton's personal finances and the ethics of other top officials to undercut the Administration. Democrats appear willing to go to the mat to prevent that.

### 'Counsel of the Special Counsel'

The Senate majority leader, George J. Mitchell of Maine, was interviewed on all the television networks this morning, arguing that Congress should not rebuff Mr. Fiske.

Later this morning, at a news conference, Speaker Thomas S. Foley of Washington said: "I don't see any reason for hearings. I think we ought to pay special attention to the counsel of the special counsel, Mr. Fiske."

And after a caucus meeting of all Democratic representatives this morning, Representative Steny H. Hoyer of Maryland, the chairman of the caucus, said in an interview, "I don't know a single one who thinks hearings are needed."

After a meeting of leaders from both parties in the House this afternoon, Representative Newt Gingrich of Georgia, the Republican whip, said he did not believe that the Democrats had completely ruled out a Congressional hearing. But he said, "If we have to go to the country and talk about a cover-up Democrat Congress, we can do that, but we'd rather not."

Without strong political pressure from outside Washington, the Democrats are unlikely to agree to a Congressional investigation.

So far, public opinion seems to be on the side of the Democrats. An ABC News poll of 525 adults taken by telephone Monday night found that only 23 percent believed Republicans were "standing up for what they think is right," while 58 percent said the calls for a Congressional investigation merely represented Republicans "trying to score political points against Clinton." The margin of sampling error was plus or minus five percentage points.

The immunity issue is important because a Federal appeals court overturned the Iran-contra convictions of Oliver L. North and John M. Poindexter on the ground that the trials had been tainted by their immunized Congressional testimony, saying the recollections of prosecution witnesses might have been swayed by the Congressional hearings.

Congress granted Mr. North and Mr. Poindexter immunity because otherwise they would have asserted their Fifth Amendment right against self-incrimination.

The Iran-contra prosecutor, Lawrence E. Walsh, warned at the time that the grants of immunity could hamper his investigation. But Democrats in Congress rejected that argument, insisting, as the Republicans are now in the case of Whitewater, that a full and immediate airing of the facts should be paramount.

> The parties swap their stands since the Iran-contra hearings.

Mr. Fiske has also complained that Congressional hearings could lead witnesses to tailor their testimony to what others were saying and could possibly cause premature disclosure of evidence.

With that in mind, Mr. Cohen, the most experienced investigator among Republican senators, and Mr. D'Amato pledged that they would give Mr. Fiske weeks or even months to prepare his cases before they would ask for public hearings.

Mr. Fiske suggested that in a few weeks, or months at the most, he might be able to complete his investigation into the meetings of White House and Treasury Department officials on Whitewater developments. He said he would then be comfortable with Congressional hearings restricted to those matters, as long as Congress did not delve into the underlying issues of the Clintons' real estate in Arkansas and the collapse of Madison Guaranty, the savings and loan run by their partner in the real estate venture, James B. McDougal

Mr. Fiske offered to meet with Representative Jim Leach of Iowa, the top Republican on the Banking Committee, but Mr. Leach declined, saying such a meeting would be inappropriate.

"I did not want to compromise his work, and I did not want him to compromise mine," Mr. Leach said today. He said, however, that Republican investigators working under him had turned over a material they had gathered, which he would not describe, to Mr. Fiske.

A UPI News Update!

It's a nasty morning in western Pennsylvania, West Virginia, eastern Ohio and northern Kentucky. A late winter storm dumped as much as 6- inches of snow on parts of the area, and highways are ice-coated in the Cincinnati tri-state area.

An American Airlines MD-80 arriving from Dallas skidded off a runway at the airport serving Columbus, Ohio, last night. There were 64 passengers on board and no one was hurt in the incident.

-0-

Authorities in Euskirchen (OIS-keer-ken) Germany are still trying to identify some victims from yesterday's courtroom disaster. A man who had been previously convicted of assault shot his way into the courtoom killing the judge and then setting off a bomb. The violent explosion killed the man and six others. More than a dozen people were hurt.

-0-

A federal judge in Oregon has blocked the U-S Figure Skating Association from holding a disciplinary hearing today for Tonya Harding. The order clears the way for Harding to compete in the upcoming world championships in Japan.

A jubilant Harding told reporters... ``I'm going to win this time.'' Despite over thirty-days notice, the judge said Harding did not have enough time to prepare for the hearing.

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First lady Hillary Rodham Clinton has denied ordering that files on Whitewaterbe shredded during her husband's presidential campaign. Two former couriers with her Little Rock law firm say she gave them sealed envelopes with order to destroy. Mrs. Clinton did not say what was in the envelopes.

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President Clinton goes to New York City today. Battered by questions on Whitewater, Clinton will take a day off from the Washington grind to hit events in Brooklyn and Manhattan. The President is expected to meet with Brooklyn police and then attend a United Negro College Fund benefit dinner.

-0-

The mayor of Asbury Park, New Jersey, has resigned... to avoid jail. Dennis Buckley quit yesterday. He and his wife were arrested for buying what they thought was cocaine from undercover police. Authorities said they wouldn't prosecute if Buckley resigned... and if he and his wife agreed to drug rehabilitation.

-0-

An 18-year-old Colombian immigrant is going to prison. A Brooklyn federal jury convicted the teenager on charges that he was a hit man for the Cali drug cartel... and carried out its orders to assassinate a crusading anti-drug reporter as he ate in a New York restaurant.

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London's Heathrow Airport is operating fully again. A runway was closed for more than 12 hours after a mortar attack by the I-R-A. None of the mortars exploded and there were no injuries... but officials closed a runway to check for more shells.

-0-

One of China's leading dissidents is calling for a guarantee of basic human rights for all citizens. Wang Dan spent three years in prison for leading anti-government demonstrations in 1989. China's premier has taken a swipe at Washington for using human rights as leverage for trade concessions.

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By Tom Gauger (UPI)

PM-Whitewater-Q&A,1200
A Real Estate Venture That Spawned a Federal Investigation
With PM-Whitewater Bjt
Eds: Also in Thursday AMs report
By RICHARD KEIL= Associated Press Writer=

WASHINGTON (AP) A small, money-losing real estate venture in rural Arkansas provided the name for an expanding federal investigation that has cast a cloud over President Clinton's White House.

Here are some questions and answers about Whitewater.

Q: What is ``Whitewater''?

A: The name comes from Whitewater Development Corp., a real estate venture President and Mrs. Clinton and their partners, James and Susan McDougal, formed in the late 1970s to build a vacation and retirement community along the White River in northern Arkansas' Ozark Mountains. The venture lost money for several years, and the Clintons sold out their interest to McDougal in 1992 for $1,000. The Clintons say they lost $68,900 in the deal. Clinton was governor of Arkansas and Hillary Rodham Clinton a lawyer in Little Rock, Ark., during much of this time.

Q: What put Whitewater into the news?

A: News reports last October said the federal government's savings and loan cleanup agency had discovered that prominent Arkansans, including the Clintons, may have benefited from the misuse of depositor funds at the failed Madison Guaranty Savings and Loan Association owned by McDougal. Specifically, regulators recommended that the Justice Department start a criminal probe into whether Madison funds were illegally diverted to pay the personal and political debts of politicians. Among the questions is whether S&L funds went to Whitewater or to help retire Clinton's 1984 gubernatorial campaign debt. Whitewater was briefly an issue during the 1992 campaign, but the story then centered only on how much money the Clintons had invested and lost in Whitewater.

Q: What is known about the possible diversion of funds to Clinton's gubernatorial campaign?

A: Regulators have questioned the source of some $12,000 in donations to Clinton's campaign that were made on Madison S&L cashier checks. Some Madison officials who attended a 1985 fund-raiser hosted by McDougal say they used their own money.

One listed donor, a college student, raised interest for a while when he said he never gave Clinton the donation. The student's father, Charles Peacock, later acknowledged he used his own money and put the donation in his son's name. Another Madison official has said he was reimbursed for his donation but he declined to say by whom. The Clinton campaign has said it would have no way of knowing the actual source of such donations.

Q: What have the Clintons been accused of?

A: Regulators have said the criminal referrals do not accuse the president or his wife of wrongdoing, but they do state that the Clintons may have benefited from questionable transactions at the S&L. The Clintons have repeatedly stated that all of their business dealings were aboveboard and legal.

Q: What does the Rose Law Firm have to do with Whitewater?

A: The Little Rock law firm is where Mrs. Clinton, Associate Attorney General Webster Hubbell and the late White House deputy counsel Vincent Foster worked before coming to Washington.

Rose lawyers, including Mrs. Clinton, represented Madison S&L on a matter before state regulators in the mid-1980s. After Madison failed, the Rose firm and Hubbell won a contract from the government to sue an accounting

firm blamed for Madison's demise. Questions have since been raised whether this constituted a conflict given Rose's past work for Madison and the fact that Hubbell had relatives with extensive financial dealings at the S&L. The government recently cleared Rose of conflicts but that decision is being reviewed.

Most recently, two couriers have alleged that since the Whitewater investigation began they were asked to shred documents at the firm that carried Foster's initials. That, too, is under investigation, although the firm has denied any wrongdoing.

Q: Why was special counsel Robert Fiske named to investigate Madison and Whitewater?

A: The investigation has changed hands three times. It was initially handled by U.S. Attorney Paula Casey in Little Rock. Casey, a Clinton appointee, removed herself from the case in December amid criticism she had a conflict of interest because of her lengthy association with the Clintons. The case was then turned over to veteran Justice Department prosecutor Donald Mackay, who worked on it for about a month. But mounting political pressures for an independent investigation led Attorney General Janet Reno to appoint Fiske on Jan. 20. He is a former U.S. attorney in New York.

Q: How much independence does he have?

A: While Fiske technically answers to Reno, special counsels generally have operated with broad independence. However, Watergate special counsel Archibald Cox was fired by the Nixon administration during the ``Saturday Night Massacre.'' Special counsels are different from independent counsels. Iran-Contra prosecutor Lawrence Walsh, the most famous independent counsel, reported to an appeals court completely separate from the Reagan and Bush administrations.

Q: How did the Whitewater affair expand to the White House?

A: Primarily through revelations that top Treasury Department officials and regulators had briefed White House officials last fall and again in February on the status of the investigation. The White House has acknowledged three meetings and some additional ``incidental'' contacts. Officials say the meetings were called to answer press inquiries about Whitewater and that nothing about the substance of the investigations was revealed except that the Clintons were named as possible beneficiaries of questionable S&L transactions. The Clintons have said they were unaware of the meetings.

The White House has expressed regret and said it has taken actions to prevent even the appearance of meddling in the future. One official involved in the meetings, former White House Counsel Bernard Nussbaum, resigned over the weekend.

Q: Would congressional hearings on Whitewater imperil Fiske's criminal probe?

A: Democrats say yes, Republicans say no. The recent Iran-Contra proceedings suggest, however, that public hearings on Capitol Hill can harm an investigation like Fiske's. The convictions of former National Security Council aide Oliver North and national security adviser John Poindexter were overturned when an appeals court ruled that congressional testimony given under grants of immunity had tainted the criminal proceedings against them. Prosecutors are also concerned that televised congressional hearings could give potential witnesses or defendants an opportunity to make their own stories conform with the accounts offered by others in a public forum.

-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

**** filed by:APE-(--) on 03/10/94 at 00:22EST ****
**** printed by:WHPR(JEL) on 03/10/94 at 09:02EST ****

BC-Editorial Rdp,0998

By The Associated Press

Here are excerpts from recent editorials in newspapers in the United States and abroad.

March 6

Saint Paul (Minn.) Pioneer Press on Whitewater:

If the White House weren't poking holes in its own canoe, Whitewater would have gone over the dam long ago.

The latest hole is a gaping one. White House aides held three improper meetings with Treasury officials about the Resolution Trust Corp. inquiry into an Arkansas savings and loan that had ties to Gov. Bill Clinton and attorney Hillary Rodham Clinton.

(These) revelations surely require quick action by Whitewater special counsel Robert Fiske. His office must gather all extant evidence of the three meetings and add them to the inquiry of the Clintons and their associates in the questions involving Madison Guaranty Savings and Loan Association. On the scale of S&L sleaze in Washington long before the Clintons came to power there, the doings related to one Arkansas S&L probably won't amount to much. That is for Fiske's inquiry to settle for history.

For practical purposes now, the Clinton inner circle's pattern of deep reluctance to disclose, vent, air and examine Whitewater has reached the point where a bit of presidential reproach won't cover the holes. It is time to throw the bad judgment from the canoe before politics and suspicion swamp it.

March 6

The Seattle Times on Whitewater:

Bill and Hillary Rodham Clinton are surrounded by friends bent on giving the public every reason to believe the worst about their tangled legal and financial dealings back in Arkansas.

In the midst of a nest of lawyers who are no strangers to close dealings sat White House Counsel Bernard Nussbaum. He had arranged three meetings with the Treasury Department agency investigating ties between the first lady's former law firm and a troubled savings and loan.

The president responded with the obvious  a quick denial he was aware of the activity of intimate subordinates, and a rousing pledge to tighten internal ethics procedures. Blah, blah, blah. Clinton's reflexes were painfully slow, and inadequate for the circumstances. Replacing Nussbaum defuses the issue.

The Clintons were followed to Washington by partners from the first lady's Little Rock employer, the Rose Law Firm. All were appointed to top White House and Justice Department jobs. They brought with them a briar patch of personal, firm and client dealings. The pattern of corner-cutting continues.

All of this has a familiar odor, the protestations of official ignorance and innocence in the midst of getting caught busily covering one's tracks and political backside. This is risky business; just ask Presidents Nixon, Reagan and Bush.

Clinton has one true ally left, independent counsel Robert Fiske. A careful compilation of the facts remains the best protection from friends and foes alike.

March 3

The Inter-Mountain, Elkins, W.Va., on the CIA:

A top Russian diplomat has been expelled from the United States as a way of showing this country's outrage at the latest spy scandal. Perhaps some of the Central Intelligence Agency's so-called counterespionage experts ought to go with the Russian. Without their incredible failures, the whole affair never could have occurred.

For years, high-ranking CIA official Aldrich Ames and his wife Rosario were pulling a cloak and dagger act in Washington. While in charge of a CIA section supposed to be spying on the Soviet Union and later Russia, Ames was

passing information to the Kremlin, according to U.S. officials. Several spies on the CIA's payroll allegedly were caught and some executed as a result of Ames' work.

During his eight years as a mole for Moscow, Ames was paid about $1.9 million by his Kremlin handlers. He paid cash for a $540,000 home in 1989, then spent $99,000 improving it. He bought $165,000 in stocks and securities. He deposited more than $1 million in bank accounts from 1986-93. During the period, Ames was paid $69,000 a year by the CIA.

Russian spy chiefs must have been astounded when no one in the CIA seemed to notice Ames' free spending.

Clearly, someone at the CIA was asleep at the switch. Ames' spending should have been noticed. He should have been caught long before someone finally put two and two together.

As long as there are nations, there will be spies. Even while the Cold War still was in progress, the CIA was behaving as if it didn't have to worry about moles like Ames.

If ever there was proof of the old saying that the ``Central Intelligence Agency is a contradiction in terms,'' it is the Ames case.

March 8

Albuquerque (N.M.) Journal on no-weapons contracts for students:

A signed contract won't necessarily keep a student from bringing a gun to school but it could help reduce the number of gun incidents at schools each year. The no-weapons contract idea is certainly worth trying.

The National Association of Secondary School Principals is asking students, parents and principals to help rid schools of guns and other weapons that create a ``hazard to a safe learning environment.'' The organization is mailing copies of a contract that provides ``specific, practical actions'' to combat handguns and other weapons in schools to U.S. middle and high schools.

Students would pledge not to bring weapons to school and to report any weapons they see. Principals would ensure that students could make anonymous reports about weapons on campus. Parents would affirm that they will teach their children about the dangers and consequences of guns and weapons use and will keep all guns and weapons they own under lock away from their children.

Contracts alone won't stop the violence, but they might help overcome the mistaken, but all too common, message heard by children that guns are the answer to life's problems.

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bc-sun-editorial - a0839
(bal) (ATTN: Editorial Page editors)
Hillary on the Hot Seat

(c) 1994, The Baltimore Sun= The following editorial appeared in Wednesday's Baltimore Sun:

Lloyd Cutler's first favor to President Clinton was to serve as Whitewater-luminary-of-the-day, replacing Hillary Rodham Clinton, Bernard Nussbaum and other assorted characters in the White House entourage. This must have come as a relief, especially so far as Mrs. Clinton is concerned.

Nussbaum, the White House counsel who never understood his first duty was to the presidency rather than the president, is back in Manhattan. But the first lady is very much in residence and, unluckily for her, very much on the hot seat.

As the convoluted details of the financial dealings in the Whitewater affair bubble to the surface, it is obvious that Mrs. Clinton was a far more central figure than her ``I did nothing wrong'' husband. It was her Rose law firm in Little Rock, Ark., that represented Madison Savings and Loan, bankroller of Whitewater, in its dealing with the government and then, in a quirk of Arkansan networking, for the government in dealing with Madison.

When asked at his news conference Tuesday whether Mrs. Clinton would meet the press, the president prudently said that would be up to his wife. Mrs. Clinton has star quality as the most powerful first lady in the nation's history. It has earned her raves and boos, of somewhat equal intensity, as she masterminded drafting of the administration's elaborate health care reform, brought three of her law partners and lots of other pals into key government posts, was involved in the messy firing of the holdover travel office staff and reputedly tried to stonewall demands for a Whitewater investigation.

Because the Clinton White House has adopted a policy of what we might call ``unlimited hangout,'' as contrasted to Richard Nixon's ``limited hangout'' on Watergate, it will be Cutler's mission to make full disclosure workable and credible. A Washington establishment figure who was brought in to save Jimmy Carter's administration from terminal parochialism, the respected 76-year-old attorney has signed on for four months to do the same thing for another Southern ex-governor.

Cutler is to enforce ``firewalls'' to prevent White House staffers from meeting or even chatting by telephone with Justice Department officials investigating Whitewater. It was Nussbaum's failure to detect the bad political vibes in such encounters that proved his downfall. But Mrs. Clinton more than Cutler is likely to determine whether Whitewater will prove a fatal or a passing distraction. Example: She just told Elle magazine that Whitewater is ``a well-organized, well-financed attempt to undermine my husband and, by extension, myself'' by engaging in ``the wildest kind of paranoid conspiracy.''

Republicans slathering over Whitewater may deserve such opprobrium. But chances are they are more than willing to engage in
a national slanging match with the first lady while the cagey Cutler would prefer the fire extinguisher to the gasoline can. Meanwhile, there's a world out there.

Distributed by the Los Angeles Times-Washington Post News Service=

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BC-WHITEWATER (SCHEDULED)
WHITE HOUSE SET TO TURN OVER WHITEWATER DOCUMENTS
By James Vicini

WASHINGTON, March 10 (Reuter) - The White House planned to turn over subpoenaed documents and some of President Clinton's top aides prepared to testify Thursday before a federal grand jury probing the Whitewater affair.

The grand jury, under the direction of special counsel Robert Fiske, is examining a series of White House and Treasury Department meetings since late September about the government's probe of a failed Arkansas savings bank with ties to Bill and Hillary Rodham Clinton.

The contacts, which Clinton has said should not have taken placed, raised the specter of possible White House tampering in the politically sensitive case and caused a chorus of complaints from Republicans in Congress.

White House spokeswoman Dee Dee Myers said a stack of White House documents on the meetings had been assembled and would be handed over to Fiske Thursday, in compliance with the subpoeana he had issued.

In addition, Fiske has subpoenaed six White House aides and four current or former Treasury Department aides to testify about their contacts.

Among those subpoenaed were White House counsel Bernard Nussbaum, who resigned over the weekend amid the controversy over his taking part in the meetings; Deputy Treasury Secretary Roger Altman, who briefed White House officials in February about the case; and Margaret Williams, Hillary Rodham Clinton's chief of staff who attended one session.

Senior presidential adviser Bruce Lindsey will be out of town Thursday on a previously scheduled trip, but his attorney said he would appear before the grand jury soon, probably next week.

Deputy White House Chief of Staff Harold Ickes and White House communications director Mark Gearan also arranged to postpone their testimony, people familiar with the case said.

Nussbaum was also believed to have gotten an extension of the subpoena, but this could not be confirmed. Williams and Lisa Caputo, Mrs Clinton's press secretary, were among those who planned to go to the courthouse and testify Thursday, sources said.

Clinton, asked by White House reporters what advice he would give the aides, replied: ``Tell them what happened. Answer the questions and go on. Be very open.''

The testimony will be given behind closed doors. A federal grand jury, a panel with as many as 23 members, hears evidence in secret under the direction of prosecutors and decides whether criminal charges are warranted.

On Wednesday Republicans made progress toward holding congressional hearings on the Whitewater affair.

They agreed after meeting with Fiske to delay hearings until June and Senate Banking Committee Chairman Donald Riegle, a Michigan Democrat, said he might be willing to hold the hearings if Fiske agrees.

Sources close to Fiske's investigation said Thursday's session would mark the first time his prosecutors have presented evidence before a federal grand jury in Washington. He previously had used a grand jury only in Little Rock.

The Thursday session also marks an important new phase of Fiske's investigation, covering what happened in the White House.

Previously, he had been concentrating on the real estate and financial dealings of the Clintons in Arkansas in the 1980s and the death last summer of White House lawyer Vincent Foster.

Fiske, after meeting members of Congress Wednesday, vowed to move ahead quickly with the part of the investigation into the White House and Treasury Department meetings.

He predicted it would take ``weeks'' and that a ``few months would be an outside limit.''

REUTER

**** filed by:RB--(--) on 03/10/94 at 03:10EST ****

PM-Whitewater Poll,300
Majority Believe Clinton Did Something Wrong
EDS: Also moving on national lines

WASHINGTON (AP) More than 60 percent of those questioned in a new USA Today/CNN/Gallup Poll believe President Clinton has done something either unethical or illegal in connection with the Whitewater affair.

The nationwide telephone poll of 1,023 adults questioned March 7-8 found 49 percent believe Congress should hold hearings to 43 percent who believe it should not.

The survey found 43 percent disapprove of the way Clinton has handled the investigation to 36 percent who approve.

On the question of whether there has been wrongdoing, 18 percent said Clinton probably had done something illegal while 43 percent said he probably had done something unethical, but not illegal. That left 31 percent who said he had done nothing seriously wrong.

Similarly, 18 percent thought Hillary Rodham Clinton had done something that probably was illegal and 38 percent thought she had done something that probably was unethical, but not illegal. Thirty-four percent believed she had done nothing seriously wrong.

As to Clinton administration officials, 24 percent said some of them probably had done something illegal, 44 percent said they probably did something unethical but not illegal and only 19 percent believed it likely administration officials had done nothing seriously wrong.

Despite the skepticism expressed about Whitewater, 59 percent of those questioned view Clinton favorably overall, compared to 38 percent who view him unfavorably. Mrs. Clinton is viewed favorably by 55 percent and unfavorably by 40 percent.

Clinton's job approval rating is 50 percent, down 3 points from last month and down nearly 10 points from January.

Clinton is regarded as honest and trustworthy by 48 percent of those questioned, Mrs. Clinton by 56 percent. No figures were given on the number who view them as untrustworthy.

The poll had a margin of error of 3 percent.

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BC-WHITEWATER 2NDLD (SCHEDULED)
FIRST LADY'S AIDES BEFORE WHITEWATER GRAND JURY
(Eds: updates throughout, Williams ends testimony)
By James Vicini

WASHINGTON (Reuter) - The chief of staff to first lady Hillary Rodham Clinton Thursday became the first White House official to testify before a federal grand jury investigating the Whitewater affair.

After two hours of taking questions from grand jurors and prosecutors about White House and Treasury Department contacts on the Whitewater case, Margaret Williams said outside the courthouse that she was pleased to have been asked to testify.

``I'm really encouraged to be participating in something where the finding of fact is important, as opposed to innuendo, rumor-mongering, gossip and sensationalism,'' she told reporters in a brief statement.

Williams said she would return to work at the White House, preparing for Mrs Clinton's trip to Denver Monday to talk about health care. Edward Dennis, an attorney for Williams, said she may be called back to appear again at a later date.

Also testifying Thursday was Lisa Caputo, Mrs Clinton's press secretary, with White House Communications Director Mark Gearan expected to be called later in the day.

Mrs Clinton, who was an influential Little Rock attorney when her husband was governor of Arkansas, was involved both as
a private investor and as a practicing lawyer in the complex and
now-controversial Whitewater business deals involving a land investment and a savings institution.

Caputo, when she arrived later, fended off reporters' questions. ``I'm not saying anything,'' she said.

Williams and Caputo are among six White House aides and four current or former Treasury officials subpoenaed by Whitewater special counsel Robert Fiske to testify before a grand jury probing the tangled Arkansas financial mess that has dogged President Clinton and put his administration under a political cloud.

Among the other aides expected to testify at a later date, possibly next week, are White House counsel Bernard Nussbaum, who resigned over the weekend amid a public furor over the meetings; senior presidential adviser Bruce Lindsey; and Deputy White House Chief of Staff Harold Ickes.

A federal grand jury, a panel with as many as 23 members, hears evidence in secret under the direction of prosecutors and decides whether criminal charges are warranted.

Dennis, a former top Justice Department official, said prosecutors wanted to question Williams on White House staff contacts with Treasury officials concerning a separate government probe of a failed Arkansas savings institution. The failure of Madison Guaranty Savings and Loan was one element of the overall Whitewater affair.

Williams attended at least one meeting last month at which Deputy Treasury Secretary Roger Altman said he wanted to give the White House a ``heads up'' on how a government agency might proceed on a civil claim arising from the failure.

The Clintons' names would come up in such an investigation because Madison's owner was their partner in the Whitewater land development deal and because of questions whether they benefited from any improper use of Madison funds.

Those tip-off contacts thus raised the specter of possible White House tampering in the case, and Clinton has been forced to admit he wished the meetings had never taken place.

Later Thursday, the White House planned to turn over all the documents Fiske subpoenaed on the meetings.

Deputy White House counsel Joel Klein told reporters that ''everybody in the White House to my knowledge has complied, including the president and the

first lady and their offices,'' with the court order to turn over documents.

He said no use of the presidential executive privilege was taken to exclude any documents, although he declined to say whether any of the papers came from the Clintons.

Another senior White House official said the papers numbered about 1,000 pages, about half of them duplicates, and only a small number of them were related to the relevant meetings between White House and Treasury officials.

In all, about 35 people had papers that were worth including in the stack being submitted to the court, although many of them were irrelevant to the case, he said.

REUTER

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BC-DRUGSTOCKS national editors:OC

Lawmakers say Hillary Clinton had conflict for investments in drug stocks

By James V. Grimaldi

Orange County Register

Hillary Rodham Clinton might have violated federal conflict-of-interest laws by benefiting from stock transactions while acting as head of the White House health-care task force, a group of Republican members of Congress alleged Wednesday.

Eighty-one Republican lawmakers sent a letter Wednesday to the U.S. Office of Government Ethics seeking an investigation. They alleged that Clinton was a member of a partnership that made at least $275,000 in pharmaceutical stock sales after she made speeches that caused the stocks to fluctuate.

In speeches, Clinton has harshly criticized pharmaceutical companies and their pricing strategies. At the same time, she held an interest in a non-public limited partnership that made investments that would benefit in drops in pharmaceutical and health-care stocks.

White House spokeswoman Ginny Terzano was unfamiliar with the letter and said she could not comment.

The Clintons did not place personal investments in a blind trust until July 4, 1993, the letter alleges.

One of the letter's authors, Rep. C. Christopher Cox, R-Calif., is a former securities lawyers and former staffer in the White House counsel's office under President Ronald Reagan. The other authors are Reps. Bob Livingston, R-La., and George W. Gekas, R-Pa., who both are former prosecutors.

The allegations involve many of the key players in the case enveloping the White House known as Whitewater. President Clinton and his wife are under scrutiny for investing in the Whitewater Development Corp. with James McDougal, a campaign contributor and owner of a savings and loan that later failed.

McDougal also was a partner with Hillary Clinton in the pharmaceutical investments.

The letter alleges that Clinton first acquired an interest in ValuePartners I in 1986 and that during 1992 her investment in this partnership increased. The partnership was managed by Smith Capital, a registered investment adviser owned by William Rowland Smith, a friend of the Clintons.

Smith Capital said in federal filings that it provides at least quarterly reports to investors concerning the makeup, appraisal and performance of the investment portfolio.

``Ms. Rodham Clinton was, therefore, actually and constructively in receipt of information showing she had a direct and personal financial interest in short sales of pharmaceutical and health-care stocks,'' the letter states.

A college case study showed that Clinton's speeches criticizing drug manufacturers caused stock prices to drop by as much as 27 percent, the letter states.

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bc-whitewater-ndy - a1858
(ndy) (ATTN: National editors) (Includes optional trims)
GOP Pushes Full Steam Ahead on Whitewater Hearings (Washn)
By Charles V. Zehren= (c) 1994, Newsday=

WASHINGTON Despite a request from special counsel Robert Fiske Jr. that Congress delay holding hearings on the Whitewater affair, Republican lawmakers said Wednesday they would press ahead with efforts to call Clinton administration officials and other witnesses to testify before Senate and House committees.

During a meeting on Capitol Hill with Republican Sens. Alfonse D'Amato of New York and William Cohen of Maine, Fiske reiterated his opposition to the proposed hearings. But in a nod to political reality, he conceded that the Democratic-controlled Congress has an oversight role to play and may find it necessary to begin questioning witnesses.

D'Amato and Cohen along with other Republicans said that in the face of mounting pressure on the White House, the Democrats may be forced to call White House officials and others to publicly state what they know. Although he thought a compromise could be found with Fiske, D'Amato said hearings are ``inevitable.''

Cohen said that although he could understand Fiske's view that hearings should not be held while the investigation is under way, ``That is not going to be politically possible in this town or this country.''

Fiske, who termed the White House ``very responsive and cooperative'' with his efforts, said Wednesday that he has effectively split his investigation into two parts, which could make it easier for congressional hearings to be called by summer.

The first underlying investigation, based in Arkansas, deals with potential financial improprieties by President Clinton and first lady Hillary Rodham Clinton in connection with their investment in the Whitewater real estate deal during the 1980s.

Fiske said the second part of his review, based in Washington, concerns meetings between top aides to the Democratic president and officials from the Resolution Trust Corp. and the Treasury Department, who are investigating the failed Madison Guaranty Savings & Loan, a thrift once owned by the Clintons' Whitewater partners. Last weekend, Fiske subpoenaed 10 White House officials who are slated to testify before a grand jury here Thursday.

At least five of the witnesses, however, received extensions from Fiske postponing their appearances to next Thursday.

Receiving postponements were Deputy Treasury Secretary Roger Altman; senior presidential adviser Bruce Lindsey; deputy White House chief of staff Harold Ickes; Treasury Department Counsel Jean Hanson; and Treasury chief of staff Josh Steiner.

Thursday, Fiske told reporters that his investigation into the meetings would be completed in ``weeks, going into perhaps not more than a few months.'' At that point, he said, ``we would have no objection to congressional hearings'' about the meetings.

If hearings take place, Cohen and D'Amato said they had assured Fiske that he can question key witnesses first and that Congress would not grant immunity to anyone called to testify.

D'Amato said Fiske would be given ``sufficient latitude and time'' to fully develop the statements and evidence of any witnesses he has subpoenaed. Both Cohen and D'Amato asserted that they do not want to injure the presidency.

Presidential spokeswoman Dee Dee Myers said the White House would cooperate with any congressional hearings.

Senate Majority Leader George Mitchell, D-Maine, castigated the Republicans for using Whitewater as a political cudgel to beat on Clinton. ``This is partisan politics at its worst,'' he said.

(Optional add end)

Likewise, House Banking Committee Chairman Henry Gonzalez, D-Texas, argued that the investigation should be left solely to Fiske. ``There's nothing more absurd even repugnant than the spectacle of you bunch of Republicans ... in fits of paroxysms of morality,'' Gonzalez wrote in a letter to Rep. Jim Leach, R-Iowa, the ranking minority member of the committee.

The panel is slated to hear testimony March 24 from RTC officials as part of routine review of the agency. Republicans on the committee say they intend to use the hearing to ask questions about Madison Guaranty, but Wednesday Gonzalez termed the hearing ``tentative,'' raising the possibility he would postpone it rather than allow Leach to call 40 potential witnesses, including several top Clinton administration officials.

House Banking Committee member Rep. Rick Lazio, R-N.Y., said that although Leach refused to meet with Fiske Wednesday, the Iowa congressman nonetheless had been cooperating with the special counsel, going as far as sending him information related to Madison Guaranty. Leach later said he had given Fiske ``a substantial amount of material.''

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BC-FISKE national editors:DA
Whitewater hearings `inevitable,' GOP says
(HAS TRIMS)
By Richard Whittle
Dallas Morning News

WASHINGTON The special counsel in the Whitewater affair on Wednesday argued personally to key Senate Republicans that congressional hearings could impede his work, but was told that such an inquiry is ``inevitable.''

Robert Fiske Jr. told reporters that although he would prefer no hearings, he would be less concerned once his team finishes its examination of meetings between White House and Treasury Department officials.

Any earlier congressional hearings, he said, could interfere with his investigation of Madison Guaranty Savings and Loan Association of Arkansas and its financial connections with Whitewater Development Corp.

President Clinton and his wife, Hillary Rodham Clinton, were partners in Whitewater.

``He (Fiske) would like to see no congressional hearings,'' Sen. William Cohen, R-Maine, said after a meeting with Fiske. ``That is not going to be politically possible in this town.''

Sen. Alfonse D'Amato, R-N.Y., said he and Cohen agreed with Fiske that any hearings a prospect Democrats are fiercely resisting could be delayed ``weeks or maybe several months.''

But he added: ``It's inevitable that there will be hearings.''

On Thursday, the first of 10 current or former administration officials are scheduled to begin testifying before a federal grand jury in Washington. On Wednesday, the president said he had told his aides to be ``very open'' in their testimony.

D'Amato and other Republicans have charged that the White House meetings suggest that administration officials attempted to compromise the federal inquiry into the collapsed savings and loan, whose owner was the Clintons' partner in Whitewater.

Fiske said that part of his investigation was ``separable'' from his examination of the Whitewater Development and its ties to Madison Guaranty.

After he has finished his investigation of the White House meetings, he said, ``I would not say that there should not be a congressional investigation into that simply because we were continuing on what will be a much longer investigation into the matters in Arkansas.''

But later in the day, Senate Majority Leader George Mitchell, D-Maine, took to the floor to declare that the continued Republican pressure for hearings was ``partisan politics at its worst, the sole purpose of which'' was to damage Clinton politically.

Mitchell said Senate Democrats were still against conducting hearings.

(EDITORS: NEXT 11 GRAFS OPTIONAL)

On the other side of the Capitol, House Banking Committee chairman Henry B. Gonzalez, D-Texas, cast doubt on whether he would permit Republicans on his panel to use a hearing tentatively scheduled for March 24 to focus on Whitewater allegations.

The session is to be a routine oversight hearing on the federal Resolution Trust Corp., the agency created to clean up collapsed savings and loans. But Republicans have vowed to use it to raise the Whitewater-related issues they say merit special hearings.

In a letter to the senior Republican on the committee, Rep. Jim Leach of Iowa, Gonzalez said a request by committee Republicans that he call 40 witnesses who have knowledge of Whitewater-related matters would ``get the due consideration it merits.''

The letter added in a postscript: ``Now, Jim, I saw your sermon in The Washington Times of March 8th. Frankly, there's nothing more absurd even repugnant than the spectacle of you bunch of Republicans and The Washington Times in fits and paroxysms of morality.''

Gonzalez was referring to a reprint of a speech Leach gave in Chicago last

week in which he explained his demand for hearings in part by declaring that ``moderation in the pursuit of truth is no virtue; vigilance in the defense of public ethnics no vice.''

In an interview with the Dallas Morning News a few minutes after he received the letter, Leach said he was uncertain how to interpret Gonzalez's answer.

``I don't know if this letter ... is a prelude to a change in policy on the Democratic side or not,'' Leach said. ``That letter appears to be ... an interim response that is one of reserving judgment on how to proceed from here.''

He declined to comment on Gonzalez's postscript.

Banking Committee spokeswoman Julie Black noted that ``the chairman has never put out a formal hearing notice.'' Asked whether there would be a March 24 hearing, she replied: ``We don't know. The chairman's said all along the hearing's tentative.''

Leach also said it was possible that a comprehensive hearing by the Banking Committee of the sort he has been seeking could preclude the need for special Whitewater hearings.

``A lot depends on what comes out at this hearing and whether this hearing is allowed to be held,'' he said.

(END OPTIONAL TRIM)

(EDITORS: NEXT 2 GRAFS OPTIONAL)

Fiske said in a letter to Gonzalez and Leach on Monday that such a hearing ``would pose a severe risk to the integrity of our investigation,'' in part because the committee would want to call ``the same witnesses or subjects who are central to the criminal investigation.''

Among the risks, he said, would be ``premature disclosures of the contents of documents or of witnesses' testimony.'' Fiske also has said his investigation could be jeopardized if Congress granted immunity to witnesses, as it did during the 1987 Iran-Contra hearings.

(END OPTIONAL TRIM)

In connection with the investigation of the White House's role, Fiske has subpoenaed 10 current and former government officials to appear before a federal grand jury in Washington beginning Thursday.

Fiske said White House officials had been ``very responsive and cooperative'' with his investigation.

White House Press Secretary Dee Dee Myers said officials had put together a stack of documents to be delivered to the grand jury that ``could be a foot (high), but it's not like many, many boxes.''

Some or all of the officials would be almost certain to be called if Congress held special Whitewater hearings. But D'Amato and Cohen emphasized that Republicans were against granting anyone immunity and that they would be more than willing to give Fiske first crack at individual witnesses or documents.

``While it may lay within the purview of Congress to have the ability to call these people in, that would absolutely fly in the face of sound logic, and we would not be doing that or be in competition,'' D'Amato said.

``Congress has a proper role and responsibility as it relates to oversight, but it should do it in such a manner that it does not impair or jeopardize the work of the special prosecutor,'' he added.

Cohen contended that hearings were needed to clear the air.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:KR-F(--) on 03/09/94 at 22:03EST ****

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# How to Investigate Whitewater

A potentially destructive battle over how best to investigate the Whitewater affair has erupted between Republicans who are pressing for Congressional hearings and the independent counsel, Robert Fiske, who is pursuing a criminal investigation.

Mr. Fiske fears that a rogue Congress could foul up his work — which it could if it plunges ahead with abandon. But Congress has a clear right to ask questions about government regulation of the savings and loan mess in Arkansas and, even more urgently, about whether the recently disclosed White House meetings with bank regulators represented an attempt to obstruct justice.

The challenge now is for both sides to figure out a way for Congress to conduct legitimate inquiries without impeding a thorough and fair criminal investigation.

The White House and many Democrats complain that Republicans are merely out to embarrass the President and Mrs. Clinton. That is surely true of some — but the public has a right to know whether the White House is abusing its power.

Mr Fiske concedes that Republicans like Representative Jim Leach are correct to insist on Congress's oversight responsibility. Even so, he fears that *any* hearings "would pose a severe risk" to his inquiry. That exaggerates the danger, so long as Congress refrains from granting key witnesses immunity — a problem that ultimately doomed Iran-contra prosecutions. The Republicans have already said they would not offer immunity.

Mr. Fiske is on stronger ground when he argues that Congressional hearings could lead to "tailored" testimony from witnesses who might adjust their stories after gaining access to documents or testimony before Congress. That risk, however, can be minimized if Congress agrees to delay its hearings and give Mr. Fiske time to interview the major players, especially those in the White House and the Treasury Department. In any case, the risk is not sufficient to justify asking Congress to abandon its oversight role until the end of an investigation of uncertain length.

Like most prosecutors, Mr. Fiske seeks complete control of the case. But he ignores the fact that similar Congressional hearings in the past have produced significant new information that has ended up helping prosecutors to *make* their case. Indeed, Mr. Leach notes, it was questioning by Senator Alfonse D'Amato of New York at a recent hearing that led to the disclosure of the White House meetings and prompted Mr. Fiske to expand his investigation to include them. So, too, Congressional Watergate hearings brought out the existence of crucial White House tapes.

There should be room for give here by both sides. Mr. Leach and Mr. D'Amato should grant Mr. Fiske a head start, probably measured in weeks. But Mr. Fiske cannot reasonably expect Congress to put off its hearings indefinitely, especially when the history of such hearings does not support his worst fears.

# The Supreme Form of Flattery

If imitation is the sincerest form of flattery, what is parody? A commercial ripoff, said Acuff-Rose Music Inc., owner of the copyright to the rock ballad "Oh, Pretty Woman." No, parody is a legitimate artistic commentary on the original work, said the rap group 2 Live Crew, defending its recorded rap version as a "fair use" exception to the copyright laws.

The Supreme Court, which rarely before had considered such a case, deftly split the difference. It ruled unanimously on Monday that parody can indeed qualify as fair use and called on lower courts to decide, case by case, whether a particular work qualifies — or infringes on a copyright.

No other decision would have been realistic or faithful to the artistic needs of composers, performers and the public. The Constitution and copyright law recognize that creative people need copyright protection as both incentive to create and fair reward for originality. They also recognize the value of public discourse and so leave room for others to quote and comment on a copyrighted work. It is in the nature of parody to lift enough from an original work to let the audience identify and appreciate — or not — the parodist's message.

How much is enough and how much is artistic thievery disguised as satire? Congress, by leaving the copyright code blank as to parody, has demanded sensitive judging in each case.

The particular example before the Court was the rap group's raucous takeoff on the hit ballad by Roy Orbison. Using similar sounds and tempos, the new song transformed the "pretty woman" subject of a street flirtation into a "hairy woman," a bald-headed woman and a two-timing woman walking down meaner streets. When the case was heard the question seemed to be: Would these justices, average age 63, get the connections and differences between rock and rap?

The justices got it. They understood what the parodist was trying to do, though they declined to say whether they liked what they heard. "We might not assign a high rank to the parodic element here," Justice David Souter wrote for the Court. Its opinion balanced every party's needs without getting the judiciary into the thicket of artistic criticism. With admirable judicial restraint, Justice Souter refrained from evaluating the quality or good taste of the parody at the bar.

Parodists no less than their targets — original creators of literature, music and other arts — have their place in a free, competitive society. Now when they clash they will have reasonable guidance and ground rules from the Supreme Court.

# Counsel Of Confusion

By Ronald Goldfarb



David Suter

WASHINGTON

In his letter of resignation, Bernard Nussbaum said that "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." But just what legal and ethical standards did he mean? Was he correct that his critics did not understand "the role and obligation of a lawyer, even one acting as White House counsel"?

Start with basic principles. The President has the constitutional duty to see that the laws are faithfully executed. His Attorney General represents the American people. The White House counsel represents the institution of the Presidency, not the President in his private affairs; as Mr. Nussbaum's successor, Lloyd Cutler, says, he intends to serve as counsel to the office, not the person. Private lawyers can represent Presidents who have private legal problems.

But situations inevitably arise that cut across these basic lines. In the Whitewater investigation, all three kinds of lawyers have been called upon, along with a special prosecutor for good measure. What the Attorney General, special prosecutor and private lawyers are authorized to do is generally accepted; not so the White House counsel, Mr. Nussbaum's defensive declarations notwithstanding.

Relations between Presidents and their lawyers have long been a bone of contention. Andrew Jackson told Attorney General Roger Taney to solve a problem the way he wanted "or I will find an Attorney General who will." In the early 1940's, Franklin D. Roosevelt created the staff position of special counsel to the President. That person was to be a general Presidential assistant, dealing with various internal legal questions and assuming other advisory assignments. Clark Clifford, who held the job for five years under Harry S. Truman, recalls that when F.D.R. appointed an old friend, Judge Sam Rosenman, to the position, his Attorney General, Francis Biddle, objected to the title "counsel." He argued that the President had only one counsel, the Attorney General, and warned that no White House lawyer was to interfere with the functions of the Justice Department.

## Lloyd Cutler will need guidelines.

Over time, different holders of the job have filled various roles: speech writer, drafter of legislation program developer, private adviser — doing, as one former counsel told me, "what the President wants." But this can get too cozy or too protective, as Mr. Nussbaum found out. Legal policy and Presidential politics are what should divide the roles of the Attorney General and the White House counsel.

A large part of the problem is the absence of guidelines on the duties of the counsel. When I asked Harry McPherson what guidelines he followed when he assumed that role for Lyndon B. Johnson, he replied, "Not many." And Richard M. Nixon's counsel Leonard Garment replied: "Next to none. It was an existential nightmare — fuzzy, obscure, intuitive."

Establishing clear guidelines for the counsel's duties could save Presidents much of the grief that Mr. Clinton is enduring over the White House handling of Whitewater. It would also assuage public cynicism about the standards of justice when people in power are involved.

Since numerous people who filled this role from the Truman Administration onward are still around, there is abundant experience to be drawn from. An appropriately judicious private organization should convene a prestigious panel to review the role of the White House counsel as it has been exercised and to suggest standards for the future. That panel's findings would be influential and hard to ignore. And they would serve future Presidents, and the nation, well in managing justice at the highest levels. □

*Ronald Goldfarb, a Washington lawyer who worked in the Justice Department in the Kennedy Administration, is author of the forthcoming "The Brother Within: Robert Kennedy's War Against Organized Crime."*

THE NEW YORK TIMES, WEDNESDAY, MARCH 9, 1994

# Israel Ends Curfew in Jericho But Hope Remains Confined

By ALAN COWELL
Special to The New York Times

JERICHO, Israeli-Occupied West Bank, March 8 — The curfew imposed here after the Hebron massacre was lifted today and Jericho, the would-be capital of an embryo Palestine, returned to normal.

That is to say: American tourists fresh from baptism in the Jordan River frolicked on camels under the gaze of Israeli soldiers; Ihab Atayi, a Palestinian, wondered if peace would ever come and inject some energy into his new business in satellite dishes; and Badr Bassan, a 26-year-old carpentry teacher, predicted that, even if peace came, it would not be worth having.

"We are in a small cage," he said, cupping his hands. "Peace is supposed to make the cage bigger," he said, spreading his hands a little. "But the door and the key are with the Israelis."

A curfew remains in effect in Hebron and three other West Bank towns.

### Hope Founders

After Israel and the Palestine Liberation Organization reached an accord in September promising autonomy for the Gaza Strip and Jericho, this town bubbled with hopes of a boom.

But the snags that have postponed the Israeli troop withdrawal and other setbacks that culminated in the Hebron massacre of Muslims at prayer on Feb. 25 have stifled most of that hope.

Possibly because expectations were so high, the decline has been that much more abrupt. Since a Jewish settler gunned down the Muslim worshipers, nothing — not the renewal of contacts between Israel and the P.L.O. in Cairo on Monday, nor a public hearing today in Jerusalem on what happened at Hebron — seems to send a flicker through the gloom.




Through its ups and downs, Jericho has depended on tourism.

"We are with Arafat," said Omar Ahmed Khamis, who sells trinkets for tourists, offering the P.L.O. chairman what initially seemed an expression of support.

"But every time, like yesterday in Cairo, it is just talk. Arafat has nothing in his hands. He said, 'We want peace.' But he can't get peace because the Israelis don't want it."

Mr. Atayi, the satellite-dish entrepreneur, said, "As a result of the massacre, no one expects anything to happen. Personally, I have lost my hope."

**Happy tourists can't lighten the political gloom of the West Bank.**

Nor is business booming. "Very few people seem to be interested," Mr. Atayi said, gesturing to a model dish near a wall painting of Yasir Arafat.

Startling incongruities and sad tales are plentiful here in the Jordan Valley.

A 36-year-old Palestinian who would identify himself only as Mohammed was selling a small bundle of red and black kaffiyehs, the traditional Arab kerchiefs, to busloads of tourists.

"This is temporary work," he said.

It was also quite a change. Before the Persian Gulf war, he said, he had lived and prospered for 24 years in Kuwait, selling Mercedes and Cadillacs. Even after the war ended in early 1991, he said, business blossomed, because Kuwaitis wanted to replace cars looted by the Iraqis or destroyed in the war.

Then Kuwait turned against Palestinians, who were viewed as pro-Iraqi, and Mohammed came to join his wife and four children in Jericho. Talk of peace persuaded him to invest here.

But his Kuwaiti partner refused to return his share of the money from their automobile dealership, so Mohammed is selling kaffiyehs.

Then there is the 1,200-seat Mount Temptation Restaurant, next to the ruins of ancient Jericho and below the hill that Christians hold to be the site of Jesus' temptation.

"We never had a cancellation, not one," said the restaurant owner, Khaled Abdelrazik Abu Raed. Through the long years of the Palestinian uprising that began in 1987, he said, the place never closed.

### What's Really Important

"You can't live without the tourists," he warned. "If you are going to build a country, you need the tourists."

Today that meant people like Tasha Greathouse, 22, a student from the Pentecostalist Church of God Lee College in Cleveland, Tenn., who had joined 30 other people from the school just a week after the Hebron massacre on a $1,899 tour of holy sites. "They assured us that they wouldn't take us into dangerous areas," she said.

Had she been worried, though? "If it's my time to go, it's my time to go," she replied. "And the result will be heaven, so it doesn't bother me too much."

Some tourists, like Kimberly Horstmann, 24, from Atlanta, said they felt spiritually uplifted after being re-baptized in the Jordan River.

"We believe no particular religion should put down another," she said, expressing a view that has not been practiced too consistently here.

**Don't overlook the special Technology Report every Wednesday in Business Day.**

## Public & Private

ANNA QUINDLEN

# *The Little Woman*

From the moment she first became a major player in national politics, Hillary Rodham Clinton has been a combination of brilliant technocrat, political wife, new woman, savvy adviser and power behind the throne, confusing and compelling in equal parts.

Oh, but you ain't seen nothin' yet.

The more information that emerges about Whitewater and related matters, the more central Mrs. Clinton's role becomes, from her connections and cases at the Rose Law Firm to her handling of the family finances to her reported opposition to a special prosecutor.

While once the White House considered how best to cooperate with an investigation while maintaining that there was nothing to investigate, now the aides who serve the President — and the First Lady, too — must deal with the Hillary problem.

The gerrymandered district of wife-adviser-power broker that Mrs. Clinton has carved out over a long marriage both to Bill Clinton and to public life is revealed in all its complications. And the Administration is left to develop a historic and extraordinarily difficult role-under-fire for the first First Lady important enough to be at the center of a major political mess.

**And now, the new Hillary problem.**

On Monday the President offered an emotional defense of his wife. Granted, he was answering a direct question from a reporter, and if he had been brief and dispassionate I can promise you that today we pundits would be writing about a rift in the First Marriage.

Still, he came perilously close to a "little woman" defense of Mrs. Clinton. "I can tell you this, I believe I'm a better authority than anybody else in America on my wife," said Mr. Clinton. "I have never known a person with a stronger sense of right and wrong in my life."

There's something silly about an I-love-my-wife defense for the most powerful player in the Clinton Administration; it's oldthink for a new age. One of the most winning things about Mrs. Clinton is that she came to us with no excuses for being tough, smart and willing to fight for her point of view, and that she never cast righteous opposition as sexism. It was clear that she expected a level playing field.

She should not change now, now that the playing field is legal investigation and partisan witch hunt, liberally mixed. It would be preposterous to cast Mrs. Clinton as the little woman, beaten up by the big bad boys in the Congress; she has been such a towering figure, not browbeaten or outbrained by anyone. She cannot have it both ways, even if both ways has been how she has had to operate. Her grasp of the issues at a health care hearing is staggering; then someone asks who designed her suit.

The original Hillary problem, which turned out to be no problem at all, was her wish to move beyond the standard First Lady role, to use her acumen in a policy position, to be judged by her capabilities alone. The new Hillary problem is that judging her by her capabilities alone in the context of Whitewater is impossible.

It's all very well to say that if Mrs. Clinton has truly been a success in bringing America up to speed on full participation for women, then the price she will have to pay is being treated like any other powerful political figure, male or female. But she is not like any other political figure.

During the campaign the closest anyone could come to an analogy was to Robert Kennedy and his brother Jack. But a man can distance himself from his brother, and many do. When he distances himself from his wife, it's called divorce.

Mr. Clinton's record of cutting and running indicates strongly that, were Hillary Rodham Clinton still Hillary Rodham, a special assistant to the President with some of the same questions surrounding her past actions and associations that surround them today, the President would be getting ready to accept her resignation "with deep regret."

Luckily for those of us who believe Mrs. Clinton is a considerable benefit to the country, that won't happen. What will happen instead is that Hillary Clinton will once more break new ground, this time as a Presidential adviser-spouse in the midst of a political maelstrom. It will take a great mind to determine how to play this out. Luckily, we have a great mind in the White House. Unfortunately, she's the one most involved in the mess. □




**Talk about irony**

**The Pentagon says that peacetime registration for a military draft could be ended with little risk to U.S. security, but Bill Clinton, who dodged the Vietnam War draft 25 years says no, let's not relieve America's young men of this burden, which is largely symbolic, just yet.**

# Nussbaum left *this* party too late




Bernard Nussbaum is a corporate lawyer from New York City who got the job as chief counsel in the White House because Hillary Rodham Clinton wanted him. The ticket to top-level White House appointment was to be trusted by both halves of the First Couple.

Bill trusted his wife's judgment about people. As he once told me, "Hillary understands far better than I what makes someone like you tick."

I always wondered about that. Was Hillary so insightful that she knew that a solid backhand on the tennis court and a front-page exclusive article kept my aorta activated?

As a tyro, a reformed Goldwater Girl who had gone left in college, Hillary befriended Nussbaum when she was an aide to him when he was counsel to the House Judiciary Committee as it considered impeaching Richard Nixon. As the story goes, she told him on a drive home one day that she would wed a young fellow from Arkansas who someday would be president of the United States.

He went off to the Big Apple to represent big-money clients on mergers and acquisitions while she went to the outback to await her husband's big run. Then when the womanizing and draft charges beset Clinton in New Hampshire, Hillary called on Bernie for advice.

He was, quite simply, a complete disaster in the White House whose errors were interrupted only by the selections of Louis Freeh to head the FBI and Ruth Ginsburg to join the United States Supreme Court.

His failings were mostly political, but sometimes legal, and they were exacerbated by an abrasive personality.

There's another story about Nussbaum from the early days of the Clinton presidency: He irritated his chief deputy, Vince Foster, by arriving at work nearly every morning to talk about the high-falutin' dinner party he had attended the night before. Foster usually had worked late the night before.

Nussbaum should have been fired long ago, and it's too bad that he resigned last week in a way that suggested that he was simply a fall guy for the president over the Whitewater affair.

Here are but a few of his blunders:

- He interviewed Kimba Wood for attorney general and asked her only if she had a "Zoe Baird problem." She said she didn't, and, true enough, the domestic help for whom she had not paid Social Security taxes was not of the illegal immigrant variety.
- He read Lani Guinier's articles and decreed them to be purely academic and therefore no political problem.
- He sat down in a White House office with agents of the FBI to concoct a news release suggesting possible criminality by the fired employees of the Travel Office. His Watergate experience apparently taught him nothing about abuse of political powers. His lawyer's experience did not encompass protecting the presumption of innocence. His general sensitivities were not sufficient to cause concern about firing people without so much as a hearing.
- He didn't secure Vince Foster's office the night of the suicide and, apparently, he didn't find Foster's torn-up note when he prowled through Foster's briefcase. Another White House lawyer found it days later.

Nussbaum's first problem was that he had the political skills of a brick. His second problem was that his legal skills were corporate. Let us say he lacked "people skills."

There were those in the White House who wanted to dump him eight months ago. But the president hates to dump anyone, and Nussbaum had Hillary on his side. So he leaves too late, appearing a victim instead of the problem that he was.

◆

*John Brummett's column appears every Sunday, Tuesday and Thursday.*

The Des Moines Register

'DISAPPOINTING THINGS LEARNED'

# Leach pursues his scrutiny of White House

**The Iowa lawmaker** suggests 'there is a disjunction in this administration between public policy and private ethics.'

By JANE NORMAN
Of The Register's Washington Bureau

**Washington, D.C.** — Iowa Republican Jim Leach said Wednesday that the "body of knowledge" he has acquired during his investigation of the Whitewater affair led him to step up his criticism of President Clinton's ethics and actions in recent days.



Leach *Critical*

"There have been disappointing things learned," said Leach, the senior Republican on the House Banking Committee, who has become a leading figure in Whitewater. Leach initiated his own GOP investigation after the Democratic committee chairman declined to continue a bipartisan inquiry.

Leach has tantalized the political community by suggesting that a March 24 committee hearing on the Resolution Trust Corp. could become a "blockbuster" Whitewater event, although he won't elaborate until the hearing occurs. The RTC disposes of failed thrifts, including Madison Guaranty Savings and Loan of Little Rock, the S&L at the center of the Whitewater matter.

## 40 Witnesses Requested

Leach said there are "a whole spectrum of other issues" he won't be able to bring up at the hearing because they are not germane to the RTC.

However, the import of the hearing depends on how many of the 40 witnesses Leach has requested show up and testify.

"If the witnesses appear, it will be a substantial story that's told," Leach said, although he agreed there is "some degree" of doubt that will happen.

It is up to Chairman Henry Gonzalez, D-Texas, which of the witnesses suggested by Leach will be invited. The witnesses are under no obligation to appear unless Gonzalez decides to issue subpoenas. Leach does not have subpoena power.

However, President Clinton has indicated he would not stand in the way of senior administration officials testifying before Congress, and they are included on Leach's list, along with a host of Arkansans and RTC and Treasury Department officials.

## "Firmer Statements"

Leach said the much stronger rhetoric he has adopted in recent days should not change public perception of him as a moderate, mainstream Republican.

"Philosophically, it's not a matter of right, left or center — I'm no less a philosophical moderate than I was a week ago, or 10 years ago," Leach said in an interview.

But, he said, "the body of knowledge that's been developed leads to the capacity to make firmer statements."

Leach, for example, has said "there is a disjunction in this administration between public policy and private ethics."

Robert Fiske, the special counsel appointed to investigate Whitewater, has urged members of Congress to hold off on hearings on Whitewater. On Wednesday, Fiske met with members of the Senate and asked for a postponement at least until he finishes looking into contacts between administration officials and federal regulators.

## "The Way to Go"

But Leach said he remains firm in his belief that hearings are necessary and appropriate. He said he wants it clear that he called for congressional hearings before he ever called for a special counsel to investigate. "I've always argued that hearings were the appropriate way to go," he said, "and it's become stronger every day."

Leach said that, for years, prosecutors in similar situations have written to members of Congress pleading that hearings be canceled. But Leach said he has cited to Fiske the value of hearings during Watergate, and he stressed that there are no plans to offer immunity to any witnesses — which became a problem during the Iran-Contra hearings.

"Congressional hearings are exceptionally helpful to prosecutors," Leach said.

## Media Attention

The Davenport congressman continued Wednesday to be the focus of intense attention by the print and broadcast news media. He has regularly appeared on all three network news broadcasts this week, and on CNN, and was on the MacNeil/Lehrer Newshour on Monday.

Leach is scheduled to appear on CNN's "Capital Gang" on Saturday, and on the CBS news show "Face the Nation" on Sunday, aides said.

Also Wednesday, Senator Charles Grassley, R-Ia., said he believes hearings can be held by Congress on Whitewater without interfering with the work of the special counsel.

Questions from the Senate Banking Committee brought forth the disclosure that there were contacts between White House staff members and Treasury Department officials about a confidential federal investigation into Whitewater, Grassley said. "That ought to prove to us Congress can contribute without impeding anything," he said.

# File Search Indicates Other S&L Contacts

## *Exchanges With Treasury Called Trivial*

By Ann Devroy
Washington Post Staff Writer

Massive White House and Treasury Department file searches the past 48 hours produced evidence of numerous additional contacts of an unspecified nature between officials of the two agencies relating to the defunct Madison Guaranty Savings & Loan.

President Clinton and other officials characterized the communications as "trivial," "incidental" or "non-substantial." But officials said that White House and Treasury lawyers were so concerned that any "passing conversation," as one official put it, would be construed as a meaningful contact that many they view as inconsequential will be reported to special counsel Robert B. Fiske Jr. Fiske is investigating the Clintons' Whitewater land venture and its ties to the failed Arkansas thrift.

Last week's revelations of three undisclosed contacts between senior White House officials and Treasury officials familiar with investigations of Madison set off a political furor. The week ended with the resignation of White House counsel Bernard Nussbaum and the Friday subpoenas of 10 White House and Treasury officials.

Independent regulators pursuing criminal matters are barred from discussing their investigations with any outside individuals—especially those, like the Clintons, whose names have come up in the course of a probe. At the time of the contacts now surfacing, the Resolution Trust Corp., headed temporarily by Deputy Treasury Secretary Roger C. Altman, was investigating Madison and its dealings with a land development company owned in part by the Clintons.

Fiske issued subpoenas for the officials to appear before a Washington grand jury and separately for all their documents, memos, computer files and other

MEETINGS, From A1

notations related to Whitewater and Madison.

The agencies have made this afternoon the deadline for turning in the material. Fiske or his team have been invited to both the White House and Treasury to examine some documents to determine whether they are relevant. Administration officials fear making that determination themselves, officials said.

White House senior adviser George Stephanopoulos said yesterday that "based on what we know, there were additional contacts and follow-up conversations, but none in any way dealt with the substance of the investigation."

A senior Treasury official said that Altman, who touched off the recent White House troubles with his revelation in congressional testimony that he attended a Feb. 2 White House meeting, planned not only to turn over to Fiske and testify to "any possible conversation or scrap of paper no matter how incidental," but also to officially amend his Feb. 24 congressional testimony to include the additional contacts.

From the start, the White House has described contacts between its officials and Treasury as non-substantial, minimal and of no relevance to civil or criminal investigations because no action was taken to affect the investigations.

But what Clinton acknowledged yesterday, and what interviews with participants, their aides and others show, is that despite various layers of ethics rules already in place, there was no ethical "centralized system" to guard against officials familiar with investigations that potentially involve the Clintons briefing White House officials on the issue.

"That was the problem," Clinton said of all the conversations. He added that the White House now has a new counsel, new written orders and a new system so "these things don't just keep happening by happenstance."

The Feb. 2 meeting sought by Altman and attended by Nussbaum, Margaret Williams, chief of staff to Hillary Rodham Clinton, and Harold Ickes, White House deputy chief of staff, has been described as a procedural briefing in which Altman discussed the general procedures for civil fraud cases connected with Madison. It came at a time when one of the main potential civil cases being examined by regulators involved Madison's legal representation by Hillary Clinton and her former firm, the Rose Law Firm of Little Rock, Ark. While Clinton was governor, Mrs. Clinton and a junior partner at the firm represented Madison in an appeal for regulatory approvals by the state securities commission.

One regulator called it "a political heads-up for Hillary, but a meaningless one" because civil suits are routinely subject to negotiation and knowledge of the generic procedures followed by the RTC would have no particular value. Altman flatly denies knowing or discussing any aspect of the status of any individual civil case in any White House session.

White House aides asked Altman during this session whether lawyers "for the parties at interest" could receive the same briefing, apparently a reference to the Clintons' private lawyer, David Kendall, and were told by Altman he would check the legality. Later, sources said, Altman was told that RTC general counsel Ellen Kulka "thinks it is wrong" and said no.

Another of the sessions, a conversation between Treasury's general counsel, Jean Hanson, and White House counsel Nussbaum on Sept. 29 was the first notification to the White House that the Resolution Trust Corp. was poised to ask the Justice Department on Oct. 8 to launch a criminal investigation into Madison and its ties to Whitewater, the failed land development firm that the Clintons owned jointly with James McDougal, the former head of Madison.

Clinton was pressed again yesterday on what he knew when about the action. He repeated he was uncertain of the details except that he believes he knew in mid-October because of news inquiries.

He said he believes that his senior aide, Bruce Lindsey, was the one who told him. Nussbaum has been quoted by officials as saying that he passed along to Lindsey the information from Hanson. In both mid-October and at the month's end, when The Washington Post first reported the RTC's criminal referral on the Madison matter, Lindsey said he knew nothing about it and White House spokesman Jeff Eller officially denied that the White House has been informed, notified or told of the referral.

The last of the disputed meetings, the Altman session, has always been described by him and the White House as inconsequential because it was what he calls a "generic" briefing on the procedures the RTC follows in civil, not criminal, proceedings, that had nothing to do with any particular case.

That description has aroused deep suspicion among Republicans in Congress and among some in the regulatory community because of the First Lady's potential vulnerability to a civil fraud case.

In its representation of Madison, the Rose firm expressed confidence in Madison's economic viability. A few months before that, a federal audit portrayed the thrift as financially reckless and on the brink of collapse. A regulatory expert said yesterday that the RTC, if it proceeds against the Rose firm, "would pose the question that Rose knew, or should have known, that Madison was financially failing and should be liable for making the case before regulators that it was not."

Altman said yesterday of the White House meeting, "There was no discussion of what the RTC was going to do. None." Altman has said numerous times that it was poor judgment and "colossally stupid" to have arranged the meeting by calling White House Chief of Staff Thomas F. "Mack" McLarty.

McLarty turned the meeting over to Ickes, he has said, and it remains unclear who arranged the participants. **The presence of Williams has added to suspicions raised by Republicans that this session, compared to others, was aimed at damage control for Hillary Clinton.**

Of all the sessions, the White House has acknowledged the Sept. 29 conversation between Hanson, the general counsel at Treasury, and Nussbaum as the most politically harmful. In that conversation, Hanson, who had just gotten an RTC briefing on the subject, told Nussbaum that the RTC was about to ask the Justice Department to begin a criminal investigation of Madison and that the Clintons were named in the referral as possible beneficiaries of illegal actions at Madison.

Officials said yesterday that Nussbaum, Hanson and other White House and Treasury officials had just concluded a discussion of the Waco conflagration and the administration's response when Hanson took Nussbaum aside and outside the hearing of others offered the Whitewater information.

"Bernie said she told him, 'Not to worry. This is not about the Clintons. This is about Madison,'" one official said of Nussbaum's description.

Hanson was the most intimately involved in RTC business, sources there said, because she was, as one put it, "the chief operating officer on the legal side" because the RTC had only an acting counsel.

Officials there said that before Sept. 29 the RTC had first told Altman of the status of the Whitewater investigation and then Hanson, so both knew of the pending criminal probe. Altman was said to have told them to proceed as they would on any case and not to alter their procedures.

After the Oct. 8 formal RTC request for a Justice probe, reporters began asking Treasury and the White House about the referral. That dynamic produced the Oct. 1 meeting in Nussbaum's office that included six White House and Treasury officials discussing what to say publicly about the criminal referral. What the White House ended up saying on Oct. 30 and later was that they knew nothing about it.

The final disclosed contact involved a conversation between Hillary Clinton's press secretary, Lisa Caputo, and what she last week described as "some guy" at the RTC. Asked who made that call, RTC press spokesman Stephen Katsanos said he himself made the call on the instruction of Joan Logue Kinder, assistant Treasury secretary. Katsanos said he believes the conversation took place in October or November.

Katsanos said he was told when Altman was installed as interim head of the RTC that he was to coordinate press relations with Treasury. He told Treasury of press inquiries involving Hillary Clinton's involvement with Madison, he said, and was given Caputo's number. Kinder told him, Katsanos said, to call Caputo and tell her what questions were being asked.

*Staff writer Susan Schmidt contributed to this report.*

WEDNESDAY, MARCH 9, 1994 THE WASHINGTON POST

AM-Whitewater, 1st Ld-Writethru, a0691,900
With Hillary-Health Summit
Cutler Says Whitewater Inconsequential; McDougal Says No Crime
SUBS 7th graf, ``I really,'' with two grafs for Gergen comment, details of Mrs. Clinton's involvement
With AM-Where Was Gergen?
By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) Following the first lady's lead in damage control, White House counsel Lloyd Cutler predicted Sunday the Whitewater affair ``will turn out to be nothing at all.'' Republicans pushed harder for hearings, with a GOP senator questioning the president's truthfulness.

And the former owner of a failed Arkansas thrift at the center of the federal investigation said President Clinton is ``guilty of committing no crime.'' James McDougal, who co-owned the Whitewater Development Corp. with the Clintons, said Hillary Rodham Clinton is guilty of nothing, other than ``poor bookkeeping.''

Cutler was named special counsel last week to temporarily replace Bernard Nussbaum, who resigned under pressure after revelations of private White House briefings with Treasury Department officials. The White House was told about a confidential investigation into McDougal's thrift, Madison Guaranty Savings and Loan, and its ties to Whitewater.

Hitting three network talk shows, Cutler made his debut as the point man for the White House Whitewater strategy: Concede to mistakes that gave the appearance of a cover up, argue that the Clintons were actually totally forthcoming and resist congressional hearings.

``At least as far as even a breath of criminal activity by either the president and the first lady, it will turn out to be nothing at all,'' Cutler said on NBC's ``Meet the Press.''

Mrs. Clinton sounded the new theme Saturday, telling news magazines that she made the mistake of trying to withhold details about Whitewater to protect her family's privacy.

``I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all,'' Mrs. Clinton told Newsweek, as new poll results show her popularity dropping amid reports about her work with the family's finances and as an attorney for Madison.

Echoing Cutler, key adviser David Gergen told reporters before leaving for Detroit with Clinton, ``We are making absolute full disclosure with the legal authorities.''

Republicans were unbending in their demand for congressional hearings. Taking the most extreme line, Sen. Alfonse D'Amato, R-N.Y., mocked Clinton for saying he did not know who tipped him to the confidential federal inquiry.

``I find it difficult to understand how it is if you're mentioned in a ... criminal referral that you wouldn't remember who told you and when they told you,''' he told NBC. ``Are we to believe that Mr. and Mrs. Clinton weren't advised?''

At first saying he had no idea who told him, Clinton told reporters last week that adviser Bruce Lindsey ``probably'' informed him about the probe. Aides insist Lindsey passed on only what he heard from reporters, although he attended one of the Treasury Department briefings and was told about another.

D'Amato also challenged Mrs. Clinton, who said through a spokesman that she learned of the inquiry from the media. Noting that Mrs. Clinton's chief of staff, Margaret Williams, attended one of the briefings, D`Amato asked, ``What was Maggie Williams doing there?''

Williams was one of three White House aides who testified to a federal grand jury last week about their contacts with Treasury. Seven other administration officials, including three from the White House, are also under subpoena.

Special counsel Robert Fiske wants to know whether the officials tried to influence the Resolution Trust Corp. inquiry. ``Newsweek'' magazine reported

# Call for Hearings Grows in Congress

## *Cutler Agrees to Limited White House Stint*

By Ruth Marcus
and Helen Dewar
Washington Post Staff Writers

President Clinton and his new counsel, Lloyd N. Cutler, indicated a willingness yesterday to comply with congressional demands for testimony from senior White House aides about their meetings on Madison Guaranty Savings & Loan, although the president repeated that the special counsel investigating the allegations should be allowed to proceed unimpeded.

Clinton also said it was unlikely he would assert executive privilege as a federal grand jury looks into a series of White House and Treasury Department meetings about the government's investigation of Madison, a failed Arkansas thrift with ties to the Clintons.

Clinton's comments came as he announced that Cutler had agreed to join the administration as as special White House counsel, but only for a several-month stint while presidential aides search for a permanent successor to Bernard Nussbaum, who resigned Saturday.

Furor over the series of White House meetings and other contacts continued on Capitol Hill, as Senate Republicans for the first time took direct aim at Hillary Rodham Clinton. Congressional Republicans continued to demand additional inquiries into the Clintons' investments in the Whitewater Development Corp. and the Resolution Trust Corp. investigation of Madison.

Sen. Alfonse M. D'Amato (R-N.Y.), ranking minority member of the Senate Banking Committee, took to the Senate floor to suggest that Hillary Clinton owed the nation answers to questions about Whitewater. Minority Leader Robert J. Dole (R-Kan.) threatened to force a Senate vote on whether to hold hearings into Whitewater and the Madison S&L, which was owned by the Clintons' partner in the Whitewater investment.

Special counsel Robert B.

See PRESIDENT, A6, Col. 1

PRESIDENT, From A1

Fiske Jr. has warned lawmakers that hearings could jeopardize his investigation. Clinton noted that yesterday but said that his "inclination would be to obviously participate" if the hearings go forward, and Cutler said that he would recommend that White House staff called to testify "cooperate."

Clinton stressed ethics in his prepared statement on Cutler's selection, saying he wanted an "eminent lawyer who could step into the role immediately and bring to the job the stature, the standards and the experience that the American people expect."

Cutler, 76, said that during the 130 days he has agreed to work at the White House he would concentrate on instituting "the procedures and the actions necessary to maintain public confidence in the integrity and the openness of the presidency."

Cutler, who was called in to serve as President Jimmy Carter's White House counsel at a similarly difficult time in Carter's presidency, said Nussbaum had been the victim of "a lot of bad luck."

But he said that in the future, whenever a question comes up about a meeting or conversation about a government investigation of any "high political person," the White House counsel will "decide whether there should be such a meeting . . . and he will make a careful record of what happens so that it will be available if questions are raised later on."

Cutler said he had "put a limit on how long I would stay, in part because I know how tough a job this is and I know how old I am, in part because I'm married fairly recently [four years] to a very young and peppy wife and I want to spend some more time with her."

The 130-working-day limit also allows Cutler to retain the status of special government employee, meaning that he will not have to go through the difficult and potentially costly step of resigning from his law firm. Rather, he will be allowed simply to take a leave from the firm, Wilmer, Cutler & Pickering.

A senior White House official said that Cutler will still be required to file a financial disclosure form and to comply with regular conflict of interest rules. Clinton's ethics requirements of a lifetime ban on representing foreign agents and a five-year prohibition against an official appearing before an agency in which he served do not normally apply to special government employees, the official said, but Cutler "is intending to comply."

Cutler, who during his last stint in government reported earning $318,277 from his law firm in 1978, said he "wanted to serve without compensation" and might simply accept a salary and donate it to the deficit reduction fund.

During the 1992 campaign, Clinton inveighed against the Washington "revolving door" of lawyers and lobbyists passing between private practice and government service, and as president he encountered criticism when two high-ranking members of his administration left after less than a year in office for lucrative jobs in the private sector.

But faced with a desperate need for what he described yesterday as a "Lloyd Cutler-type of lawyer," Clinton agreed to Cutler's requirement that he not remain beyond the 130-day period. Asked how that short stint comported with Clinton's opposition to the Washington revolving door, one senior official said, "I don't think Lloyd Cutler has to trade on his government service. . . .As long as he complies with the governmental ethical guidelines I see no problem in it. I don't think you can expect people to go into hibernation once they leave the government."

Administration officials said that White House Chief of Staff Thomas F. "Mack" McLarty and Clinton himself spoke with Cutler yesterday in an effort to convince him to take the job.

While Clinton said he would be inclined to have his staff cooperate with Whitewater investigators, White House press secretary Dee Dee Myers said it was up to the subpoenaed individuals whether to choose to invoke their constitutional privilege against self-incrimination before the grand jury. Clinton, she said, is "not going to make any judgment about whether people should take the Fifth."

In his Seante speech, D'Amato noted that Clinton defended his wife's involvement in the Whitewater affair at a news conference Monday, saying he had "never known a person with a stronger sense of right and wrong in my life, ever."

"Well, Mr. President, that seems to be the problem," D'Amato said.

"I would like to ask just two questions of the person that the president refers to as having the strongest sense of right and wrong of anyone he has ever met in his life: Were you briefed by your chief of staff, Maggie Williams, about her meeting with [Deputy Treasury Secretary] Roger Altman, and, did you know it was wrong?"

A White House official said Monday that Hillary Clinton had only learned about Altman's meeting when he testified on Capitol Hill.

President Clinton, at his news conference announcing Cutler's appointment, retorted that the Republicans "have decided that Senator D'Amato will be the ethical spokesman for the Republican Party in the Congress"—a pointed jab recalling the investigations of D'Amato himself. "I'm not in the business of answering his questions," Clinton said. "I am cooperating with the special counsel."

Dole, emerging from the Republicans' weekly caucus lunch, said Republicans were considering offering an amendment to any bill on the floor over the next few days calling on the Senate leadership to "structure a process" for hearings on Whitewater. A Dole aide said a decision on whether to go ahead with the strategy depends in part on the outcome of a meeting today between D'Amato and Fiske.

In comments to reporters, Dole also suggested that Republican senatorial challengers may attempt to turn up the heat on reluctant Democrats by raising the issue of hearings in their campaigns.

Dole's proposals drew a barbed response from Senate Majority Leader George J. Mitchell (D-Maine), who described the strategy as a "campaign stunt" designed "to embarrass that president" that would only serve to "undermine" the special counsel's probe.

Among Democrats, he said, there is a "very strong feeling we should honor the special counsel's request." He denied that Democrats are getting nervous about the Whitewater issue and said he knows of no Senate Democrats who advocate hearings.

House Republicans, meanwhile, released a list of 40 witnesses they invited to testify at a Mar. 24 oversight hearing on the Resolution Trust Corp. They hope, despite Fiske's plea, to turn the occasion into a forum on Whitewater.

Included on the GOP wish list are all 10 White House and Treasury officials subpoenaed by Fiske, James and Susan McDougal, the Clintons' partners in Whitewater, and David Hale, the indicted Little Rock businessman who said Clinton asked him to give the McDougals a $300,000 loan in 1986.

The witness list also includes five federal investigators who wrote the RTC referrals and Rose law firm employees and couriers involved in the alleged shredding of related documents.

***Clinton said that his "inclination would be to obviously participate" if congressional hearings go forward.***

IN THE LOOP

# Woolsey to Join CIA Polygraph Test Club

By Al Kamen
Washington Post Staff Writer

CIA Director **R. James Woolsey** has assured colleagues that he is prepared to submit to a routine polygraph examination, fulfilling one of the agency's longstanding requirements for new employees, a CIA official said yesterday.

Woolsey's reluctance to take a polygraph exam had placed him at odds with some of the agency's ardent polygraph advocates and prompted one employee to demand an explanation at a private CIA meeting broadcast Feb. 25 on closed circuit television.

The polygraph, which measures changes in breathing, pulse rate and skin resistance under intense and probing questioning, is almost universally disliked by those who take it. The fact that accused Russian spy and CIA official **Aldrich H. Ames** passed a CIA polygraph in 1986 and 1991 has breathed new life into the controversy over its use.

Whatever its merits as a diviner of truth, taking the exam is looked on as a sort of secret fraternity handshake within the CIA. **Robert M. Gates** says he volunteered to take it about a year after his appointment as CIA director in 1991 "to maintain the symbolism" of enduring the same hardships as rank-and-file employees. He says other CIA directors also took it.

Woolsey, who came to the CIA at the beginning of the administration after working as a diplomat, Pentagon official and Washington lawyer, makes no secret of his view that the machine can be inaccurate. But he told employees during the televised "town hall" meeting that his reluctance to take the exam stemmed from a legal judgment that presidential appointees subject to Senate confirmation should not have to endure a second trial by machine.

Woolsey also said he wanted to hear first from a special commission on government security matters before agreeing to take it. The commission debated the issue furiously but last week endorsed the machine's continued use.

"He fully intends to take the polygraph," a CIA official said. "The captain has to conform with the requirements laid on the crew."

### Espy for Mississippi Governor?

■ There is nothing, absolutely nothing, Agriculture officials say, to the latest round of rumors that Agriculture Secretary **Mike Espy** is going to run for governor of Mississippi next year and that top aide **Ron Blackley**, who ran Espy's district office in Mississippi when Espy was in Congress, will be leaving soon to begin campaign preparations.

The most recent speculation was sparked when Espy last month moved Blackley from his post as chief of staff to run a task force to crack down on deadbeats who borrowed money from places like the Farmers Home Administration.

### Waiting for the Special Counsel

■ It seems that Treasury Secretary **Lloyd Bentsen** is going to have to wait a bit on his request that the Office of Government Ethics assess the propriety of his senior aides' conduct on the Whitewater affair.

An OGE official said his office would not move on Bentsen's request until checking with special counsel **Robert B. Fiske Jr.** OGE has written to Fiske and has asked "to meet with him or his representative before we proceed in any fashion."

It's only "prudent," the official said, now that grand jury subpoenas are flying about, to touch base with Fiske. "Everyone has to move slowly and let him do his thing," the official said.

### Coming 'Out of Hibernation'

■ White House counselor **David R. Gergen**, missing in action on Whitewater for some time now, is back.

"I've come out of hibernation tonight," a somewhat sheepish Gergen explained to ABC-TV's **Cokie Roberts** Monday on "Nightline," after she asked why he has seemed strangely absent lately.

So much for one White House aide's recent joke that Gergen's office be used to store all the computer files, memos, papers and such that staffers are being required to keep under new White House rules.

Maybe the Clintonites could lease that New York garbage barge that endlessly circled off the East Coast?

### If Your Name Begins With a Z. . . .

■ Want to know how to get a job in the Clinton administration? Change your name to **Victor Zonana**.

There's already one, working as deputy assistant secretary in the press shop at the Department of Health and Human Services. Now there's about to be another by the same name working as general counsel at the Internal Revenue Service. Turns out they are cousins.

The latest **Victor Zonana** is a senior tax partner in the New York office of Arnold & Porter, and is now on sabbatical as a visiting law professor at New York University.

### It's Official

■ Clinton said yesterday he would nominate **Alan Sagner**, former chairman of the Port Authority of New York who now runs his own real estate company in New Jersey, to be on the board of directors for the Corporation for Public Broadcasting.

### Catching Up on Recent Moves

■ Clinton has picked **Sally Shelton**, a senior fellow and adjunct professor at Georgetown University, to be assistant administrator of the Agency for International Development for Global Affairs. Shelton was ambassador to Grenada and Barbados from 1979 to 1981 and before that was deputy assistant secretary of state for Latin America. Also on the foreign front, **Peter C. Pappas**, formerly in the White House counsel's shop, recently moved to the State Department to be deputy director of communications.

# Getting at the Core of Whitewater

WHAT A spectacle: White House employees sorting through trash, burn bags, computer records and files in a subpoena-induced document-gathering operation under the direction of six assigned lawyers. As that occurs, six senior members of the White House staff, along with three top Treasury Department officials, are busy preparing for their involuntary grand jury appearances this week. It is hard to fathom but nonetheless true that none of this has to do with the events in Little Rock. It has to do with events that occurred in the White House in recent months, events that should never have occurred in the first place and that the people involved should have known better than to bring about. Mr. Clinton's appointment of the well-respected and thoroughly experienced lawyer Lloyd Cutler to the White House counsel's office should go a long way toward preventing any repetition of the practices that so dramatically worsened the Whitewater picture.

But the venue of the affair has been expanded to Washington now. Mr. Cutler can't do anything about that. Even the president, who wants this thing to go away, had managed to keep Madison squarely in the White House. He apparently knew more about one of the meetings between senior White House and Treasury Department aides concerning the Madison investigation than his criticism of the conversations implied. He said this week that he was informed of the Resolution Trust Corp.'s referral of Madison to the Justice Department for possible criminal prosecution "some time in October." (The RTC action included references to the Clintons as possible beneficiaries of Madison's improprieties, but didn't accuse them of any wrongdoing.) The White House had been alerted by the Treasury general counsel to what was coming in advance of the Oct. 8 RTC referral, and weeks before the action was first reported by The Post on Oct. 31. No one is being accused of any crimes, but the grand jury may want to know more precisely what happened.

Now the hunt is on, and Republicans are in full cry for big game. But a well-founded concern of independent counsel Robert Fiske, which he has raised with leaders of the House and Senate banking committees, is that this hunt on the Hill could harm his own enterprise. He fears that hearings might lead to premature disclosure of matters that go to the heart of his inquiry. Even hearings on the White House Treasury meetings, he argues, might eventually disclose matters related to his grand jury investigation. The behavior of Banking Committee Republicans bears him out.

These members seem to see the whole affair as political sport more than as an opportunity to get at the truth of the whole complicated chain of events from Little Rock to Washington. House Banking Committee Republicans have released a list of 40 witnesses for a March 24 hearing. They know it will be difficult to compel the appearance of or extract testimony from proposed witnesses, such as James McDougal, former Madison head and the co-owner with the Clintons of Whitewater. That is especially true of key figures in the special counsel's probe. But unearthing the facts may not be the objective of some of the partisans anyway, so much as having a nice run under the television lights. Congress should work out an accommodation with the independent counsel and be mindful of the dangers of proceeding. The worst thing it could do would be to put the criminal investigation at risk for the sake of a little ink and TV time.

# Martin Marietta's Fast Ascent

WITH THE DROP in defense spending, the weapons producers are going through a process of radical consolidation. The latest example is the Martin Marietta Corp.'s decision to buy Grumman, making it the world's largest producer of military electronics systems. That sharpens a dilemma for the federal government.

Each of these mergers and purchases in the defense industry—there have been a half-dozen big ones in the past two years—reduces the number of companies competing in a shrinking market. The government is ambivalent about that. This one isn't a conventional antitrust case. The administration knows that, as in any other market, a slide toward monopoly is going to mean rising costs and a falling rate of innovation. But it also wants to ensure the survival of companies big enough to produce the extremely complex weapons that are the great strength of the American armed forces.

The federal funds to design new weapons aren't being cut. In President Clinton's budget for next year, the money for weapons research, development and testing would rise slightly. Martin Marietta will have enormous resources to undertake that work. In addition to Grumman, it bought GE Aerospace last spring, and several months ago it agreed to buy General Dynamics Corp.'s rocket division. More money to design weapons but less to produce them can generate another danger—the rising pressure to sell them abroad.

Perhaps the next stage in this consolidation will involve partnerships or mergers across national boundaries to spread the costs of new aircraft and missiles across several countries. That possibility draws vehement opposition from Congress. Two years ago, when the French electronics firm Thomson SA tried to buy LTV's missile division, there was an explosion of politicians' protests. The beneficiary, incidentally, was Martin Marietta, which bought the missile maker after Thomson finally dropped it. But unpopular though it may be, cooperation with this country's major allies in weapons production is not necessarily a worse idea than developing them solo in this country and then, in a desperate attempt to recoup the immense costs, selling them to unstable and undemocratic Third World governments.

Pentagon orders have been crucial to Martin Marietta for decades. What's new is that Martin Marietta, after this series of purchases of other companies, is now indispensable to the Pentagon. That's an exceedingly close, not to say incestuous, relationship. It will require vigilant management and supervision if it's to serve the national interest.

*David S. Broder*

# When Will They Ever Learn?

The all-too-familiar words—investigation, subpoena, grand jury, resignation—have echoed through Washington again this past week. And along with them has come one gloomy realization: If you drew a chart of the learning curve of White House staffs for the last quarter-century, the line would be absolutely flat.

From Watergate to Whitewater, the men and women who work behind the gates at 1600 Pennsylvania Ave. have shown stunningly little ability to learn from the mistakes of their predecessors. They go on doing the same dumb things, over and over, and they are perennially shocked when trouble results.

How many times do we have to read about such things as erasing tapes, shredding documents, bugging phones, setting up back-channel communications, going outside the loop, and other manifestations of hunkering down and covering up, before someone gets the message? How many more designated fall guys have to be pushed overboard before someone stands up and shouts, as in the old IBM ads, "Think!"

To be fair, hundreds of people have served honorably and worked diligently in the White House in the past 25 years without their reputations being clouded in any way. They are not at fault. But too many others—far too many—have abused power, confused private goals with public responsibilities and brought embarrassment and worse to themselves, their presidents and the country.

Unless one is prepared to believe that knavery is endemic in the upper reaches of American life, you have to suspect there is something in the environment of the White House itself that breeds a lack of common sense, even disregard for the law, among too many people who work there.

Never having been employed on the premises, I can only speculate, but I would make several guesses.

Part of the problem is simply the media-fed glorification of the White House. People of modest means and modest talents find the celebrity and influence of a White House staff position heady stuff. They are flattered and courted all the time—and they inhale the fumes of short-term celebrity. At a benign but ludicrous level, they claim, as John Sununu did, that it's okay to use presidential aircraft for keeping dental appointments because they need to be in "constant communication" with the White House. At a more sinister level, they come to believe that their own interpretation of a president's wishes is enough to justify evading the law and lying to Congress, as Oliver North did.

The vanity and arrogance factors have caused problems in the White House for decades. Scandals among presidential cronies are nothing new. There were vicuna coats in Eisenhower's time, deep freezers in Truman's and a lot worse when Harding was there. But this problem has been given new dimensions by the carryover and exaggeration of the worst features of modern presidential campaigns into the presidency itself.

The modern campaign relies heavily on espionage ("opposition research") and on aggressive tactics ("negative ads"). It is but a short step from them to the "enemies lists" of the Nixon era or the "war rooms" that have been set up under President Clinton. When White House staffs are recruited primarily from those who proved most adept at swatting the opposition during the campaign, they bring their combat weapons with them. They tend to see everyone—Congress, other politicians of both parties, the bureaucracy and the press—as forces that must be subdued if the president is to prevail.

Too often, the result is a "bunker mentality," an "us against them" mind-set that becomes a justification for underhanded tactics and questionable legal maneuvers.

Campaign veterans see the candidate as "the man," and proudly display their loyalty to him. In the free-for-all rivalry of politics, that mind-set may be justified. But when they take their oaths as White House officials, they acquire a responsibility to the Constitution and to the American people that should—but too often does not—circumscribe the ways they use their power. They may serve "at the pleasure of the president," but they serve in a government of laws, where he is but one official.

Any president is entitled to have loyal lieutenants around him. But experience has shown that surrounding himself exclusively with personal and political loyalists is an invitation to trouble. The wisest thing a president can do is to add several veterans of past administrations—of his own and the opposite party—to the mix. And the next most useful antidote to abuse of power is to bring in at least a few people who have had lives and careers of their own, men and women who can afford to tell a president when he and his courtiers are going astray.

If President Clinton had been foresighted enough to do this at the start of his administration, he might not be facing what he is today. His choice of Lloyd Cutler as White House counsel to replace the unfortunate Bernard Nussbaum is a belated recognition of this reality.

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# *Clinton Deals Himself An Old Hand*

## New Counsel Lloyd Cutler Knows the Rules of the Game

By Lloyd Grove
Washington Post Staff Writer

Think of it as a brief suspension of hostilities with the forces of the status quo. A moral victory for the dead old men of Georgetown. The inevitable triumph of the Washington Establishment over the anti-Beltway naifs who've been occupying the White House.

In other words—Lloyd Cutler.

"The culture here and the whole procedures are quite different than they are in any other place in the country," a wide-eyed Bill Clinton observed yesterday as he introduced to the country his brand-new counsel—a white-haired man with a paternal smile, a measured cadence and a reassuring voice, a man well equipped to explain to a president or anyone else the intricacies of Washington culture and procedure.



**Cutler: A man of "integrity, credibility, gray hair."**

This man who passed the bar six years before the current president was born, this Oracle of K Street who's already held the counsel's job in a previous White House, this prolific author of newspaper opinion pieces, is now to be Clinton's Grand Interpreter of insider folkways and quite possibly—Clinton must be hoping—The Last of the Wise Men.

"I don't know if it's possible to have Wise Men these days," said Washington pundit Evan Thomas, coauthor of the book "The Wise Men," about the gray eminences of the American Establishment—W. Averill Harriman, Dean Acheson, John J. McCloy and the like—who helped shape the world after War War II. "The world is a little bit grubbier and the press is a little bit hungrier, and it's hard to float above the political fray the way those guys did."

Cutler, however, "fits most of the bill," Thomas added. "He's a good Democrat, but he has a kind of nonpartisan quality to him. He's a good-government type. He's always trying to reform the Constitution to make government work better."

Still, for all his earnest intentions, Cutler is "the wily veteran," said Nixon White House veteran Tom Korologos. "Don't forget something about Washington," the lobbyist added. "Washington is Salem. If we're not lynching somebody 24 hours a day in this wretched town, we're not happy."

"I don't think it takes a rocket scientist to figure out that there has been, in my judgment, sufficient mishandling or failure to handle what I think is a modest problem, and let it fester into a problem of

See CUTLER, C2, Col. 3

# *Cutler To the Rescue*

CUTLER, From C1

major proportions," said Robert Strauss, a lawyer-lobbyist and sometime statesman. "I think the president, very correctly, is making some of the changes that needed to be made. I'm not so sure it's a signal as it is a realization that some additional experience is needed to help a bunch of bright, dedicated, decent, less experienced people."

As Whitewater rages around them, Cutler is the Clinton White House's gold-plated, blue-chip life preserver.

> ***"They've reached out for some wisdom."***
>
> —Brookings fellow Stephen Hess

"They've reached out for some wisdom," said Brookings Institution fellow Stephen Hess, comparing Cutler to that other flotation device, David Gergen. "Cutler is even more useful than Gergen in that he's above ambition. Part of the problem with Gergen is, the question always arises: Is he using us? No one is going to say that about Lloyd Cutler. He's 76 years old. I don't think he's angling to be the bureau chief of ABC."

"I think he was hired more for his competence than his pedigree," said Clinton political consultant James Carville, the administration's resident raging populist—unlike Cutler. But Carville was not quibbling yesterday: "The White House is not a place where you a need a lawyer to be a populist."

"The signal the president is hoping to send is one of integrity, credibility, gray hair," said Washington lobbyist Ken Duberstein, White House chief of staff in the waning days of Ronald Reagan. "An old, skilled presence, somebody of impeccable credentials who will help steer the presidency and this White House through the legal shoals of the so-called Whitewater matter."

Cutler is useful, said Harry McPherson, Lyndon Johnson's special counsel, because "he knows the government, and not simply the bureaucrats, but the way the government works. And I don't mean that in a sinister way, nor in any secret way—simply the way the process works, the elements and the forces that come to bear when laws are being changed or implemented. . . . He brings a sophistication about Washington."

That, and gravitas, too, said the 75-year old Strauss, weighing in from Dallas. But he's certainly no enemy of change à la Clinton, Strauss insisted.

"My answer is, to the contrary. A fellow like Cutler can help him do that." Cutler's appointment reflects "a continuing commitment to put in place the Clinton program of change."

In other words, as they say in Texas, *Plus ca change, plus c'est la meme chose.*

At least for the next 130 business days, after which—Cutler said yesterday—he'll yield the job to a "fine, new, younger counsel like Bob Strauss."

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# When Scandal Rocks Capital, Lawyers Are Ready to Roll

By Ruth Marcus
Washington Post Staff Writer

In Washington, every political cloud has a silver lining—at least if you're a lawyer.

Each time the capital is rocked by a scandal—or seeming scandal—the lawyers enjoy a little boomlet. Watergate was a growth industry for lawyers. Iran-contra kept lawyers—many of them Watergate veterans—happily billing for years, much of it eventually picked up by the government. So did many other scandals.

The Whitewater investigation is no different. When special counsel Robert B. Fiske Jr. last week issued 10 subpoenas to White House and Treasury Department aides, he set off a scramble as the subpoenaed aides shopped for legal help, and other top officials looked down the road and decided they, too, could benefit from legal representation.

Here, then, is the who's who of Whitewater representation:

White House counsel Bernard Nussbaum has retained Lawrence Pedowitz, his partner at Wachtell, Lipton, Rosen & Katz, a former federal prosecutor, sources said.

Deputy Chief of Staff Harold Ickes likely will turn to Robert S. Bennett—of Skadden, Arps, Slate, Meagher & Flom—the noted Washington criminal lawyer who is representing House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), represented Clark M. Clifford, and served as special counsel to the Senate ethics committee in its investigation of the "Keating Five."

Margaret Williams, chief of staff for Hillary Rodham Clinton, has hired Edward S.G. Dennis, a Philadelphia lawyer who headed the Justice Department's criminal division during the Reagan administration.

Presidential adviser Bruce Lindsey has hired Allen Snyder of Hogan & Hartson, a Washington firm with ties to Lindsey's former law firm in Little Rock, Ark.

Communications director Mark Gearan has reportedly retained Justin Simon of Dickstein, Shapiro & Morin. Simon is a former federal prosecutor and specialist on white-collar crime.

Hillary Clinton's press secretary, Lisa Caputo, has hired former public defender William Taylor of Zuckerman, Spaeder, Goldstein, Taylor & Kolker, sources said.

Looking ahead, senior adviser George Stephanopoulos has hired Stanley Brand, whom Stephanopoulos knows from his days with Majority Leader Richard A. Gephardt (D-Mo.), when Brand served as House counsel.

At the Treasury Department, deputy secretary Roger C. Altman is also going to Richard Beattie of Simpson, Thacher & Bartlett in New York. Beattie is a veteran of the takeover battles of the 1980s.

General counsel Jean E. Hanson has hired well-known securities lawyer Harvey L. Pitt of Fried, Frank, Harris, Shriver & Jacobson. Pitt is a former general counsel of the Securities and Exchange Commission.

Chief of Staff Josh Steiner is turning to Reid Weingarten of Steptoe & Johnson, a former prosecutor with the Justice Department's public integrity section who worked as an independent counsel to prosecute retired Air Force general Richard V. Secord in Iran-contra.

# File Search Indicates Other S&L Contacts

## *Exchanges With Treasury Called Trivial*

By Ann Devroy
Washington Post Staff Writer

Massive White House and Treasury Department file searches the past 48 hours produced evidence of numerous additional contacts of an unspecified nature between officials of the two agencies relating to the defunct Madison Guaranty Savings & Loan.

President Clinton and other officials characterized the communications as "trivial," "incidental" or "non-substantial." But officials said that White House and Treasury lawyers were so concerned that any "passing conversation," as one official put it, would be construed as a meaningful contact that many they view as inconsequential will be reported to special counsel Robert B. Fiske Jr. Fiske is investigating the Clintons' Whitewater land venture and its ties to the failed Arkansas thrift.

Last week's revelations of three undisclosed contacts between senior White House officials and Treasury officials familiar with investigations of Madison set off a political furor. The week ended with the resignation of White House counsel Bernard Nussbaum and the Friday subpoenas of 10 White House and Treasury officials.

Independent regulators pursuing criminal matters are barred from discussing their investigations with any outside individuals—especially those, like the Clintons, whose names have come up in the course of a probe. At the time of the contacts now surfacing, the Resolution Trust Corp., headed temporarily by Deputy Treasury Secretary Roger C. Altman, was investigating Madison and its dealings with a land development company owned in part by the Clintons.

Fiske issued subpoenas for the officials to appear before a Washington grand jury and separately for all their documents, memos, computer files and other

MEETINGS, From A1

notations related to Whitewater and Madison.

The agencies have made this afternoon the deadline for turning in the material. Fiske or his team have been invited to both the White House and Treasury to examine some documents to determine whether they are relevant. Administration officials fear making that determination themselves, officials said.

White House senior adviser George Stephanopoulos said yesterday that "based on what we know, there were additional contacts and follow-up conversations, but none in any way dealt with the substance of the investigation."

A senior Treasury official said that Altman, who touched off the recent White House troubles with his revelation in congressional testimony that he attended a Feb. 2 White House meeting, planned not only to turn over to Fiske and testify to "any possible conversation or scrap of paper no matter how incidental," but also to officially amend his Feb. 24 congressional testimony to include the additional contacts.

From the start, the White House has described contacts between its officials and Treasury as non-substantial, minimal and of no relevance to civil or criminal investigations because no action was taken to affect the investigations.

But what Clinton acknowledged yesterday, and what interviews with participants, their aides and others show, is that despite various layers of ethics rules already in place, there was no ethical "centralized system" to guard against officials familiar with investigations that potentially involve the Clintons briefing White House officials on the issue.

"That was the problem," Clinton said of all the conversations. He added that the White House now has a new counsel, new written orders and a new system so "these things don't just keep happening by happenstance."

The Feb. 2 meeting sought by Altman and attended by Nussbaum, Margaret Williams, chief of staff to Hillary Rodham Clinton, and Harold Ickes, White House deputy chief of staff, has been described as a procedural briefing in which Altman discussed the general procedures for civil fraud cases connected with Madison. It came at a time when one of the main potential civil cases being examined by regulators involved Madison's legal representation by Hillary Clinton and her former firm, the Rose Law Firm of Little Rock, Ark. While Clinton was governor, Mrs. Clinton and a junior partner at the firm represented Madison in an appeal for regulatory approvals by the state securities commission.

One regulator called it "a political heads-up for Hillary, but a meaningless one" because civil suits are routinely subject to negotiation and knowledge of the generic procedures followed by the RTC would have no particular value. Altman flatly denies knowing or discussing any aspect of the status of any individual civil case in any White House session.

White House aides asked Altman during this session whether lawyers "for the parties at interest" could receive the same briefing, apparently a reference to the Clintons' private lawyer, David Kendall, and were told by Altman he would check the legality. Later, sources said, Altman was told that RTC general counsel Ellen Kulka "thinks it is wrong" and said no.

Another of the sessions, a conversation between Treasury's general counsel, Jean Hanson, and White House counsel Nussbaum on Sept. 29 was the first notification to the White House that the Resolution Trust Corp. was poised to ask the Justice Department on Oct. 8 to launch a criminal investigation into Madison and its ties to Whitewater, the failed land development firm that the Clintons owned jointly with James McDougal, the former head of Madison.

Clinton was pressed again yesterday on what he knew when about the action. He repeated he was uncertain of the details except that he believes he knew in mid-October because of news inquiries.

He said he believes that his senior aide, Bruce Lindsey, was the one who told him. Nussbaum has been quoted by officials as saying that he passed along to Lindsey the information from Hanson. In both mid-October and at the month's end, when The Washington Post first reported the RTC's criminal referral on the Madison matter, Lindsey said he knew nothing about it and White House spokesman Jeff Eller officially denied that the White House has been informed, notified or told of the referral.

The last of the disputed meetings, the Altman session, has always been described by him and the White House as inconsequential because it was what he calls a "generic" briefing on the procedures the RTC follows in civil, not criminal, proceedings, that had nothing to do with any particular case.

That description has aroused deep suspicion among Republicans in Congress and among some in the regulatory community because of the First Lady's potential vulnerability to a civil fraud case.

In its representation of Madison, the Rose firm expressed confidence in Madison's economic viability. A few months before that, a federal audit portrayed the thrift as financially reckless and on the brink of collapse. A regulatory expert said yesterday that the RTC, if it proceeds against the Rose firm, "would pose the question that Rose knew, or should have known, that Madison was financially failing and should be liable for making the case before regulators that it was not."

Altman said yesterday of the White House meeting, "There was no discussion of what the RTC was going to do. None." Altman has said numerous times that it was poor judgment and "colossally stupid" to have arranged the meeting by calling White House Chief of Staff Thomas F. "Mack" McLarty.

McLarty turned the meeting over to Ickes, he has said, and it remains unclear who arranged the participants. The presence of Williams has added to suspicions raised by Republicans that this session, compared to others, was aimed at damage control for Hillary Clinton.

Of all the sessions, the White House has acknowledged the Sept. 29 conversation between Hanson, the general counsel at Treasury, and Nussbaum as the most politically harmful. In that conversation, Hanson, who had just gotten an RTC briefing on the subject, told Nussbaum that the RTC was about to ask the Justice Department to begin a criminal investigation of Madison and that the Clintons were named in the referral as possible beneficiaries of illegal actions at Madison.

Officials said yesterday that Nussbaum, Hanson and other White House and Treasury officials had just concluded a discussion of the Waco conflagration and the administration's response when Hanson took Nussbaum aside and outside the hearing of others offered the Whitewater information.

"Bernie said she told him, 'Not to worry. This is not about the Clintons. This is about Madison,' " one official said of Nussbaum's description.

Hanson was the most intimately involved in RTC business, sources there said, because she was, as one put it, "the chief operating officer on the legal side" because the RTC had only an acting counsel.

Officials there said that before Sept. 29 the RTC had first told Altman of the status of the Whitewater investigation and then Hanson, so both knew of the pending criminal probe. Altman was said to have told them to proceed as they would on any case and not to alter their procedures.

After the Oct. 8 formal RTC request for a Justice probe, reporters began asking Treasury and the White House about the referral. That dynamic produced the Oct. 14 meeting in Nussbaum's office that included six White House and Treasury officials discussing what to say publicly about the criminal referral. What the White House ended up saying on Oct. 30 and later was that they knew nothing about it.

The final disclosed contact involved a conversation between Hillary Clinton's press secretary, Lisa Caputo, and what she last week described as "some guy" at the RTC. Asked who made that call, RTC press spokesman Stephen Katsanos said he himself made the call on the instruction of Joan Logue Kinder, assistant Treasury secretary. Katsanos said he believes the conversation took place in October or November.

Katsanos said he was told when Altman was installed as interim head of the RTC that he was to coordinate press relations with Treasury. He told Treasury of press inquiries involving Hillary Clinton's involvement with Madison, he said, and was given Caputo's number. Kinder told him, Katsanos said, to call Caputo and tell her what questions were being asked.

*Staff writer Susan Schmidt contributed to this report.*

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# A Rescuer Steeped in Washington's Ways

*Lloyd Norton Cutler*

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, March 8 — Lloyd N. Cutler, who was named today by President Clinton to be the new special counsel to the President, has been asked to come to the rescue in much the same manner before.

**Man in the News**

Mr. Cutler, regarded as among the most seasoned of Washington's lawyers who operate at the intersection of politics and policy, was recruited as President Jimmy Carter's White House counsel in 1979 to replace an longtime associate of the President's family. That lawyer, Robert J. Lipshutz, was judged to be insufficiently steeped in the ways of Washington to help the President cope with a flood of politically tinged legal issues.

Mr. Cutler, 76 years old, and presumably near the end of a long career, is now being asked to bring some order to the White House's strategy in countering questions raised by the involvement of President and Mrs. Clinton's in an Arkansas real estate venture. At the same time, he will assume the overall responsibility for a range of other issues, including the selection of Federal judges and even foreign policy matters. He will replace Bernard W. Nussbaum, a New York corporate litigator who was near the center of many of the Administration's slips and slides.

Mr. Cutler, White House aides said today, is expected to bring to the job a far less confrontational approach than Mr. Nussbaum. Although he is gruff-voiced, Mr. Cutler's manner is courtly and deliberate.

In the end, Mr. Nussbaum was viewed in the Administration as someone who handled issues in a simplistic legal manner, as if the only audience was a judge hearing a case. "Lloyd Cutler is someone who understands the political implications of all the decisions we make around here," said a senior White House official.

As President Carter's counsel, Mr. Cutler was regarded as someone who was not just a legal adviser, but a trusted political counselor in the manner of Clark M. Clifford, who served President Harry S. Truman, and Harry McPherson, who served President Lyndon B. Johnson. That relationship was evident today as President Clinton, confronted with the first tough question about dealing with the Whitewater matter, beamed — and handed the question over to his new older friend.

### 'No One Is Better Suited'

In a few short sentences Mr. Cutler calmly laid out a major new policy, saying that Congressional Republicans would be allowed to question all the White House aides they wanted at Whitewater-related hearings later this month.

C. Boyden Gray, who served as White House counsel for President George Bush and is a law partner and protégé of Mr. Cutler's, said: "No one is better suited to the job of White House counsel. Lloyd Cutler helped write the modern training manual for this post." Mr. Gray said that Mr. Cutler is highly deft at managing the important three-way relationship that exists among the White House, Congress and the news media.

When Jimmy Carter was exhorted to move beyond his circle of Georgia aides and add greater Washington sophistication to his inner circle, he selected Mr. Cutler. When Mr. Nussbaum was let go, President Clinton said he wanted someone whose very presence would signify political heft. White House aides explained that comment by using Mr. Cutler's name as an adjective as in saying the President was seeking someone "Lloyd Cutler-like."

In the end, as Mr. Clinton noted today, he got the most Lloyd Cutler-like person of all.

During his tenure in the Carter White House, Mr. Cutler found himself quickly involved in a politically vexing issue involving the First Family — the association of the President's brother Billy with the Libyan leader Col. Muammar el-Qaddafi.

He also soon found himself overseeing the United States-led boycott of the Moscow Olympics to show displeasure at the Soviet Union's invasion of Afghanistan, and eventually the most gripping issue of the period, the seizure of American hostages in Teheran.

### Lawyer for Corporate Elite

In the years since he returned to his law firm, Wilmer Cutler & Pickering, Mr. Cutler has been widely sought after by America's corporate elite to serve as their guide to Washington.

In addition to helping corporations make their way here, Mr. Cutler in recent years also has made a specialty of representing major political figures in legal difficulty. He represented George P. Shultz, the former secretary of state in the Iran-contra affair, and he still represents James A. Baker 3d, another former Secretary of State, in an inquiry by a special counsel into whether laws were broken when Republican appointees in the State Department searched passport files for any derogatory information about Bill Clinton during the last Presidential campaign.

He has also represented Henry A. Kissinger when he has been summoned before Congress.

### A Native New Yorker

Lloyd Norton Cutler was born in New York City on Nov. 10, 1917. After undergraduate study and law school at Yale, he quickly set out along a Washington-based career path. After a few years at a New York law firm, World War II brought him to Washington as a military intelligence specialist and he has remained here, mixing private practice with various government appointments.

Mr. Cutler is married to Polly Kraft Cutler, widow of Joseph Kraft, a widely syndicated columnist. The Krafts and the Cutlers were close friends for many years and Mr. Cutler married Polly Kraft in 1979 after his first wife, died.

Mrs. Cutler is a highly-regarded still-life painter whose works have been widely exhibited. "She keeps me very young," Mr. Cutler remarked to a reporter today.

Throughout his career, he has been a mentor to many younger Washington lawyers like Boyden Gray. Another one of those lawyers was Zoe Baird, Mr. Clinton's first choice to be Attorney General. After it was disclosed that Ms. Baird had hired an illegal alien as a nanny, Mr. Cutler threw himself into the ultimately unsuccessful fight to win her confirmation.

Mr. Cutler has also been an eclectic commentator on a wide variety of public issues, from his opposition to term limits for Congressmen to a justification for the seizure in 1989 of Panamanian the leader Manuel Noriega on drug charges.

### Dissent From Nader

In 1987, he surprised his Democratic liberal colleagues by speaking in favor of the nomination of Judge Robert H. Bork to the Supreme Court. He told Democratic senators that he believed Judge Bork, his longtime friend, was not out of the mainstream, an accusation that ultimately defeated the nomination.

Like many prominent Washington lawyers, Mr. Cutler has mixed a lucrative law practice with public service. But Ralph Nader, the consumer advocate, head offered a dissenting view to the general acclaim that accompanied Mr. Cutler's appointment, because of the kind of clients he has represented.

"People shouldn't forget that over the years he has represented the crassest positions of the auto companies, the drug companies and others in their anti-consumer and anti-environmental activities," Mr. Nader said. Mr. Nader's group once picketed the offices of Mr. Cutler's law firm.

The firm has, at times, represented all three of the major domestic auto makers and major steel companies as well as the trade associations of the paper, uranium, chemical and pharmaceutical industries.

Mr. Nader said that Mr. Cutler was a principal opponent years ago of regulations asking automakers to install airbags.

THE NEW YORK TIMES, WEDNESDAY, MARCH 9, 1994

# *Rose Courier Now Says Shredding Took Place After Inquiry Was Set*

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By STEPHEN ENGELBERG
Special to The New York Times

WASHINGTON, March 8 — The law firm employee who testified before a Federal grand jury about destroying documents from the files of Vincent W. Foster Jr. now says he was told to shred the material after a special prosecutor had announced that he would look into the suicide of the White House aide.

Jeremy Hedges, a part-time courier at the Rose Law Firm in Little Rock, Ark., pinpointed the date in a telephone interview today. Mr. Hedges said that when he had fed the documents into the firm's shredder, he had already heard of the appointment of Robert B. Fiske Jr. as special counsel.

At the time of his appointment on Jan. 20, Mr. Fiske said that he would be investigating not only the Whitewater real estate venture, in which President Clinton and his wife were partners, but also looking into the circumstances of the suicide in July of Mr. Foster, a longtime friend of the Clintons who was a deputy White House counsel and who in private practice represented the Clintons in Whitewater and other personal matters.

Even before a subpoena is issued, the law prohibits people from intentionally impeding an investigation by destroying evidence they know investigators want.

The courier also said today that he and the other couriers employed by the Rose firm met with two of the firm's partners in February and that one partner challenged his recollection that he had shredded documents belonging to Mr. Foster and then cautioned him against relating "assumptions" to investigators.

Mr. Hedges said that although the partners had encouraged the couriers to cooperate fully with investigators, he felt that the sense of the meeting was "I should not tell them something they did not ask."

Ron Clark, a partner in the firm and its chief operating officer, said in a telephone interview today that the meeting's only goal was to insure complete cooperation with Mr. Fiske's inquiry. Mr. Clark, who presided over the meeting, said Jerry Jones, the partner who counseled against assumptions, "was trying to say: 'They'll be asking a

*Continued on Page B7, Column 1*

# *Rose Courier Now Says Shredding Took Place After Inquiry Was Set*

*Continued From Page A1*

lot of questions. Just tell them the facts.' "

The firm, whose former partners include Hillary Rodham Clinton, Associate Attorney General Webster L. Hubbell, and an assistant White House counsel, William H. Kennedy 3d, asserts that the documents Mr. Hedges shredded were an assortment of internal firm papers that did not come from Mr. Foster's files. Mr. Clark said that the firm had four witnesses, two lawyers and two clerks, who support this account. He declined to identify them but said they were prepared to testify under oath.

Mr. Hedges said today that the explanation was "hard for me to believe." He said the box and all its file folders were marked "VWF," the firm's shorthand for Mr. Foster. He said that he had glanced at a handful of

## Two views of what a partner at Rose meant.

the documents and that some were letters on the firm's stationary that bore Mr. Foster's signature.

None of the documents he saw related to the Whitewater Development Company, Mr. Clinton's real estate investment, or James B. McDougal, Mr. Clinton's partner in Whitewater and the owner of the failed Arkansas savings and loan that is at the center of Mr. Fiske's inquiry, Mr. Hedges said.

After Mr. Foster's death, the removal of the files about Whitewater from his White House office led to much of the pressure on Mr. Clinton to ask for a special prosecutor.

Most large law firms routinely dispose of sensitive client files by shredding them. Mr. Clark said last week that the Rose firm set up a shredding system in 1991 in anticipation of greater media scrutiny during Bill Clinton's Presidential campaign.

Questions about shredding at Rose first arose in February, when The Washington Times reported that an unidentified employee said the firm had destroyed large quantities of Whitewater documents. Shortly afterwards, Mr. Fiske served subpoenas on law firm employees and issued an order admonishing the firm against destroying any evidence in the case.

Mr. Hedges said the couriers were then called to a meeting with Mr. Clark and Mr. Jones.

He said Mr. Clark began by instructing everyone to tell what they knew to Mr. Fiske's investigators. At that point Mr. Hedges said, he disclosed his intention to report the shredding of Mr. Foster's documents.

"I said," Mr. Hedges recounted, "I shredded some documents of Vincent Foster's three weeks ago."

Mr. Jones replied with skepticism. "He said: 'How do you know they were Foster's? Don't assume something you don't know.' "

Mr. Hedges insisted he was certain the documents came from Mr. Foster's files.

According to Mr. Hedges, Mr. Jones then said: "Don't assume they had anything to do with Whitewater."

Mr. Hedges said today that he was convinced that the documents had once been part of Mr. Foster's files.

"The file folders were stacked up neatly and the tabs all said, 'VWF Correspondence,' 'VWF notes,' 'VWF pleadings.' It looked like every file box I've ever looked at in the firm," he said. In addition, he said, the box had the initials VWF on its side and he looked at several letters in the file that bore Mr. Foster's signature at the bottom.

Mr. Clark said the letters might be explained by the fact that box included files from the firm's recruiting efforts. Mr. Foster, he said, routinely sent letters to lawyers the firm was seeking to hire. He acknowledged, however, that the box of documents the firm says was shredded should not have had binders bearing the initials VWF. "I can't give you any fact that is going to resolve that," he said.

Mr. Hedges said he had fed documents into a shredding machine for 30 minutes before being relieved by another courier, who took another 30 minutes to finish the job.

Clayton Lindsey, the courier who took over the shredding, said in a telephone interview today that he, too, clearly remembered the VWF markings on the binders. Mr. Lindsey said that when he placed documents into the machine, he generally keeps them in their jackets. The tabs, with identifying initials, are typically facing up, towards him.

"I saw the same stuff Jeremy did," Mr. Lindsey said. "I saw the initials on the side of the box and on some of the manila folders. It said VWF correspondence and like that. I didn't look into any of them."

Mr. Lindsey has been interviewed by the F.B.I. but has not testified to the grand jury.

In his Feb. 16 testimony before the grand jury, Mr. Hedges said only that the incident happened three weeks previously, or in the same week as Mr. Fiske's Jan. 20 appointment. But in the interview, Mr. Hedges said he had distinctly recalled hearing of Mr. Fiske's appointment when he was asked by a file clerk in the firm to carry out the shredding.



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# PRESIDENT CHOOSES A SPECIAL COUNSEL; OPENNESS IS VOWED

## EX-CARTER LAWYER NAMED

## Cutler Says White House Aides Will Testify in Any Inquiry — More Contacts Admitted

By GWEN IFILL
Special to The New York Times

WASHINGTON, March 8 — Lloyd N. Cutler was appointed special counsel to the President today and said that White House aides would testify before any Congressional inquiry into the Whitewater case.

In an effort to demonstrate the openness that he had promised on the matter, Mr. Clinton said during a news conference in which he announced the appointment that he would not try to use the powers of his office to shield himself from scrutiny.

Mr. Cutler's appointment was announced with evident relief by Mr. Clinton as the centerpiece of the Administration's effort to bounce back from recent reversals. The most serious of those setbacks was the disclosure last week that White House aides had discussed the investigation into an Arkansas savings and loan at the center of the Whitewater inquiry with the Treasury Department officials who are overseeing it.

### 'Incidental' Contacts

But White House officials also acknowledged today that there had been other contacts between White House and Treasury officials about the handling of the savings and loan investigation. Mr. Clinton said those contacts were "incidental and were follow-up conversations which had nothing to do with the substance of the R.T.C. investigations."

Officials said there were only "a few" such conversations but would not detail them. They said they would consider releasing the list of contacts after subpoenaed documents are handed over on Thursday to Robert B. Fiske, the special counsel who was named by Attorney General Janet Reno to investigate an investment by Mr. Clinton and his wife, Hillary, in an Arkansas real estate venture, the Whitewater Development Company, and the company's ties to the savings and loan, Madison Guaranty.

While six senior White House officials have received subpoenas compelling them to appear in court that day, a lawyer involved in the case said at least some of them have won Mr. Fiske's permission to delay their testimony until at least next week. Some have retained their own lawyers only in recent days, leaving them little time to prepare for the grand jury appearance Mr. Fiske requested.

### Relaxed President

Mr. Clinton had appeared angry and on edge on Monday, when he defended the integrity of his wife, who has also been involved in the case. But today he appeared relaxed, insisted that he was not bitter and spoke at length about the issue.

"Do we need some changes in the system?" the President asked. "Is Lloyd Cutler the person to help us do that? I think the answer is yes. I think he understands how to strike the proper balance."

Mr. Cutler, a prominent lawyer who held the counsel's job in the Carter White House, said during the news conference that he agreed to serve for no more 130 working days, and will work without pay. But his status as a short-time "special Government employee" will allow him to receive at least part of his annual salary from his law firm, which associates estimated at $450,000.

As a special employee, Mr. Cutler is also allowed to continue to represent some outside clients, and Presidential aides said he would do so in "one or two cases" that do not involve the Federal Government.

In appointing Mr. Cutler, Mr. Clinton took pains to reach outside the circle of close friends and Arkansas associates who are at the center of his recent troubles. It was the most recent example of what has now become almost a reflex in the Clinton White House — to try to cure the problems that threaten to swamp the Clinton Administration by hiring an outsider who is believed to lend support to a staff that has been repeatedly hamstrung by its own inexperience and, often, by apparent ineptitude.

Immediately after the news conference, Mr. Clinton and Mr. Cutler, along with Mrs. Clinton, Vice President Al Gore and the White House chief of staff, Thomas F. McLarty 3d, went to the East Room in an effort to buoy the spirits of 400 aides assembled there.

In what officials described as an upbeat presentation, Mr. Clinton reiterated his commitment to high ethical standards and urged the staff not to let the travails of the Whitewater case interfere with their work.

At the news conference, both Mr. Clinton and Mr. Cutler declined today to criticize Bernard W. Nussbaum, the White House counsel who resigned under pressure on Saturday in connection with the Whitewater case. But both asserted that business would be conducted differently than it was in the past.

"When it comes to the President's private affairs, particularly private affairs that occurred before he took office, those would be handled by his own personal private counsel, and in my view not by the White House counsel," Mr. Cutler said.

Indeed, Mr. and Mrs. Clinton have already retained a private lawyer, David Kendall, to represent their interests before Mr. Fiske.

### List of Witnesses

But as Mr. Clinton tried to increase morale at the White House, rumblings continued elsewhere in the capital. In Congress, Republican members of the House Banking Committee disclosed a list of 40 witnesses ranging from top White House officials to bank secretaries in Little Rock whom they want to testify at a hearing this month on the Whitewater affair.

Earlier today, Joel I. Klein, the deputy White House counsel, spoke by telephone with Mark Stein, a lawyer working with Mr. Fiske, about what one official described as the expected "transfer of documents" in response to subpoenas issued last week. White House officials have refused to describe the volume of information that is now being stamped and catalogued before being turned over to Mr. Fiske by Thursday's deadline.

But more than 400 members of the White House staff have signed letters certifying that they have searched their wastebaskets, files and computer queues for information that might meet Mr. Fiske's demand for "any and all" information about a Federal investigation into Madison Guaranty, the failed Arkansas savings and loan.

The matter is sensitive because the Clintons were named as possible beneficiaries of illegal action by the savings and loan; it was the disclosure of three previous discussions about the investigation between White House and Treasury Department officials that prompted Mr. Fiske to subpoena the White House and six top aides to Mr. Clinton.

Mr. Clinton said that he has not personally searched his own files to comply with the terms of the subpoena but that he expected his staff secretary, John Podesta, to turn over any notes he may have taken.

"I've still not been accused of anything wrong, and I'm not going to do anything wrong," Mr. Clinton said. "I revere the responsibility that I have been given and I am not going to abuse it."

**More contacts between aides and investigators are admitted.**

Mr. Cutler said he plans to spend his time at the counsel's office establishing procedures that will guard against improper contacts among Administration officials on legal matters.

"We have a ways to go," said one senior White House official. "Obviously nobody has claimed that this is, by any means, over. It does mean we're making significant progress."

While agreeing that they would cooperate with imminent Congressional investigations to demonstrate their new openness, White House officials continued to maintain that they are victims of partisan attack. Mr. Clinton directed a jab of his own at his current chief nemesis, Senator Alfonse M. D'Amato, Republican of New York.

"The Republicans have decided that Senator D'Amato will be the ethical spokesman for the Republican party in Congress," Mr. Clinton said in a none-too-subtle reference to Mr. D'Amato's own past ethical problems. "That is their right to do that."

In the Senate, Bob Dole of Kansas, the Republican leader, declared that "sooner or later there will be some hearings," and he warned that Republicans would make this a campaign issue to force the hand of Democrats.

But Democrats continued to resist. Senator George J. Mitchell of Maine, the Democratic leader, dismissed the call for hearings as a political stunt to embarrass President Clinton.

On the question of whether Democrats could withstand the pressure in an election year, Mr. Mitchell declared: "So, what's new? Republicans campaigning against Democrats?"

The House Banking Committee has already scheduled a hearing for March 24 on the progress of the savings and loan bailout and the agency operating the bailout, the Resolution Trust Corporation. The list of witnesses they proposed for the session in a letter to the committee chairman, Representative Henry B. Gonzalez of Texas, include Mr. McLarty; Mr. Nussbaum; Harold M. Ickes and Mark D. Gearan, deputy White House chiefs of staff; Bruce Lindsey, a senior Clinton aide, and Deputy Treasury Secretary Roger C. Altman, the acting head of the Resolution Trust. The Republicans also asked for testimony from James B. McDougal, the Clintons' partner in the Whitewater real estate venture and the head of Madison Guaranty, and from Government investigators from the Justice Department and the R.T.C.

A string of separate subpoenas issued by Mr. Fiske has also compelled testimony that day from six senior White House officials, disrupting operations in the West Wing as officials prepare to appear before a grand jury.

*Continued on Page B7, Column 3*

THE NEW YORK TIMES, WEDNESDAY, MARCH 9, 1994

BC-CLINTON-WHITEWATER-MOOD (SCHEDULED)

CLINTONS WORK TO BOOST MORALE AT WHITE HOUSE

By Steve Holland

WASHINGTON, March 9 (Reuter) - When President Clinton needed to boost morale of staff members upset by the Whitewater controversy, he gathered them all in the White House East Room and told a story he used to tell his daughter.

It went something like this: ``I was minding my own business, happy as can be, when along came a big ugly man, who tied a horse to me.''

``That story had a happy ending and this will too,'' Clinton assured about 300 staff members Tuesday in a pep talk that officials described as uplifting for a youthful staff who has watched in disbelief as the Whitewater issue crept into the White House.

Evidence of the impact Whitewater has had on the White House literally clutters West Wing offices. Brown trash bags have piled up in line with a directive not to throw away any papers so they can be checked for a Whitewater connection.

One official said the scene of trash bags and piles of papers has been the biggest manifestation of Whitewater for most staff, and that it is a bizarre sight, a ``weird landscape'' like a Salvador Dali painting.

Troubling as well have been subpoenas for some of the most straight-laced people in the Clinton administration, such as Communications Director Mark Gearan, the one-time church organist who Clinton teased recently for a short haircut.

So when Clinton held a news conference to introduce the 76-year-old Lloyd Cutler as the new White House counsel, about 300 staff members watched on television in the East Room and cheered on the president.

Then Clinton joined them, along with Hillary Rodham Clinton, said to be at the vortex of the Whitewater controversy, and Vice President Al Gore.

Observers said Clinton kept his arm around the shoulder of his wife part of the time and kissed her on the cheek a couple of times. He told the story he used to read to his daughter Chelsea, now 14.

And he repeated his assertion that he has done nothing wrong and that the truth will win out.

``I worked too hard to get here. I wouldn't do anything to disgrace the office held by Abraham Lincoln, Thomas Jefferson and Franklin Roosevelt,'' Clinton was quoted as saying.

Mrs. Clinton urged staff members not to let Whitewater detract from their jobs. As evidence of the need to fight for health care reform, she recounted the story of a woman with cancer in both breasts who only had enough money to have lumps removed from one breast.

``She said we've got bigger fish to fry, that this should be nothing more than static on the radar screen and it'll clear up, it'll go away. It may take some time but it'll go away,'' said one official of Mrs. Clinton's remarks.

``We were a lot more relaxed about it after the Clintons spoke,'' the official said.

As evidence of the impact Whitewater is having on the Clinton agenda, a speech the president gave on health care Tuesday went barely noticed.

As for the president, Clinton is trying to take in stride the latest controversy to rock his administration. The bags under his eyes are baggier, there is more strain in his face. But he insists he's not letting it get to him.

``You can't be a very good president if you're consumed with bitterness,'' Clinton said Tuesday.

Aides have been struck at how relaxed the president has seemed and have been encouraged by the confident air he has exuded.

``He is showing no signs of a person who is afraid or has anything to hide,'' said one official.

REUTER

**** filed by:RB--(--) on 03/09/94 at 03:11EST ****

PM-Digest Briefs,1293
Eds: This package does not contain the following items from the News Digest: PM-The Old Timers, PM-The New Supplicants, PM-MASH Unit, PM-Yugoslavia.

WASHINGTON (AP) With a broad denial of wrongdoing, President Clinton is struggling to pull his administration from under the cloud of Whitewater even as senior aides prepare to testify under grand jury subpoena.

``I am very relaxed about this,'' Clinton insisted Tuesday as his second news conference in as many days was swallowed up by questions about Whitewater. ``I did not do anything wrong. There is nothing here.''

His vigorous denials of misconduct notwithstanding, the controversy over Whitewater seemed only to mushroom.

The New York Times reported today that Jeremy Hedges, an employee of the Rose Law Firm in Little Rock, Ark., said he saw Vincent Foster's signature on documents he shredded at the firm. Foster, the deputy White House counsel who committed suicide in July, worked at the firm with Hillary Rodham Clinton. Rose officials have said the papers were internal documents unrelated to Whitewater.

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WASHINGTON (AP) President Clinton, focusing on jobs in advance of an international conference on unemployment, is presenting Congress with a plan for revamping assistance programs for jobless Americans.

Clinton scheduled a news conference today to unveil a program to provide extended jobless benefits for displaced workers learning new skills. It also would combine all state and federal unemployment programs into one-stop career centers, where those looking for work can apply for benefits, receive counseling and sign up for training.

The president presents his Reemployment Act to Congress as he prepares to open an international jobs conference next Monday in Detroit.

Aides sought Tuesday to lower expectations that the two-day meeting will produce any dramatic solutions to the problem of chronically high unemployment around the world.

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OCEANSIDE, Calif. (AP) For Navy Lt. Peter Clarke, the Pentagon's new ban on smoking in the workplace will stamp out a serious problem battles at sea.

Clarke said he spent a good portion of his time on board ship refereeing arguments between smokers and nonsmokers, thrown together for six months at a time.

``I was in charge of 42 people and they'd be saying this guy or that guy is smoking in the kitchen and we don't like it,'' said Clarke, a nonsmoker stationed near here at Camp Pendleton. ``The other guys would be saying, `Well, if you don't like it, you don't have to stand there.'''

He added, ``I've seen these kids start smoking at 18, and it's because they see their chiefs smoking. I think the ban is a good thing.''

The ban, announced Tuesday, will affect 3.6 million civilian and military employees in workplaces ranging from Pentagon offices to tanks beginning April 8.

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NAPERVILLE, Ill. (AP) The clues pointed toward Larry Eyler for more than a decade.

A dead man's blood was found on his boots, but the evidence was thrown out on a technicality. The day after another body was found, Eyler was treated at a hospital for a knife wound. Later that day, he bought handcuffs and a knife.

So it was little surprise to prosecutors across Illinois and Indiana when a lawyer announced Tuesday that Eyler had admitted before he died of AIDS on Sunday that he killed 21 people over two years in the early 1980s.

``He was our prime suspect'' in the death of a man whose body was found in 1982, said Tim Bukowski, a spokesman for the Kankakee County Sheriff's Department.

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BY CHARLES V. ZEHREN
WASHINGTON BUREAU

WASHINGTON SEN. ALFONSE D'AMATO WILL BE THE FIRST TO ADMIT THAT HE DIDN'T THINK THERE WAS MUCH THERE WHEN HE STARTED POKING AROUND THE WHITEWATER AFFAIR LATE LAST FALL.

IT DIDN'T SEEM LIKE ANYTHING BIG,'' THE NEW YORK REPUBLICAN SAID IN AN INTERVIEW YESTERDAY. I REJECTED ALL THE WILD SPECULATION.''

BUT D'AMATO SAID EACH QUESTION HE ASKED SEEMED TO BRING ON YET ANOTHER, AND CLINTON ADMINISTRATION OFFICIALS WERE BRIDLING AT ANSWERING INQUIRIES. AND THEN, D'AMATO SAID, THE DEMOCRATS AND THE WHITE HOUSE BEGAN THE PERSONAL ATTACKS.

I WAS GETTING STONEWALLED. TOLD TO DROP DEAD. TOLD IT'S NONE OF MY BUSINESS. TOLD TO LEAVE THE ADMINISTRATION ALONE,'' D'AMATO SAID. THEY TOLD ME TO GO TO HELL.''

AS EVEN HIS HARSHEST CRITICS WILL ADMIT, YOU NEVER WANT TO TELL AL D'AMATO TO GO TO HELL OR TO HAVE HIM THINK YOU HAVE.

SOON, THE SENATOR ANGRY AND SUSPICIOUS WAS GRILLING TOP CLINTON ADMINISTRATION OFFICIALS FROM HIS POST AS RANKING MINORITY MEMBER ON THE SENATE BANKING COMMITTEE.

AND THEN IT WAS REVEALED THAT WHITE HOUSE COUNSEL BERNARD NUSSBAUM AND OTHER AIDES TO THE DEMOCRATIC PRESIDENT MET THREE TIMES WITH OFFICIALS FROM THE RESOLUTION TRUST CORP. AND THE TREASURY DEPARTMENT ABOUT INVESTIGATIONS INTO THE FAILED MADISON GUARANTY SAVINGS & LOAN.

D'AMATO AND EVENTS SEEM TO OUTPACE THEMSELVES LAST WEEKEND AS NUSSBAUM RESIGNED AND INDEPENDENT COUNSEL ROBERT B. FISKE JR. ORDERED 10 CURRENT AND FORMER WHITE HOUSE AND TREASURY DEPARTMENT OFFICIALS TO REPORT TO A WASHINGTON GRAND JURY TOMMOROW. TODAY, D'AMATO IS SLATED TO MEET WITH FISKE TO ARGUE FOR CONGRESSIONAL HEARINGS, EVEN THOUGH THE PROSCECUTOR SAYS SUCH PROCEEDINGS COULD HARM HIS INVESTIGATION.

ALL YOU HAVE TO DO IS SHOW ME THE FACTS,'' D'AMATO SAID. BUT DON'T TRY TO SHOUT ME DOWN. DON'T TRY TO BEAT ME DOWN. I DON'T STOP.''

PRESIDENT BILL CLINTON REPEATED YESTERDAY THAT HE HAD DONE NOTHING ILLEGAL, AND HE CHARGED THE REPUBLICANS WITH LAUNCHING A CONCERTED POLITICAL ATTACK. HE ALSO CHIDED HIS OPPONENTS FOR MAKING D'AMATO THE ETHICAL SPOKESMAN FOR THE REPUBLICAN PARTY IN CONGRESS.''

BUT D'AMATO SAYS WHAT'S FAIR IS FAIR. FOR YEARS, THE DEMOCRATS PROBED AND PRODDED THE BUSH AND REAGAN ADMINISTRATIONS AND HE PERSONALLY HAS BEEN REPEATEDLY CALLED TO YIELD DOCUMENTS AND TESTIFY FOR ALLEGED ETHICAL WRONDOING. NOW THE DEMOCRATS IN CONGRESS HAVE A RESPONSIBILITY TO MAKE THE WHITE HOUSE DISCLOSE EVERYTHING, HE SAYS.

WOULD ANYBODY EXPECT ANYTHING ELSE FROM AL D'AMATO?,'' ASKED NORMAN ORNSTEIN OF THE AMERICAN ENTERPRISE INSTITUTE. ... HE IS AN IN-YOUR-FACE TYPE GUY.''

D'AMATO HAS BEEN HOT, GRABBING PRIME FACE TIME ON NATIONAL TELEVISION, COMMANDING HEADLINES IN MAGAZINES AND NEWSPAPERS EVERYWHERE AND THE IRONY IS INESCAPABLE. THE REPUBLICAN WHOM DEMOCRATS TARRED AS THE MOST INVESTIGATED UNITED STATES SENATOR IN THE HISTORY OF HIS COUNTRY'' DURING THE 1992 CAMPAIGN, HAS TURNED THE TABLES ON EVERYONE, JOINING REP. JIM LEACH (R-IOWA) IN LEADING THE CHARGE TO PROBE POSSIBLE ETHICAL IF NOT LEGAL TRANSGRESSIONS BY BILL CLINTON AND FIRST LADY HILLARY.

THE PRESIDENT'S DEFENSE OF HIS WIFE MONDAY DID LITTLE TO TEMPER D'AMATO'S ZEAL. AS DEMONSTRATORS OUTSIDE THE WHITE HOUSE PARADED IN SUPPORT FOR HILLARY CLINTON YESTERDAY, THERE WAS D'AMATO ON THE FLOOR OF THE SENATE QUESTIONING HER ROLE IN THE WHITEWATER DEVELOPMENT VENTURE, WHICH THE CLINTONS INVESTED IN WITH JAMES AND SUSAN MCDOUGAL.

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USING HIS BANKING COMMITTEE POST, THE SENATOR HAS RIPPED INTO THE ADMINISTRATION WITH 100-PROOF WORDPLAY THAT HIS FRIENDS AND CRITICS ALIKE SAY IS VINTAGE D'AMATO. HE CLAIMS TO BE OUTRAGED'' HE ACCUSES THE CLINTON ADMINISTRATION OF FOISTING LIES,'' DISTORTIONS'' AND DECEPTIONS'' ON THE PUBLIC AND HE ACCUSES THE WHITE HOUSE OF ENTERING INTO SOME KIND OF SECRET CABALS'' AND COVER-UPS.''

THE SHOULDER HE BROKE IN A SKIING ACCIDENT IS NOW FREE FROM ITS SLING, LIBERATING HIM TO GESTURE WILDLY ONCE AGAIN. PUTTING

BODY INTO HIS BODY LANGUAGE, D'AMATO WAVES LETTERS AND DOCUMENTS IN FRONT OF HIS COLLEAGUES. HIS LIPS TIGHT, HE ATTACKS THE ADMINISTRATION WITH MORE VERVE THAN JOY, SEEMING TO MAKE EYE CONTACT WITH EVERYONE IN THE HEARING ROOMS AT ALL TIMES FROM ALL ANGLES. HE'S SHOCKED'' AND APPALLED'' OVER THE WHITEWATER WHITEWASH.'' HE'S NO FRIEND OF BILL. HE WON'T BACK DOWN.

D'AMATO STARTED PRESSING THE DEMOCRATS ON WHITEWATER LATE LAST FALL AND IN DECEMBER HE REQUESTED THAT BANKING COMMITTEE CHAIRMAN DONALD RIEGLE JR. HOLD HEARINGS ON MADISON GUARANTY.

BY THE END OF JANUARY, D'AMATO WAS GOING TO THE FLOOR OF THE SENATE EVERY DAY WITH A CALENDAR, MARKING DOWN THE DAYS UNTIL THE STATUTE OF LIMITATIONS RAN OUT IN REGARD TO S&L CASES IN PARTICULAR, MADISON. AFTER A SERIES OF LEGISLATIVE MANEUVERS, THE TIME LIMIT WAS EXTENDED UNTIL THE END OF 1995.

THEN RIEGLE AGREED TO ALLOW THE ACTING HEAD OF THE RTC, ROGER ALTMAN, TO TESTIFY ON FEB. 24.

D'AMATO SAID YESTERDAY THAT THE NIGHT BEFORE THE HEARING HE SPOKE WITH ALTMAN, WHO CALLED TO DISCUSS THE APPOINTMENT OF A NEW RTC OFFICIAL. EARLIER, D'AMATO SAID, SOURCES TOLD HIM THERE MAY HAVE BEEN A MEETING'' BETWEEN REGULATORS AND CLINTON AMINISTRATION OFFICIALS ON MADISON. AND D'AMATO SAID HE TOLD ALTMAN HE WOULD BE ASKED ABOUT SUCH CONTACT. I DIDN'T WANT ROGER TO THINK THAT WE WOULD JUST SPRING IT ON HIM'' DURING THE HEARING, D'AMATO SAID.

WHITEWATER EXPLODED THE NEXT DAY WHEN ALTMAN TESTIFIED UNDER QUESTIONING BY SEN. PHIL GRAMM (R-TEXAS) AND D'AMATO THAT HE AND OTHER REGULATORS HAD IN FACT MET WITH ADMINISTRATION OFFICIALS TO DISCUSS MADISON GUARANTY. OTHER MEETINGS WERE THEN REPORTED AND D'AMATO AND THE REPUBLICANS HAD THE WHITE HOUSE ON THE DEFENSE.

DAVID WILHELM, CHAIRMAN OF THE DEMOCRATIC NATIONAL COMMITEEE, STRUCK BACK, ACCUSING D'AMATO IN A LETTER OF COMMITING PERJURY 19 YEARS EARLIER WHEN HE TOLD A NASSAU COUNTY GRAND JURY HE WAS NOT AWARE OF THE SO-CALLED 1 PERCENT RULE' IN WHICH PUBLIC EMPLOYEES IN HEMPSTEAD WERE EXPECTED TO PAY 1 PERCENT OF THEIR SALARY TO THE COUNTY REPUBLICAN PARTY. D'AMATO FACED NO CHARGES. AND WILHELM ALSO RAISED THE MAIL FRAUD CONVICTION OF D'AMATO'S BROTHER ARMAND. THAT CASE IS NOW UNDER APPEAL.

ON AUG. 2, 1991, D'AMATO WAS REBUKED BY THE SENATE ETHICS COMMITTEE AFTER A TWO-YEAR INVESTIGTION FOR RUNNING HIS OFFICE IN

AN IMPROPER AND INAPPROPIRATE MANNER,'' BUT EVIDENCE WAS NOT STRONG ENOUGH TO CHARGE HIM WITH BREAKING ANY RULES.

THOSE WHO KNOW D'AMATO SAY THE PERSONAL ATTACKS WILL ONLY SPUR HIM ON. HE IS NOT THE TYPE OF PERSON WHO CAN BE THREATENED,'' SAID BILL POWERS, CHAIRMAN OF NEW YORK STATE'S REPUBLICAN PARTY AND A LONG-TIME FRIEND OF D'AMATO.

ALMOST SOUNDING AS IF HE WAS OFFERING ADVICE TO CLINTON, D'AMATO SAID THAT WHEN HE WAS UNDER INVESTIGATION HE ANSWERED ALL THE QUESTIONS.

I NEVER HID A DOCUMENT OR A DIARY. THEY TOOK 250 BOXES OF STUFF TWO-HUNDRED-FIFTY I WAS INVESTIGATED UP AND DOWN FOR TWO YEARS. WE BROKE NO LAWS,'' D'AMATO SAID. BUT I TOOK MY LUMPS. I DIDN'T RUN AROUND CRYING SAYING IT'S UNFAIR.

HEY, IT'S ALL PART OF THE BUSINESS.''

2/2

Newsday
3/9/94 143

# Fears suddenly ensnare the staff

By Michael Kranish
GLOBE STAFF

WASHINGTON – The White House communications director, facing a federal subpoena in the Whitewater case, isn't communicating.

The White House trash, covered under the same subpoena, isn't being picked up. Under federal order, presidential rubbish has been piled in offices and corridors. Included is malodorous, five-day-old food.

Throughout the executive mansion and the adjacent Old Executive Office Building, the young Turks of the Clinton campaign, some of whom once gleefully hurled Iran-Contra charges at President Bush, are gloomily wondering how this has happened to them. At least six top officials are being forced to hire lawyers at personal expense in response to subpoenas.

The White House appears filled with fear this week: fear that some staffers could be ruined, fear that this presidency could suffer irreversible damage over a small-time real estate deal and bad staff work. Some of the fighting spirit appeared to go out of those working on health care and other pressing issues.

"There is a feeling of concern for your friends who have been subpoenaed and had to hire lawyers out of their own funds, and a worry about how we can get on with our lives," said a senior administration official who spoke on condition of anonymity.

The official described how dozens of aides are collecting every conceivable Whitewater-related document, including newspaper clippings, to comply with a federal subpoena.

The somber mood appeared to soften last night, at least for a few hours, when Clinton held a private, unannounced meeting with his staff in the East Room, according to an official who attended the session. "The president assured us he would never do anything to harm the office and thanked us for helping him get here," the official said. "It wasn't as morose as it sounds. It was uplifting."

Perhaps the most intense focus in recent days has been on Hillary Rodham Clinton, who has gone from being described as the most powerful first lady in history to being portrayed as a subject of a federal inquiry and an unelected but powerful figure whose influence may be diminished.

Just before President Clinton held a press conference Monday in which he defended his wife's actions, Mrs. Clinton discussed the matter with one of her best friends, Diane Blair of Fayetteville, Ark.

Blair, in a telephone interview yesterday, said Mrs. Clinton's feeling was that "it is not fun being a punching ball. It is not fun being the target in a shooting match."

Blair said she told the first lady that outside of Washington, most people thought the accusations were absurd.

"Most people out here think Washington has gone nuts," Blair said. "To try to turn the Clintons into suspected criminals is totally bizarre. If ever two people were not motivated by greed, it is the Clintons . . . yet they have to get up every morning wondering how they defend themselves against charges that haven't been made."

That defensive attitude now pervades the White House.

As White House officials explain it, they have been placed on "scandal alert." One presidential aide described it this way: Anything that can be used against you by the most unfair critic should not be done. Be careful of whom you are talking to and what you say.

The walls, it seems, have gone up. The White House, normally a frenzy of activity, suddenly appears frozen in motion as everyone from the president and Mrs. Clinton on down tries to deal with the Whitewater investigation. Briefings are canceled, many phone calls are not being returned.

Deputy White House press secretary Arthur Jones, while saying that "there is no paralysis," acknowledged that "everyone seems to have been distracted, including those critical of the White House and those supportive of it. It has been a distraction all around."

Still, Jones added, "It's not as if this administration hasn't had a few pebbles in the road during its 14 months. People here are used to keeping our heads above the game and slugging it out with whatever demons come our way."

The most visible activity revolves around the subpoena. In response to the order sought by independent counsel Robert Fiske, hundreds of White House officials are spending their days sorting through "burn bags" and electronic mail to supply anything remotely related to the investigation.

With six top White House officials subpoenaed to appear before a grand jury, they are forbidden from having conversations with each other about Whitewater – lest they be accused of collaborating on testimony and obstructing justice.

On Monday, communications director Mark Gearan abruptly canceled a luncheon with a group of reporters. Gearan, a native of Gardner, Mass., is among the six.

By late yesterday, with Clinton's appointment of 76-year-old Lloyd Cutler as counsel, there was at last a feeling of some relief among the younger staff members who at one time disdained the idea of hiring such Carter administration veterans.

After a week of high anxiety, it was Clinton himself who tried to temper the tone. "I am very relaxed about this because I did not do anything wrong," Clinton said. "There is no bunker mentality."

The Boston Globe

# Forget it! is ex-presidential consultants' advice to clinton

By Bob Hohler
GLOBE STAFF
and John Mashek
SPECIAL TO THE GLOBE

WASHINGTON – A few words of advice to President Clinton on Whitewater: Ride rapidly away from it.

Several consultants to past presidents suggested yesterday that Clinton's best strategy amid the Whitewater furor would be to place the case immediately in the hands of Lloyd Cutler, his new White House counsel, and try to refocus on his legislative agenda.

"If he's smart enough to keep his nose out of it, it can't hurt him politically," said Marlin Fitzwater, White House press secretary during the Reagan and Bush presidencies. "I'd tell him to forget about it."

The more time Clinton spends addressing the two-year-old Whitewater allegations, the more he appears entangled by it, the less he will be able to advance his highly ambitious agenda, said Fitzwater and other prominent political consultants.

"He ought to pay attention to being president and let others take care of the frenzy," said Frank Mankiewicz, a former adviser to presidential candidates Robert F. Kennedy and George McGovern. "What the country really is concerned about is health care, employment and how to take care of a 90-year-old grandmother with little or no insurance."

Clinton was steering clear of the Whitewater affair, several political advisers said, until word broke that his staff had met with investigators about the case, prompting critics to assert that White House officials had abused their power.

In a bid to reclaim the high ground, the president took necessary steps by shaking up his staff, calling for a new vigilance on ethics and disclosing what he knew about his staff's actions, according to Susan Estrich, manager of Michael S. Dukakis' presidential campaign.

"The wounds of Whitewater were largely self-inflicted by the president's aides, who were providing the fish for the media feeding frenzy," Estrich said. "The best thing for him to do is: Don't be cute, don't hide anything and get back to the issues people care about."

She said Whitewater allegations have caused Clinton less damage than has "his appearance of trying to make it go away."

All the consultants interviewed yesterday praised Clinton's choice of Cutler as White House counsel to succeed Bernard Nussbaum, who resigned last week amid growing criticism of his political judgment in taking part in briefings on the Whitewater probe.

But Cutler may need help, suggested Charles Manatt, a former chairman of the Democratic National Committee. "The White House should move very quickly to add another seasoned person who would help them redirect the focus onto the domestic agenda," Manatt said.

He suggested several potential candidates, including Kirk O'Donnell, a former top aide to the late House Speaker Thomas P. (Tip) O'Neill Jr.

But others, including Leonard Garment, a former special consultant and counsel to President Richard M. Nixon, suggested Clinton should show some aides the door.

"I'd call them all together and find out who were the self-destructive, self-serving fools – the descendants of the Medici – who were trying to advance themselves or their views and make themselves look close to the president," Garment said. "Then I'd get them out of the White House as fast as possible."

The next person who should go, Fitzwater asserted, is Harold Ickes, Clinton's deputy chief of staff, who took part in White House meetings with Whitewater investigators. "It was Ickes and his group who brought the whole thing into the White House and got the president involved again," Fitzwater said.

Although none of the consultants called comparisons between Whitewater and Watergate credible, several said Clinton should remember some of Watergate's lessons.

"There has to be an impression of total cooperation and disclosure; no equivocation," said Robert Neuman, a former chairman of the Democratic National Committee. "If anything was learned from Watergate, that's it."

But Neuman, like the others, said he would urge Clinton not to be distracted by Whitewater.

Garment offered one final piece of advice for the president: "Have a lot of drinks."

*David Shribman of the Globe staff contributed to this report.*

The Boston Globe

# C n on turns o Cu ler

## Insider is tapped to quell Whitewater storm

By John Aloysius Farrell
GLOBE STAFF

WASHINGTON – President Clinton named longtime Washington lawyer Lloyd Cutler as interim White House counsel yesterday, seeking to quell criticism even as he acknowledged further contacts between his aides and federal officials overseeing the Whitewater probe.

Clinton made his announcement in a spirited 40-minute press conference at which he joshed and joked with Cutler, lashed his Republican critics for playing "the politics of personal destruction," and agreed to let his aides testify in court or on Capitol Hill if Congress decides to ignore the warnings of the Whitewater special prosecutor and conduct public hearings.

"I am very relaxed about this. I did not do anything wrong. There is nothing here," Clinton said. "There is no bunker mentality."

But Clinton acknowledged that, in addition to three meetings that have already been disclosed, there were other contacts between White House staff members and federal officials overseeing the Resolution Trust Corp.'s investigation of Madison Guaranty, a failed Arkansas savings and loan.

Clinton said the counsel's office, in response to a subpoena from Whitewater special prosecutor Robert Fiske, had canvassed the White House staff and discovered further "incidental . . . follow-up conversations."

The president said the contacts, which give the appearance of impropriety but are not in themselves illegal, "had nothing to do with the substance of the RTC investigations." Clinton said: "I do not have any information that anyone has done anything wrong, that anyone has tried to use the authority of the White House in any way, shape or form, and I can tell you for darned sure I haven't."

The details of the additional contacts are being turned over to Fiske, Clinton said. Though he defended his wife, Hillary Rodham Clinton, once again yesterday, Clinton dodged a question about her knowledge of the RTC investigation and her own staff's contacts with the Treasury officials.

[Meanwhile, The New York Times reported today that Jeremy Hedges, a Rose Law Firm employee who testified before a federal grand jury about destroying documents from the files of Vincent Foster, now says he shred the material after Fiske said he would look into the apparent suicide of the deputy White House counsel as part of his probe. Mrs. Clinton worked at the law firm with Foster, who had represented the Clintons in Whitewater and other personal matters.]

Clinton's choice of Cutler was hailed on Capitol Hill, even by such aggressive critics as Rep. Jim Leach, a Republican from Iowa, who said: "Lloyd Cutler is an impeccable choice to help manage one of the most awkward public ethics issues of our time."

Leach, Senate Republican leader Bob Dole of Kansas and other Republicans called throughout the day for congressional hearings on Whitewater, threatening to make Democratic reluctance a campaign issue in the fall. Fiske has warned that hearings could seriously harm his investigation.

Clinton and Democratic congressional leaders said the GOP call for hearings demonstrated that Republicans, who had called for a special prosecutor in the first place, were only interested in partisan gain. "That tells you what this is," said Senate Democratic leader George Mitchell of Maine. "It's a campaign event . . . a political stunt."

"It was all the Republicans who were clamoring for a special counsel, clamoring, saying this is all we want," said Clinton. "If the Republicans are finally being honest that they want to make political hay out of this and that's their real concern, I think the American people have noticed that a long time ago.

"I do not believe that the politics of personal destruction is what the American people are interested in," said Clinton.

Responding to extended questions on Whitewater for the second day in a row, Clinton said it was unlikely that he would invoke a claim of "executive privilege" in an effort to keep aides from testifying or turning over records. Former President Richard M. Nixon set off a political firestorm by claiming executive privilege and refusing to turn over White House tape recordings during the Watergate scandal.

Clinton said yesterday he keeps no White House diary or personal notes, and that any records he made would be turned over to Fiske by his staff secretary, John Podesta. And are there Clinton White House tapes? "To the best of my knowledge there are not," the president said. "If there are, someone else made them, not the president."

The 76-year-old Cutler replaces Bernard Nussbaum, who resigned Saturday after reports that he and other White House aides had been briefed on the status of the Whitewater investigation at the three meetings with Treasury officials overseeing the RTC probe.

Cutler agreed to serve on an extended interim basis of about six months, saying this befitted the demands of the job, his status as a "senior citizen" and his desire to spend time with his "young and peppy" second wife. He joked that he would then be replaced by another Democratic graybeard, former party chairman Robert Strauss.

The selection of Cutler marks the second time in less than a year that Clinton has responded to a political crisis by reaching out to a Washington insider. Last spring, beset by a similar storm of political and journalistic attacks, Clinton lured David Gergen, an adviser to three Republican presidents, to the West Wing as a senior adviser.

"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," said Clinton. The president admitted that he underestimated the insider "culture" of the capital and would henceforth have to be more "sensitive" to the concerns of those who work, scheme and gossip here.

The Boston Globe

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OVER THE COFFEE



*Donald*
**KAUL**

# A certain ring to Whitewater

I have been having a recurring dream lately. President Clinton emerges from a weeklong series of around-the-clock meetings with Boris Yeltsen, Yasser Arafat, Yitzhak Rabin, the prime minister of Japan, Mother Teresa and a panel of scientists from the National Institutes of Health.

Drawn and haggard, he steps to the microphone and says:

"It is my great pleasure to announce that Russia has agreed to unilateral nuclear disarmament in return for being included in the next expansion of major-league baseball; Israel has granted total autonomy and a vested pension plan to a new Palestinian state, which in turn has adopted Yiddish as a second language; Japan has agreed to buy as many American cars as it takes to make the trade deficit go away, even if it means using them for doorstops; we've come up with a plan that will end world poverty in 10 years without any rise in taxes and we've found a cure for cancer and a vaccine for AIDS. Are there any questions?"

A woman whose face looks familiar in a 6 o'clock news sort of way stands and says:

"Do you and Hillary plan to resign and then enter a monastery and convent, respectively, as a result of the recent Whitewater revelations?"

Whitewater. It has kind of a ring to it, doesn't it? I'll bet Clinton is wishing the developer had called it Whitesands or Whitecloud or anything that didn't blend seamlessly with "Watergate."

Watergate. The gold standard of political scandals. All scandals since, big and small, have been given the "gate" suffix — Irangate, Koreagate, Travelgate — but it is Clinton's special misfortune that his scandal brought its own water to the party. Whitewatergate.

"This is Watergate," he keeps saying. "There is no cover-up, no wrongdoing."

But the Republicans keep boring in, picking at it like a scab on a wound. If it isn't the glowering Bob Dole, it's crabby Phil Gramm or Knuckles D'Amato or Gentleman Jim Leach. An odd quartet, that; as though the Four Horseman of the Apocalypse were named War, Famine, Pestilence and Low-Fat Yogurt.

Leach is the guy in the white suit whose assiduous pursuit of the Whitewater matter gives the Republicans a credibility they would otherwise lack. He's spent years building a reputation as one of the good guys and now he's putting that reputation at the service of his party.

There's an outside chance that the Republicans can ride this Whitewater thing into control of the Senate and even back into the White House. I don't see it, but stranger things have happened.

Certainly Clinton's performance thus far has not inspired confidence in his cleaner-than-a-hound's-toothness. His protestations of innocence remind one of his early statements on marijuana toking and his Vietnam draft status — full of loopholes. For example:

"No one has accused me of any abuse of authority in office."

Put that under a microscope and you can't tell whether he's saying he hasn't done anything or just hasn't been accused. Even his defense of his wife has something of that equivocation:

"I do not believe for a moment that she has done anything wrong," he said. *Believe?*

Is that just a habit of mind or does it mean something? I don't know.

I do know that the controversy comes at an unpropitious time. Just as we struggle with the reform of our health-care system, with welfare reform on the near horizon, and as the world looks to us for leadership in its attempt to emerge from a century of warfare, we are becoming increasingly bogged down in contemplation of a small-time real-estate deal that apparently didn't make the participants any money.

I suppose, when push comes to shove, I agree with this statement by the president: "It is essential 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."

Unfortunately for Clinton, the president who said that was Richard Nixon, in 1973. He was talking about Watergate.

The ironic thing about this is that if we had listened to Jim Leach years ago instead of ignoring him when he warned us about the coming S & L scandals, we'd be $300 billion ahead right now, which we could spend on a national health-care plan, which we're not going to get because this time we are listening to Jim Leach.

It doesn't seem fair, somehow.

The Des Moines Register

RELEASES WITNESS LIST

# Leach rejects objections to hearings on Whitewater

By JANE NORMAN
Of The Register's Washington Bureau

Washington, D.C. — Iowa Republican Jim Leach said Tuesday that "no credible possibility exists" that congressional hearings on the Whitewater affair could compromise a special counsel's investigation.

Also Tuesday, Leach's office released a list of witnesses expected at a March 24 hearing of the House Banking Committee where the failed Madison Guaranty Savings and Loan, and its links to the president and his wife, are expected to be scrutinized.



Leach
*Wants hearings*

Leach, the senior Republican on the committee, has led a minority investigation of Whitewater after the committee's Democratic chairman declined to continue a bipartisan inquiry.

Leach has promised disclosures of "blockbuster proportions" at the hearing, although it was unclear how many of his witnesses will appear.

Leach and other committee Republicans said in a letter they doubt all witnesses will show, and they asked the chairman to send invitations immediately so "the committee will have ample opportunity to consider whether the issuance of subpoenas would be appropriate."

The witnesses on Leach's list include James McDougal, owner of the failed thrift, and his former wife, Susan; various officials of the Resolution Trust Corp., which disposes of failed savings and loans; Treasury Department officials; and Jeremy Hedges, the 18-year-old courier who reportedly told a grand jury looking into Whitewater that he shredded documents at the request of lawyers in Hillary Clinton's former law firm in Little Rock.

Leach appeared ready to push ahead with his hearing, despite Special Counsel Robert Fiske's request that members of the House and Senate banking panels cancel plans to look into Whitewater in a congressional forum.

Fiske warned that Congress could interfere with his own investigation into Madison, the Whitewater real estate venture and the suicide of White House aide Vincent Foster.

Fiske cited a grand jury's investigation into these areas. He has also subpoenaed 10 White House staff members in the wake of revelations they had secret meetings with Treasury Department officials about the status of a confidential inquiry into Whitewater by federal regulators.

Most are included on Leach's witness list. But Banking Committee Chairman Henry Gonzalez, D-Texas, already has indicated he won't allow questioning of those officials, the Washington Post reported, because they are "not vital" to the hearing — which is supposed to be on the progress of the savings and loan bailout.

### "Public's Concerns"

Leach said congressional hearings he has pushed would not have a "chilling" effect on the special counsel's investigation.

"I understand your concern for the integrity of the criminal justice process," Leach wrote Fiske. "However, the public's concerns, such as the integrity of the regulatory system, abuse of executive branch power, and the need for legislative remedies, are broader than just those issues and events which rise to the level of criminal wrongdoing."

Fiske also had said members of Congress should not subpoena those people related to his investigation. Leach countered that it was a congressional hearing in the Senate that produced the disclosure that private meetings on Whitewater took place between Treasury Department officials and White House staff.

Leach also pointed out that during Watergate, congressional committees met at the same time that the special prosecutor, Archibald Cox, was conducting his investigation.

"It was Sen. Sam Ervin's congressional investigation which brought out the existence of the Watergate tapes, an integral finding for the Watergate prosecutor," said Leach.

He said the Constitution, Supreme Court precedent and statutes "clearly establish" Congress' investigatory power as an essential component of its legislative function.

Democrats have pointed out that Oliver North was granted immunity during the Iran-Contra congressional hearings, and his conviction later was overturned on the ground that his testimony may have been improperly used against him. But Leach said that "I see no reason the Banking Committee should consider offering any individuals immunity in this hearing."

Committee rules also allow for the protection of confidential and potentially defamatory material, Leach said.

The Des Moines Register

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(ATTN: National editors)
Clinton Chooses to Stay Out of Bunker on Whitewater (Washn)
By David Lauter= (c) 1994, Los Angeles Times=

WASHINGTON Seeking to convey the clearest possible contrast with the hunkered-down, closed-in White Houses of scandals past, President Clinton has embarked on a potentially risky strategy of public exposure clearly demonstrated Tuesday in one of the longest press conferences of his tenure.

With his new White House counsel, Lloyd Cutler, standing by his side, Clinton held forth in the White House briefing room for roughly 45 minutes, remaining relaxed and smiling, and avoiding the sort of testy defensiveness that has often marked his public question-and-answer sessions.

The display marked a sharp contrast with the approach the White House has taken on Whitewater in the past, which generally has been to try to keep Clinton from answering questions.

Asked if the back-to-back press conferences of the last two days stemmed from a change in strategy, one senior aide said, ``Yes, absolutely.''

``The president today stayed and answered every single question,'' the aide said. ``This is the president's strong feeling, that we have nothing to hide and should show that. That's what happened today, and I hope you'll see more of it.''

Not everyone in the White House agreed.

Officials originally scheduled Clinton to appear in the White House briefing room, where he would meet with the roughly 200 members of the White House press corps. Officials then changed plans to have the president make the announcement before a small number of reporters in the more controlled environment of the Roosevelt Room. In the end, however, they reverted to the earlier schedule and put Clinton before the larger group.

Those who have doubts about the new approach could point to one clear potential downside someone answering dozens of questions on a complicated matter is almost certain to provide new information that leads to new questions.

Monday, for example, Clinton revealed that in October, before the matter became public, he was informed that the Resolution Trust Corp., a subsidiary of the Treasury Department, had made a criminal referral to the Justice Department in a matter related to the Whitewater affair. Contacts between the White House and Treasury have been the center of the renewed controversy over Whitewater in the last two weeks, and Clinton's words quickly were treated as a new revelation that triggered headlines Tuesday.

Despite that risk, a majority of White House aides and advisers hope for a more important payoff a public perception that Clinton wants to clear the air. As he said repeatedly: ``I'm cooperating. I'm not doing what some people have done in the past. I am cooperating. I'm being open.''

Indeed, in case people were not getting the message, Clinton repeated words to that effect six times during the press conference.

``We're open, not closed; there's no bunker mentality,'' he said at one point.

``You have to understand, I am very relaxed about this,'' he said at another. ``I did not do anything wrong. There is nothing here.''

Afterward, in a White House staff meeting, Clinton repeated his message, telling aides that if they had made any mistakes, they should ``own up.'' He entertained them with a children's story he said he had once read to his daughter Chelsea, the point of which was that sometimes bystanders can unintentionally become participants. Aides quickly retold the story to reporters.

The purpose of all those moves was to try to distinguish this White House from the one so many Americans remember the grim memory of Richard M. Nixon avoiding reporters and hunkering down in a White House that by all accounts was very much besieged during Watergate. With polls showing that the vast majority of Americans are still quite unsure of what to make of Whitewater, Clinton's advisers believe that the image they convey is important to what Americans come to believe about the matter.

Another set of images Clinton's advisers would like to avoid are those from Clinton's own presidential campaign, when he often appeared beleaguered, surrounded by mobs of reporters and often ill-at-ease in responding to questions. The campaign appearances gave many Americans an unfavorable image of Clinton that his advisers would like to avoid now.

This time, by contrast, Clinton's demeanor backed up his words about openness. Clinton maintained a relaxed smile throughout, guaranteeing that Americans tuning in their nightly television news programs would see him appearing the very picture of calm.

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(ATTN: National editors) (Includes optional trims)
Adding material on shredding of Foster documents
Clinton Enlists Cutler as Temporary Special Counsel (Washn)
By Paul Richter= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton Tuesday enlisted eminent Washington lawyer Lloyd N. Cutler in the effort to safeguard the reputation of his White House, even as he acknowledged that its staff had several previously undisclosed contacts with federal regulators about the Whitewater controversy.

In announcing that Cutler would serve as special counsel to the president for 130 days, Clinton said that the additional contacts were ``incidental,'' involving mostly follow-up phone calls and informal, hallway conversations about earlier meetings. They had ``nothing to do with the substance'' of the regulators' case, Clinton asserted in a news conference that served as a forum for his second lengthy discussion of Whitewater in as many days.

White House aides declined to provide further elaboration about the contacts, which came to light as White House officials searched their files, trash baskets and phone logs to comply with a request from Whitewater special counsel Robert B. Fiske Jr. for any documents related to the Whitewater matter.

Fiske was appointed by Attorney General Janet Reno to investigate President Clinton's and first lady Hillary Rodham Clinton's partnership with the owner of a failed savings and loan in an Arkansas real estate company known as the Whitewater Development Corp.

Aides left open the possibility that a review of the documents will unearth still more contacts between White House aides and regulatory officials, although they insisted that those, too, would be incidental.

The issue of contacts between White House aides and regulators has given rise to new and troubling questions about Whitewater, suggesting that White House officials were meddling in an official inquiry or at least improperly benefiting from information gleaned from it.

The question of improper contacts with investigators, along with other political missteps, forced the resignation last Saturday of White House counsel Bernard Nussbaum. Cutler's temporary appointment will give the White House time to find a permanent replacement as the president's legal counsel.

In a related development, a Rose Law Firm courier in Little Rock, who has told a grand jury that he helped shred documents from the files of the late White House deputy counsel Vincent W. Foster Jr., said Tuesday that the order to do so came after Fiske had announced that his investigation would include the circumstances of Foster's apparent suicide, the New York Times reported in Wednesday's editions.

Jeremy Hedges, a part-time employee of the firm, told the newspaper that he shared the chore with another courier, Clayton Lindsey. Both couriers have said that they told grand jurors they knew the papers belonged to Foster because the box and the file folders inside bore Foster's initials. Both couriers said that they saw many of the papers they shredded and none mentioned Whitewater.

Ron Clark, a Rose partner and its chief operating officer, confirmed in an interview with the Los Angeles Times on Tuesday that documents were destroyed after Fiske's appointment but said that they had nothing to do with Foster or the Whitewater case. Clark said that four Rose firm witnesses two clerks and two lawyers are willing to verify as much under oath.

The account of the shredding provides no strong evidence of wrongdoing but does fuel speculation about a possible coverup. The documents apparently were destroyed before Fiske issued a subpoena for documents in the case.

Foster had worked on Whitewater matters, both as a member of the Rose firm and later at the White House.

By selecting Cutler, who 15 years ago served in the same role in the White House in the Carter administratioin, Clinton is turning again to a consummate Washington insider. PICK UP 9TH GRAF: Introducing Cutler xxx

MAR 9 1994

bc-whitewater times - a1916
(ATTN: National editors) (Includes optional trims)
Clinton Enlists Cutler as Temporary Special Counsel (Washn)
By Paul Richter= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton Tuesday enlisted eminent Washington lawyer Lloyd N. Cutler in the effort to safeguard the reputation of his White House, even as he acknowledged that its staff had several previously undisclosed contacts with federal regulators about the Whitewater controversy.

In announcing that Cutler would serve as special counsel to the president for 130 days, Clinton said that the additional contacts were ``incidental,'' involving mostly follow-up phone calls and informal, hallway conversations about earlier meetings. They had ``nothing to do with the substance'' of the regulators' case, Clinton asserted in a news conference that served as a forum for his second lengthy discussion of Whitewater in as many days.

White House aides declined to provide further elaboration about the contacts, which came to light as White House officials searched their files, trash baskets and phone logs to comply with a request from Whitewater special counsel Robert B. Fiske Jr. for any documents related to the Whitewater matter.

Fiske was appointed by Attorney General Janet Reno to investigate President Clinton's and first lady Hillary Rodham Clinton's partnership with the owner of a failed savings and loan in an Arkansas real estate company known as the Whitewater Development Corp.

Aides left open the possibility that a review of the documents will unearth still more contacts between White House aides and regulatory officials, although they insisted that those, too, would be incidental.

The issue of contacts between White House aides and regulators has given rise to new and troubling questions about Whitewater, suggesting that White House officials were meddling in an official inquiry or at least improperly benefiting from information gleaned from it.

The question of improper contacts with investigators, along with other political missteps, forced the resignation last Saturday of White House counsel Bernard Nussbaum. Cutler's temporary appointment will give the White House time to find a permanent replacement as the president's legal counsel.

With the selection of Cutler, who 15 years ago served in the same role in the White House of President Carter, Clinton is turning again to a consummate Washington insider.

Introducing Cutler in the White House briefing room, Clinton said that the 76-year-old lawyer-lobbyist is a man of ``seasoned judgment, impeccable professional credentials and the highest ethical standards. ... 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.''

Cutler, describing himself as a ``senior citizen,'' said that he had to ``negotiate hard'' to ensure that he would not have to remain in the intensely demanding job for more than a few months. He said that, while he would fulfill all the duties of the position, he would concentrate on ``the procedures and actions necessary to maintain public confidence in the integrity and the openness of the presidency.''

``Trust is the coin of the realm,'' he said, adding that he thought Nussbaum ``had a lot of bad luck.''

The 45-minute news conference carried live by four networks was another effort by Clinton to demonstrate his willingness to tackle difficult questions. Smiling and even joking as he fielded dozens of queries, Clinton insisted: ``I'm very relaxed about this.
I didn't do anything wrong. There's nothing here.''

(Begin optional trim)

Without making a firm commitment, Clinton suggested that he has no intention of invoking ``executive privilege'' to prevent release of any White

House documents. The measure is designed to protect the presidency from undue scrutiny by other branches of government.

``I have no idea what will come up but it is hard for me to imagine a case in which I would invoke it,'' Clinton said. ``My interest here is to get the facts out.''

(End optional trim)

In his news conference, Clinton shed more light on how he may have learned of an Oct. 8 meeting in which White House officials were notified that the Resolution Trust Corp., which is overseeing the liquidation of failed savings and loans, would seek a Justice Department investigation of Whitewater.

Questions have been raised about whether Clinton learned of the request before it became public and thus gained the knowledge improperly. On Monday Clinton said that he ``probably'' learned of the request from Bruce Lindsey, his aide and longtime confidante, although he added: ``I literally don't remember.''

(Optional add end)

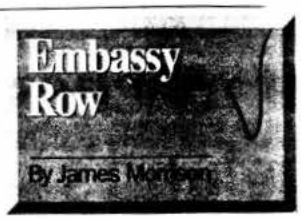
On Capitol Hill, meanwhile, Republicans kept up their pressure for special Whitewater hearings, rejecting Democratic arguments that a congressional inquiry would only compromise Fiske's investigation. Republicans on the House Banking, Finance and Urban Affairs Committee released a list of 40 witnesses that they hope to call to testify at a March 24 hearing on the performance of the RTC.

The list resembled a Who's Who of the Whitewater controversy, from senior White House aides to RTC officials and members of the Rose Law Firm in Little Rock, Ark., where Mrs. Clinton was a partner. Among the witnesses the Republicans hope to call are White House Chief of Staff Thomas F. ``Mack'' McLarty; Deputy Treasury Secretary and RTC head Roger Altman; Nussbaum; James B. McDougal, owner of the failed Madison Guaranty Savings & Loan; his wife, Susan McDougal; and Hillary Clinton aides Margaret Williams and Lisa Caputo.

Clinton said that he would try to cooperate if Congress decides to conduct hearings on Whitewater.

If Congress ignores special counsel Fiske's request that it convene no hearings because of the danger to future prosecutions, ``then I think that's something we would have to take very seriously,'' he said. ``My inclination would be to obviously participate.''

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President Clinton plans to nominate an old friend, political ally and Christian missionary — but not the outfielder for the Baltimore Orioles — as his next ambassador to Tanzania.

Brady Anderson, 48, has cleared his background checks and hopes to have his nomination sent soon to the Senate for confirmation.

Mr. Anderson, a Little Rock, Ark., lawyer, was in Washington this week for talks with State Department officials and learned for the first time that he has a famous name.

"Everywhere I've been up here, people say something about the baseball player," he said.

Mr. Anderson has been a certified Friend of Bill for more than 20 years.

He served as an assistant attorney general when Mr. Clinton was attorney general of Arkansas in the 1970s.

In 1985, Mr. Anderson studied at a Christian college in England and later became a missionary to Tanzania and Ethiopia, where he dealt with Bible translations and literacy programs. He now lives with his wife, Betty, and their two daughters in Little Rock.

If he is confirmed to the post in Tanzania, he will be replacing a career Foreign Service officer, Ambassador Peter Jon de Vos, who was appointed by former President Bush.

Tex Harris felt vindicated when he learned that M. Larry Lawrence admitted, after Mr. Clinton named him ambassador to Switzerland, that he had broken federal laws on campaign donations.

Mr. Harris, president of the American Foreign Service Association (AFSA), had opposed Mr. Lawrence's nomination, calling it a political payoff and an example of how presidents use diplomatic posts to reward fat-cat contributors.

Federal regulators said his donations to Democratic candidates pushed him over the $25,000 limit on individual campaign donations, and Mr. Lawrence agreed to pay a fine of more than $7,000 to the Federal Election Commission.

In a letter to the FEC in November, Mr. Lawrence, a wealthy California luxury hotel owner, said he had been unaware that some of his 1987 contributions counted toward the 1988 total.

"I sincerely apologize for unintentionally exceeding the 1988 federal campaign-contribution limit," he said.

Mr. Lawrence said he only learned he had violated the limits after Mr. Harris raised the issue with the Senate Foreign Relations Committee, which then took the unusual step of sending his nomination to the full Senate without an endorsement. Mr. Lawrence, nevertheless, was confirmed last month.

Mr. Lawrence, who could not be reached for comment, plans to take up his post later this month.

Mr. Harris told us this week that White House and State Department investigators should have known about Mr. Lawrence's campaign violations.

"AFSA in its review of the financial contributions of a number of ambassadors . . . turned up this information and dutifully reported these contribution abuses . . . to the Senate Foreign Relations Committee," he said.

"There is clearly is a flaw in the scrutiny of the political contributors."

Croatian Ambassador Peter Sarcevic is so hopeful of success in talks between Bosnian Croats and the Muslim-led Bosnia government that he has rescheduled a reception marking the opening of the Croatian Embassy.

He hopes to mark the official opening of the embassy along with a celebration of a federation between Bosnian Croats and the Bosnian government.

The opening, originally scheduled tomorrow, will now be held March 17, St. Patrick's Day.

Maybe that will bring them some luck.

# No immunity, just hearings on Whitewater

It is understandable that the Whitewater special prosecutor, Robert Fiske Jr., does not want his investigation trampled by clumsy congressional inquiries. The history of Capitol Hill's show trials is not a pretty one, with the truth often lost in the process rather than revealed. The Iran-Contra hearings are a case in point, and as Mr. Fiske argued in his letters to lawmakers Monday, that investigation proved to be a legal stumbling block that independent counsel Lawrence Walsh never was able to hurdle. Mr. Fiske has so far made it clear that he is no prosecutorial wallflower, and he should be given room to do his job. But a congressional airing of Whitewater does not have to be an impediment to the special prosecutor. Short of undesirable interference with Mr. Fiske's work, the public's need and right to know about Whitewater far outweighs any reservations the special counsel might have.

The disaster that was the Iran-Contra investigation was built out of a bundle of grants of immunity. Democrats on the Hill believed they had their chance to ruin Ronald Reagan and were so eager to bring him down that they granted immunity to almost every player in Iran-Contra. Once granted immunity, Democrats were sure they would hear from a string of witnesses who would point their fingers at the president. Instead, the actions of dubious legality turned out to have been undertaken without the president's approval. At the end of the day, all the ringleaders had confessed, conveniently under a grant of immunity. It should be remembered that Mr. Reagan escaped prosecution because the prosecutors had nothing on him, not because he had been granted immunity.

The great flaw of the Iran-Contra hearings does not have to be repeated in Whitewater hearings. The solution: Give no grants of immunity. Without immunity, congressional investigation into Whitewater is more likely to help the special prosecutor than hinder him. Events and facts may come to light in thorough questioning on the Hill that might not have turned up in Mr. Fiske's efforts. Already the efforts of those doing independent investigative work have aided Mr. Fiske. The special prosecutor was put on to the issue of document shredding at the Rose law firm after an account of it appeared in The Washington Times. Reporters and congressmen turning up new information will not hurt Mr. Fiske's probe.

Without grants of immunity, no one guilty of wrongdoing will get an easy out. Congress can subpoena witnesses, and those who don't wish to answer the Hill's questions will not have to. They can simply invoke the Fifth Amendment's protection against self-incriminization and remain silent.

Congressional Democrats are latching onto Mr. Fiske's request as just one more excuse to avoid hearings that will gravely embarrass their party. But it becomes apparent to more of the electorate every day that it is partisan politics that has the hearing rooms silent. Democrats attacked every hint of Republican scandal with unsuppressed glee for more than a decade, always with long-winded and self-congratulatory sermons about the independent investigative role of the legislative branch. Now, they think no inquiry at all is appropriate. Democratic leaders can try to hide behind Mr. Fiske's request that they not interfere, but the hypocrisy is just too large for the fig leaf.

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PAUL GREENBERG

# Excerpts from a Whitewater journal

Un-be-liev-able. Roger Altman at the (no longer) independent Resolution Trust Corp. wasn't the only official from the Treasury Department to let the Clinton administration know the presidential couple had become part of a confidential investigation.

Twice last fall, prominent officials from Treasury got together with White House types to discuss the impending investigation into the Arkansas savings and loan near the murky center of what has become known as Whitewatergate. To call this improper would be like saying Richard Nixon got into a tad of trouble while president.

A whole Who's Who of the Clinton administration attended these meetings. The Richard M. Nixon Memorial Axiom was never so clear: It's not the original scandal that gets a president in trouble but his aides' unbelievably dumb responses to it.

Remember back in 1992, when Bill Clinton was calling the Bush administration brain-dead? Sounds like his own needs an electroencephalogram.

Worse than a crime: This is carrying nostalgia for the 1970s too far. It now has been revealed that a whole raft of Clintonoids in the White House and Treasury Department have been conferring with one another since last fall about a supposedly confidential investigation into Madison Guaranty, the defunct savings and loan that is making more news than it ever did when it was in business.

Remember how the "brains" in the Nixon mob took a third-rate burglary that needn't ever have involved the president and turned it into a first-rate impeachment process? Did our new elite of the 1990s learn nothing from an episode they must have relished at the time? Bernard Nussbaum, who resigned as chief counsel to the president over the weekend, helped conduct the Watergate investigation.

To rephrase a line attributed to Talleyrand, these secret confabs were worse than a crime; they were a blunder.

The unraveling administration: The word comes straight from Dee Dee Myers. You remefnber her — the press spokeswoman for the Clinton organization who explained how Bill Clinton regularly re-reads "The Meditations of Marcus Aurelius," his favorite book. She might as well have said that Richard Nixon, in his spare time, practices Zen.

Well, on Friday, she was assuring all within hearing that talk about the resignation of Bernard Nussbaum, chief counsel and embarrassment to the president, was "news to Bernie," and that he continued to enjoy the confidence of the president.

That settled it. Mr. Nussbaum might as well have cleared out his desk right then. He and the French chefs who also are leaving the White House can share a cab. The chefs will be missed. Only Republicans may miss Counselor Nussbaum, who has kept the opposition well supplied with snafus to uncover.

Meanwhile, the president of the United States was taking responsibility in his usual, manful way. Pressed on the latest spate of embarrassments, Bill Clinton said he wanted people to remember "that no one has still accused me . . . of doing anything wrong in this whole encounter."

Why, sure. He only appointed these people. He only works there.

"No one has . . . accused me . . . of doing anything wrong in this whole encounter." That must be Clinton-speak for "I am not a crook."

Whence Whitewatergate? Why all this hubbub over so much smoke, so little fire? Why did the press go ape and the administration panic?

Can it be because the respectable press found another scandal — call it Fornigate — not a scandal at all by the licentious standards, or nonstandards, of the Nonchalant Nineties?

So, in order to make up for its lack of interest in the same old sins, the mediaocracy had to to redouble its interest in a nonsexy scandal that has to do with the most sexless of factors — savings and loans, real estate, income tax deductions . . . the kind of things that would titillate only a CPA. And to think, most of us went into this trade because we couldn't cut it in math class.

There is a curious kind of puritanism to the coverage of contemporary scandals. We inky wretches will not lower ourselves to pay attention to *sex scandals*, which are left to the supermarket tabloids and the American Spectator, at least till they can no longer be ignored.

But the resulting Scandal Gap must be filled, so we fixate on finances. The way a president handles money is considered a much more relevant and respectable topic than the way he handles people. Which says something about the age.

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Things have come to a medium sorry pass, it occurs to this columnist, when the crank letters that regularly cross my desk start making more sense than official government pronouncements. (Let's hope that this is not a sign that the columnist himself has passed over into terminal crank-hood.)

There was a time — wasn't there? — when it was so clear that those who thought the government was some kind of nefarious plot were just wrongheaded conspiracy nuts. Now it's the White House that sounds loopy.

This administration somehow manages to combine a self-righteous War Room mentality with an oh-so-reasonable, every-thing-is-negotiable strategy. The combo is about to kill its health plan.

Those tricky Clinton Clauses used to be an adjunct to every program. Now the programs seem but adjuncts to the Clinton Clauses.

All right, maybe the administration's explanations for one crisis after another aren't as nutty as they sound. We inky wretches have to guard against overstatements. Exaggeration weakens, and understatement strengthens, any argument. But could we agree that these days the White House demonstrates a certain, uh, eccentricity?

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An eerie thing about the president: Nobody can do a good imitation of him. Have you noticed that? What's there to caricature? Where's the there there?

*Paul Greenberg is editorial page editor of the Arkansas Democrat Gazette in Little Rock and a nationally syndicated columnist.*



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BY MARTIN KASINDORF
WASHINGTON BUREAU

WASHINGTON PRESIDENT BILL CLINTON MOVED YESTERDAY TO QUIET AN UPROAR OVER WHITE HOUSE ETHICS IN THE WHITEWATER AFFAIR BY NAMING LLOYD CUTLER, A RESPECTED WASHINGTON INSIDER WITH CONSUMMATE POLITICAL SKILLS, AS SPECIAL PRESIDENTIAL COUNSEL FOR A TERM LIMITED AT HIS REQUEST TO ABOUT SIX MONTHS.

CUTLER, A 76-YEAR-OLD NATIVE NEW YORKER WHO HAS WALKED THE CORRIDORS OF WASHINGTON POWER SINCE 1946, WAS WHITE HOUSE COUNSEL FOR PRESIDENT JIMMY CARTER AND HAS HAD FORMER SECRETARIES OF STATE HENRY KISSINGER AND GEORGE SHULTZ AS CLIENTS OF HIS LAW FIRM. HE WILL SUCCEED BERNARD NUSSBAUM, WHO WAS FORCED TO RESIGN SATURDAY AFTER RECEIVING CONFIDENTIAL INFORMATION FROM TREASURY DEPARTMENT OFFICIALS ON A GOVERNMENT INVESTIGATION INVOLVING AN ARKANSAS THRIFT WHOSE OWNER HAD BUSINESS DEALINGS WITH THE PRESIDENT AND FIRST LADY HILLARY RODHAM CLINTON.

WE WANTED TO GET SOMEBODY IN RIGHT AWAY TO ASSURE PEOPLE THAT THIS WHITE HOUSE WAS OPERATING ACCORDING TO ETHICAL STANDARDS,'' AN ADMINISTRATION OFFICIAL SAID.

IN A WHITE HOUSE NEWS CONFERENCE WITH THE SILVER-HAIRED, COURTLY CUTLER, CLINTON SAID HE HAD FOUND A LAWYER OF THE REQUIRED INTEGRITY. 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.''

ACCEPTING THE POST AFTER TWO DAYS OF NEGOTIATIONS WITH CLINTON AND WHITE HOUSE CHIEF OF STAFF THOMAS (MACK) MCLARTY, CUTLER RESPONDED: 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 ASSURE THAT THAT TRUST IS MAINTAINED.''

IN THE 130 WORKDAYS HE AGREED TO SERVE HE AMIABLY CITED HIS SENIOR CITIZEN'' STATUS, THE TOUGH JOB AND HIS DESIRE FOR TIME WITH THE VERY YOUNG AND PEPPY WIFE'' HE MARRIED AS A WIDOWER IN 1989 CUTLER WILL FOCUS ON HONING PROCEDURES TO MAINTAIN PUBLIC CONFIDENCE IN THE INTEGRITY AND THE OPENNESS OF THE PRESIDENCY,'' HE SAID.

INDEED, NEW QUESTIONS ABOUT POSSIBLE WHITE HOUSE MEDDLING IN REGULATORS' WHITEWATER DECISIONS WERE RAISED YESTERDAY. AN ADMINISTRATION OFFICIAL, WHO REQUESTED ANONYMITY, TOLD THE ASSOCIATED PRESS THAT A SUBPOENAED SEARCH FOR MORE INFORMATION HAD DISCLOSED WHITE HOUSE PERSONNEL HAD A FEW'' CONTACTS WITH THE TREASURY ON RESOLUTION TRUST CORP. INVESTIGATIONS OF WHITEWATER BEYOND THE THREE KNOWN MEETINGS INVOLVING NUSSBAUM.

CLINTON SAID THAT ANY CONTACTS WERE INCIDENTAL AND WERE FOLLOWUP CONVERSATIONS WHICH HAD NOTHING TO DO WITH THE SUBSTANCE OF THE RTC INVESTIGATIONS.''

ANOTHER ISSUE FOR CUTLER'S IMMEDIATE ATTENTION, HE AND CLINTON SAID, IS A REQUEST MADE YESTERDAY BY REP. JIM LEACH (R-IOWA) TO CALL 40 WHITEWATER-CONNECTED WITNESSES AT A SCHEDULED MARCH 24 HOUSE BANKING COMMITTEE OVERSIGHT HEARING ON THE RTC.

LEACH'S PROPOSED WITNESSES INCLUDE MCLARTY JAMES MCDOUGAL, THE FORMER MADISON GUARANTY SAVINGS & LOAN OWNER WHO WAS PARTNERED WITH THE CLINTONS IN A REAL-ESTATE VENTURE CALLED THE WHITEWATER DEVELOPMENT CO. AND ALL 10 WHITE HOUSE AND TREASURY OFFICIALS SUBPOENAED LAST WEEK BY WHITEWATER SPECIAL COUNSEL ROBERT FISKE TO TESTIFY TOMORROW BEFORE A WASHINGTON GRAND JURY.

ALTHOUGH FISKE PLEADED WITH CONGRESSIONAL LEADERS MONDAY NOT TO HOLD WHITEWATER HEARINGS BECAUSE THEY COULD COMPROMISE HIS INVESTIGATION, AIDES TO HOUSE BANKING COMMITTEE CHAIRMAN HENRY GONZALEZ (D-TEXAS) SAID THERE WAS NO LEGAL WAY TO AVOID GIVING LEACH THE DEMANDED FORUM ON WHITEWATER.

CUTLER SAID HE HAD RECOMMENDED THAT REQUESTED WHITE HOUSE WITNESSES GO TO CAPITOL HILL FOR THE HEARING. CLINTON, WHILE AGAIN COMPLAINING THAT REPUBLICANS WERE SEEKING PARTISAN GAINS AND SHOULD LET FISKE WORK UNIMPEDED, SAID HE WAS FULLY IN ACCORD'' WITH CUTLER'S RECOMMENDATION.

CLINTON ALSO SAID IT WAS HARD FOR ME TO IMAGINE A CASE'' IN WHICH HE WOULD INVOKE EXECUTIVE PRIVILEGE A FUZZY LEGAL DOCTRINE UNSUCCESSFULLY USED BY PRESIDENT RICHARD NIXON DURING THE WATERGATE SCANDAL TO PREVENT FISKE FROM OBTAINING EXECUTIVE-BRANCH DOCUMENTS OR TESTIMONY.

THE PRESIDENT REPEATED EARLIER ASSURANCES THAT HE HAD COMMITTED NO WRONGDOING IN HIS ARKANSAS DEALINGS. I AM VERY RELAXED ABOUT THIS,'' HE SAID. I DID NOT DO ANYTHING WRONG. THERE IS NOTHING HERE.''

# Clinton names new counsel

## Cutler held same post during Carter years

By Carl P. Leubsdorf
*Washington Bureau of The Dallas Morning News*

WASHINGTON — President Clinton named veteran Washington lawyer Lloyd Cutler his temporary White House counsel Tuesday and pledged full cooperation if Congress holds hearings on the Whitewater controversy.

"My inclination would be to obviously participate," Mr. Clinton said.

The president said "it is hard for me to imagine a

■ Cutler career highlights. 19A
■ Witness list proposed by GOP. 19A

case" in which he would invoke executive privilege to avoid disclosing information about his involvement in a failed Arkansas real estate venture.

"We want to clear the air, and we will do that," Mr. Clinton said.

The president also acknowledged that an extensive internal review had found additional contacts between White House aides and other government officials beyond three meetings disclosed last week. But he played down their significance, describing them as "incidental."

House Republicans, meanwhile, issued a list of 40 witnesses they want the House Banking Committee to call to a March 24 hearing on the Resolution Trust Corp.'s efforts to clean up savings and loan failures.

The list included many top White House aides and others involved in aspects of the Whitewater affair. Democrats on the panel are expected to fight attempts to make the RTC hearing an inquiry into the relationship between Whitewater and a failed Arkansas thrift, Madison Guaranty Savings and Loan.

The Clintons were partners in Whitewater, an unsuccessful real estate venture in the Arkansas Ozarks, with the owner of Madison, James McDougal.

Robert Fiske Jr., the special prosecutor named last month to investigate Whitewater and Madison, has objected to calls for congressional hearings, saying they could hamper his work. And until now, the White House has resisted GOP calls for hearings.

But on Tuesday, the president and Mr. Cutler said they would cooperate if Congress went ahead. "It would be my recommendation that everyone in the White House cooperate," Mr. Cutler said.

The selection of Mr. Cutler drew bipartisan praise.

"Lloyd Cutler is a first-rate attorney who should be an asset to the president," said Sen. Phil Gramm, R-Texas, one of the most outspoken GOP critics of

## Clinton replaces counsel who quit

Continued from Page 1A.

Mr. Clinton's handling of the Whitewater matter.

But one veteran GOP lawmaker, Rep. James Quillen of Tennessee, said Mr. Clinton should resign.

"His staff has fumbled the Whitewater affair by asking for briefings of the status of the case," Mr. Quillen said. "It looks like President Clinton is trying to whitewash the Whitewater affair."

In naming Mr. Cutler, 78, Mr. Clinton dipped into the Washington political establishment to help him deal with the growing controversy.

With Republicans raising ethical questions about his administration, the president said he wanted to name "an eminent lawyer who could step into the role immediately and bring to the job the stature, the standards and the experience that the American people expect.

"In short, I wanted a Lloyd Cutler-type lawyer, so I just decided I would go to the original first and see how I could do," Mr. Clinton said.

He said he hoped that Mr. Cutler would establish procedures to deal with questions of potential conflicts, conceding that until now "there was a certain kind of ad hoc quality" to the way his White House dealt with such questions.

Mr. Cutler said he had agreed to return for 120 working days — up to six months — to the post he held in the final two years of the Carter administration. He said he would pick a permanent successor to Bernard Nussbaum, who resigned under pressure Saturday as White House counsel.

"This is hardly the way I expected to spend the spring of 1994," Mr. Cutler said, noting that he was eager to return to private life and spend time with his "very young and peppy wife." A widower, Mr. Cutler is married to Rhoda Weaton "Polly" Kraft, the widow of the late Washington columnist, Joseph Kraft.

"I hope that very soon we can get on and get a fine, new, younger counsel, like Bob Strauss," he said, referring to the 75-year-old Dallas-Washington lawyer who is an old friend.

The jocular comments by Mr. Clinton and Mr. Cutler set a somewhat lighthearted tone for the news conference, the president's third in five days. It went on for about 45 minutes and contrasted sharply with Monday's session at which a grim-faced president thumped the lectern as he delivered vigorous defenses of himself and his wife, Hillary Rodham Clinton.

On Tuesday, Mr. Clinton sought to combine an impression of willingness to respond openly to questions surrounding Whitewater with an air of unconcern that he might be found to have done anything wrong.

"I am very relaxed about this," the president said. "I did not do anything wrong. There is nothing here."

At one point, Mr. Clinton was asked whether he might — like some past presidents, including Richard Nixon — claim executive privilege or the lawyer-client relationship to withhold details about his actions.

"I have no way of knowing what will come up, but it is hard for me to imagine a case in which I would invoke it," he said.

As for the additional contacts between aides and other government officials that had been found in the internal review, Mr. Clinton said they were "incidental and ... follow-up conversations, which had nothing to do with the substance of the RTC investigations."

The president said that he still wasn't sure about the circumstances under which he learned that the RTC had referred a case to the Justice Department. The case involves the question of whether Mr. McDougal's Madison had funneled funds to his 1984 gubernatorial campaign.

But the president said that longtime adviser Bruce Lindsey, who has been the White House point man on Whitewater, "probably is the person who told me."

Mr. Lindsey, who attended an October 1993 meeting on how to handle news media inquiries on Whitewater, is one of six White House aides subpoenaed to appear Thursday before a federal grand jury looking into the Whitewater case.

Mr. Clinton sidestepped a question about a demand by Republican Sen. Alfonse D'Amato, R-N.Y., that Mrs. Clinton say whether she had been told about a Whitewater-related meeting attended by two of her aides.

"If Senator D'Amato is aware that there was an ethics counsel opinion that the meeting was not improper?" the president asked.

He said he had no intention of answering Mr. D'Amato's questions and chided the Republicans as having named the senator, who has been enmeshed himself in ethical controversies, as "the ethical spokesman for the Republican Party in the Congress."


LLOYD M. CUTLER
■ TITLE: Special counsel to the president
■ BORN: Nov. 14, 1917, in New York City
■ FAMILY: Widowed in 1966; married Rhoda Weaton Kraft in 1985; two children, two stepchildren
■ EDUCATION: Undergraduate and law degrees, Yale University, 1938, 1940
■ CAREER: Partner, Wilmer, Cutler & Pickering, Washington, D.C., 1947-present; partner, New York City, 1960-69; Lane ... Lane, member of the Nixon ... Advisory Board, ... assistant foreign ... counsel, ... Department of ... private practice, ... Washington, D.C., 1949-present; ... Wilmer, Cutler & Pickering, ... firm, 1962-76, 1981-93; ... counsel since 1993; counsel to President Jimmy Carter, 1977-81



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# Spectator bash finds endless fun in Clintons



Columnist Ben Stein leads the laughs as master of ceremonies.



Forbes Publisher Malcolm S. Forbes Jr., who received the American Spectator's Free Expression Award at the magazine's annual dinner Monday night, talks with former federal appeals Judge Robert Bork and his wife, Mary Ellen.

The reviews are in on Bill Clinton's most recent TV performance.

And here's what some of the president's staunchest conservative critics — assembled for the American Spectator's annual dinner Monday night — had to say about the chief exec's spirited defense of his wife's involvement in Whitewatergate:

■ "Did you see it? He just about had a heart attack!" said columnist **Ben Stein**, master of ceremonies for the political journal's bash.

Mr. Stein especially liked the logic the president used to defend first lady Hillary Rodham Clinton against this newspaper's report that she sent documents and papers from the Arkansas governor's mansion to the Rose Law Firm in downtown Little Rock for shredding.

Mr. Clinton's argument, Mr. Stein said, amounted to "How could anyone possibly know, in fact, that the shredded papers had anything to do with Whitewater?"

■ "It's really kind of pathetic," said Spectator Managing Editor **Wladyslaw Pleszczynski**, "blaming everything on the Republican Congress. . . . It's over for him. That's not to say he won't be able to come back — he always does — but his credibility is gone right now."

■ "Terrible," said humorist **P.J. O'Rourke**, the original "Republican Party Reptile." "Here's a guy who was governor of the state. His wife was a partner in the most powerful law firm in the state. They had all the agencies and all the banks wired —and they still lost money! This is the guy in charge of the national economy?"

■ Reagan speech writer and Spectator contributor **Aram Bakshian** could only shake his head with amusement.

"I don't see this leading to impeachment," he said, "but it will certainly be an irritant for many years. If it leads to poor off-year elections for the Democrats, and that's just one of the many interesting possibilities here, I think we'll see a lot of them jumping ship."

Those who missed Mr. Clinton's testy, nervous news conference on CNN — he again declared that neither he nor his wife had done anything wrong in tangled dealings with a failed thrift and failed real estate deal in Arkansas — were sorry. It was the party's No. 1 conversation piece.

Among the luminaries sighted: financier **T. Boone Pickens**, columnists **Fred Barnes** and **Ben Wattenberg**, "Hell of a Ride" author **John Podhoretz**, **Leonard** and **Suzanne Garment**, former federal Judge **Robert Bork**, former Republican National Committee chief **Frank Fahrenkopf**, and Spectator Publisher **Ronald E. Burr**.

Forbes Publisher **Malcolm S. Forbes Jr.** received the American Spectator's Free Expression Award.

Spectator reporter **David Brock**, who's hot, hot, hot, got a standing ovation in recognition of his investigative reporting on Anita Hill and the Arkansas state troopers who detailed how they arranged sexual encounters for Gov. Clinton.

Mr. Brock said he had been invited to go on television with an opinion on the "murder of Vince Foster." He told the crowd his editor, Mr. Pleszczynski, asked him, "If the Clinton people are capable of that, why are you still alive?"

The guests were in such good spirits that you would have thought one of their number was in the White House — and we don't mean David Gergen. The night clipped along quickly, full of good cheer and humor: Even the dinner invocations were strained — not to say tasteless — attempts at funny.

Spectator Editor in Chief **R. Emmett Tyrrell Jr.** couldn't say enough about the president.

"Brilliant. Suave. And, as usual, wrong," he said of the president's news conference. "But I don't want anything to happen to Bill Clinton. Bill Clinton is a gift from God. I've got a circulation over 250,000 now [compared with 114,000 this time last year] thanks to him. When [Al] Gore gets into office, that's going to double."

Whoa! Surely he's not suggesting that the vice president will have to take over

"I suppose we could have an indicted president for two or three years, but I think Bill Clinton is about ready to explode," Mr. Tyrrell said.

—Jeffrey Stagg



David Brock, an investigative reporter for American Spectator, addresses the conservative crowd Monday night. His boss, R. Emmett Tyrrell Jr., poses with Sen. Richard G. Lugar, Indiana Republican, during the festivities.



# Brief encounters

**Making headlines:** Let's compare how some prominent publications handled **President Clinton**'s spirited defense of his wife's role in Whitewatergate.

The Washington Times, ever tasteful, used this headline yesterday: "Clinton jumps to defense of Hillary's ethics."

Another Washington newspaper wrote: "Clinton: Whitewater, Watergate not alike."

But it gets to be fun when we start looking at the New York tabloids. The Post front page reads: "Bill on Hillary: SHE'S NOT A CROOK."

The Daily News counters with this teaser: "LAY OFF HER!"

The Washington Times WEDNESDAY, MARCH 9, 1994

## New Mexicowater

Bill Clinton, it turns out, wasn't the only Democratic governor involved in a questionable land deal.

A federal judge said New Mexico Gov. Bruce King's family business got the better part of a deal when it swapped parcels of land with the Bureau of Land Management, the Albuquerque Journal reports. In his ruling, U.S. District Judge John E. Conway said the Kings "came out smelling like a rose" in the land swap.

"The Kings . . . took the best land," said the judge, "and left the government with junk."

The governor and his brothers, Don and Sam, gave up 17,000 acres of ranch land in rural Cibola County to obtain about 800 more desirable acres west of trendy Santa Fe.

## Packwood: 'Our fight'

A cheering crowd in Oregon heard Republican Sen. Bob Packwood accuse the media of lying about him, saying the "politically correct" press has not given his side of sexual-misconduct accusations.

Mr. Packwood, who founded the annual Oregon coast gathering 30 years ago, complained that reporters have failed to seek out witnesses who support him, the Portland Oregonian reports.

The senator declared, "This, is your press at work, ladies and gentleman — lying, harassing, doing things that all of you would regard as uncivil, untoward, ungentlemanly."

He sought contributions to his defense fund, noting that his costs were nearly $1 million. "His voice nearly choking with emotion, Packwood caused some in the room to go misty-eyed," the Oregonian reported.

"I ask for your hands and your help and your hearts," Mr. Packwood was quoted as saying. "This is not just my fight or yours. It is our fight."

## Her view

Hillary Rodham Clinton gives her take on Whitewater-Madison in an interview in the current issue of Elle magazine, describing a "well-organized and well-financed" effort to undermine the Clinton administration.

"I know nothing bad happened," Mrs. Clinton told the magazine. "And that's what everybody's going to know, as they should know now, since they have yet to come forward with anything but the wildest kind of paranoid conspiracies."

On ABC-TV's "Nightline," presidential counselor David Gergen said, "I think it's only fair to say that the first family, along with many people in the White House . . . are frustrated about a lot of this because there is so little at the core.

"There are no credible allegations, and yet this thing keeps mushrooming and metastasizing. So people — you know, naturally there's frustration.

"Why does this keep happening when we've got all these important things to do like health care and the crime bill and that sort of thing? So naturally there's a frustration."

Meanwhile, Michael Barone of U.S. News & World Report said on CBS-TV, "We got a statement from the president yesterday that was in the nature of 'She's not a crook.' You are never in a good position politically when you are forced to make a statement like that."

## Today's quote

"In a nutshell, Whitewater is about the arrogance of power — political conflicts of interest that are self-evidently unseemly," Rep. Jim Leach, Iowa Republican, told USA Today. "Can a president ask others to play by the rules, i.e. obey the law, if he doesn't play by them himself? . . . Obstruction of justice is now clearly at issue."

## Gergen: 'Preoccupied'

David Gergen, counselor to the president, appeared on ABC-TV's "Nightline" to argue that Whitewater-Madison did not represent a major abuse of power.

Mr. Gergen: "Let's not forget why Bill Clinton came to Washington and why Hillary Clinton's in Washington, and that is to deal with the country's problems. That's what the people of this country really want."

ABC's Cokie Roberts: "And you think that'll be possible now?"

Mr. Gergen: "I think we're going to be preoccupied in the next few days, but after that I think we'll get back to it."

## The spill

Trying to assess the impact Whitewater-Madison will have on health care reform, the Los Angeles Times quoted an unnamed senior congressional aide who said, "I now have to admit it does feel as though there has been a spillover."

Even if the White House is entirely innocent, he said, "What's wrong with 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."

## Aspin recalled

Former Defense Secretary Les Aspin is about to get a job that will allow him to continue to participate in the consideration of national security issues, the Los Angeles Times reports.

President Clinton is getting ready to appoint Mr. Aspin as head of the president's Foreign Intelligence Advisory Board to replace retired Adm. William J. Crowe Jr., who will become U.S. envoy to Britain.

The Times said that while the board has become little more than a resting place for "outer-circle politicos" such as Vernon Jordan and Zoe Baird, it could provide a platform for someone who wants to do more with it.

The newspaper says that friends of Mr. Aspin say he eventually hopes to become president of a major university.

## Breaux on deck

Sen. John B. Breaux, Louisiana Democrat, yesterday expressed interest in replacing retiring Senate Majority Leader George Mitchell.

"I'm going to take a look at it," Mr. Breaux, a member of the Senate Democratic leadership, said on NBC-TV's "Today." "But many of my colleagues who are well qualified will also be taking a look at it."

Meanwhile, Senate Majority Whip Wendell H. Ford, Kentucky Democrat, is taking soundings and a spokesman said that he is interested. Sen. Tom Daschle, South Dakota Democrat, is reported to be deferring to Mr. Ford.

Mr. Daschle, who is close to



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# INSIDE THE BELTWAY

## Big crowd

The National Organization for Women held a rally to show support for first lady Hillary Rodham Clinton in front of the White House yesterday. It attracted about two dozen people.

"The nature of the attacks on Hillary Clinton, the viciousness of some of the attacks . . . is designed to get her to keep her head down, to pull back from health care," NOW President Patricia Ireland told Reuters.

"They're trying to keep not just her but all of us in our place," Ms. Ireland said. "Well, we're not going to stay in our place."

## Barbra and Bill

When you go to the supermarket this week, be sure to check out the latest National Enquirer, with the headline "Jealous Hillary Bans Barbra From White House."

Barbra Streisand, notes the tabloid, has been a devoted Bill Clinton groupie ever since he started the climb from Arkansas to the Oval Office. She sang at a 1992 Clinton fund-raiser, performed at his Inaugural Gala and spent the night in the White House when Hillary was attending to her dying father in Little Rock.

But the last straw for Hillary came in December, the Enquirer reports, when at a Los Angeles Democratic fund-raiser Barbra turned to the president and chirped the song "Bill" from "Showboat."

"She stood in front of Clinton and when she delivered the key line, 'My Bill,' she gazed into his eyes," a source told the Enquirer. "It was an explosive moment. After the song, Bill and Barbra disappeared together and were missing from the party for more than half an hour."

## Cuddly senator

Sen. Carol Moseley-Braun, Illinois Democrat, doesn't "know whether it's being a woman or an approachable, cuddly person, but if I walk up to someone to shake their hand, they will pull me toward them. A hug, a kiss, something physical."

"How many people want to give Bob Dole a hug and kiss when they see him?" she asked.



Can we believe Barbra Steisand's stare would melt a president?

Mrs. Moseley-Braun talks at length about being the first black woman in the Senate in an interview to be published Sunday in the USA Weekend section of The Washington Times.

## Hall to the chiefs

When Democratic Rep. Leslie L. Byrne of Falls Church, a guest yesterday on the "Fox Morning News," was asked about Whitewater and its impact on President and Mrs. Clinton, she pointed out that the mess occurred before "they" were elected president.

## Clift barometer

Dick Tracey, a reader from Sterling, finds the best way to keep a finger on the pulse of the nation is to watch TV's "McLaughlin Group" — "and, to be more specific, Eleanor Clift."

"Her 1993 prediction was that Castro would fall from power in 1993; she predicted that the Lorena Bobbitt trial would end in a hung jury, the Buffalo Bills would win the Super Bowl, and Strobe Talbott would be confirmed by at least 80 votes (it was 66). Recently when asked 'on a scale of 1 to 10, what do you believe are Clinton's chances for reelection,' she replied 8.6. Let me tell you, I am one Republican who found that to be very encouraging.

"In view of Ms. Clift's past predictions, do you think the president should be concerned?"

## New math

LEARN, a network of homeschooling families in Northern Virginia, is distributing by mail a simple math problem, then subjecting it to 30 years of new, improved teaching methods, as a partial explanation for the increasingly abysmal performance of high school students on the Scholastic Aptitude Test (SAT).

In 1960: "A logger sells a truckload of lumber for $100. His cost of production is 4/5 of this price. What is his profit?"

In 1990: "By cutting down beautiful forest trees, a logger makes $20. What do you think of this way of making money? (Topic for class discussion: How did the forest birds and squirrels feel?"

## Modern medicine

"Sexuality: Are You Getting It?" is the title given to the preconvention conference of the upcoming 44th annual meeting of the American Medical Student Association, the oldest and largest independent organization representing 30,000 physicians-in-training.

The Reston-based group's conference will be held in Crystal City and features several discussions too bizarre to report in a family newspaper.

## Business as usual

Paul Jacob, executive director of U.S. Term Limits, for one, is less than thrilled by President Clinton's appointment of Washington lawyer Lloyd Cutler as White House counsel.

In a letter to the president, Mr. Jacob complained about Mr. Cutler's recent legal work to overturn the term-limit initiative in Washington state, approved by more than 1 million voters in 1992.

"Lloyd Cutler is the point man for the members of the political establishment arrayed against term limits," Mr. Jacob wrote. "His appointment would not inspire confidence but signal confrontation between the White House and the 80 percent of the American public who support term limits."

# Clinton picks man of stature to take Nussbaum's place

## Lloyd Cutler is Washington insider

By Frank J. Murray
THE WASHINGTON TIMES

In choosing a lawyer's lawyer to stand in as temporary White House counsel, President Clinton picked a man who survived his own ethics crisis and tried to soften the independent counsel law.

"In short, 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," Mr. Clinton said in announcing to the press his replacement for Bernard Nussbaum, who quit under fire on Saturday.

Mr. Cutler, whose $370-an-hour fees helped run up former Secretary of State George Shultz's $281,397 legal bill in the Iran-Contra inquiries, always posed something of a paradox.

This Washington "wise man" is the:

- Counselor who wound up defending himself before Congress for keeping President Carter posted on what he learned about investigations of Billy Carter's ties with Libya.
- Liberal Democrat who enraged legal colleagues by backing the failed 1987 Supreme Court nomination of Appellate Judge Robert Bork.
- The mentor of Zoe Baird who proposed her for attorney general.
- Man who once argued in print that committing adultery might be a good prerequisite for being president.

In an op-ed column, Mr. Cutler said it was irrelevant whether Sen. Charles Robb, Virginia Democrat, had committed adultery.

"Some of our best presidents have committed adultery while holding our highest office and who knows how many others have done so before reaching the White House?" Mr. Cutler wrote in The Washington Post.

- Lawyer who advocated making it tougher to trigger the now-expired independent counsel law.

Mr. Cutler, 76, said he may donate his $133,000 salary back to reduce the federal debt and would limit his service to 130 working days because of his years and because he wants to spend more time with his "very young and peppy wife," Polly Kraft.

Mr. Cutler drew one line in agreeing to become counsel to "the president in office" and to "the presidency." He said he would leave to private lawyers the job of advising Mr. Clinton on matters occurring before he was elected.

"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 assure that that trust is maintained," he said yesterday.

In his public life he has been a man about town who showed up often in gossip columns, one of the faces in Jack Kent Cooke's owners box at Redskins' games, and reviewer of "The Man to See," Evan Thomas' 1991 biography of Edward Bennett Williams, which Mr. Cutler deemed the book to read.

He served on a 1990 public commission seeking ways to tighten espionage laws to better catch spies, joined a 20th Century Fund panel denunciation of covert action by intelligence agencies, and chaired the 1989 Quadrennial Commission on Federal Pay, which advocated 51 percent pay raises to Congress and top officials.

"This pay problem is as close to an insoluble problem as we have," he said.

Mr. Cutler said yesterday he will abide by current ethics rules in divesting himself from affairs of his law firm, Wilmer, Cutler & Pickering, where his client list has included Rep. Henry J. Hyde, Illinois Republican, in a term-limits case, and former Secretary of State Henry Kissinger, for whom he won changes purging a draft Senate report of accusations he and President Nixon abandoned prisoners of war after Vietnam.

Mr. Cutler, who was criticized for daring to seek access to that report, was called on the Senate carpet in the summer of 1980 for briefing President Carter when his brother, Billy, was hired for $220,000 by the Libyan government and for getting Billy to register as a foreign agent.

Mr. Cutler recommended a private lawyer, who was hired for Billy and stuck with his job after telling a Senate subcommittee he acted ethically.

"I'm sure 10 other competent lawyers, if they had my job, might have done it a different way," he testified. "Looking back, I like to think I did it just about right."

**LLOYD N. CUTLER**
**Named White House special counsel**

**Born:** Nov. 10, 1917, in New York City.

**Family:** Wife, Polly, and four children, Deborah Notman, Beverly Weaver, Lloyd N. Cutler Jr. and Louisiana Johnson.

**Education:** Bachelor's degree, Yale University, 1936; law degree, Yale University, 1939.

**Career highlights:** Private law practice, New York City, 1940-42; private law practice, 1946-present; partner, Wilmer, Cutler and Pickering, 1962-79, 1981-90; secretary, Lawyers Commission on Civil Rights Under Law, 1963-65; co-chairman, Lawyers Commission on Civil Rights Under Law, 1971-73; chairman, D.C. Commission on Administration Justice Under Emergency Conditions, 1968; executive director, National Commission on the Causes and Prevention of Violence, 1968-69; president's special representative for maritime boundary and resource negotiations with Canada, 1977-79; counsel to President Carter, 1979-81; member, U.S. Group to Permanent Court Arbitration, The Hague, 1984-93; member, Quadrennial Commission on Legislative, Executive and Judicial Salaries, 1984, chairman, 1989; member, President's Commission on Federal Ethics Law Reform, 1989.

Source: Who's Who in the United States, 1994

The Washington Times

The Washington Times WEDNESDAY, MARCH 9, 1994

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Gearan


Caputo


Ickes


Altman

## INVESTIGATING WHITEWATER

**Republicans on the House Banking Committee released a list yesterday of 40 witnesses in the Whitewater Development Corp. case they want to call before a panel hearing scheduled for March 24. They don't have power to force them to testify.**

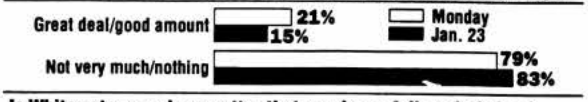
**1.** James McDougal, former head of defunct Madison Guaranty Savings and Loan Association
**2.** Susan McDougal, partner in Whitewater Development Corp.
**3.** David Hale, president, Capital Management Services
**4.** Sheffield Nelson, lawyer, Jack, Lyons and Jones
**5.** April Breslaw, Resolution Trust Corp.
**6.** James Dudine, RTC
**7.** Lee Ausen, supervisory investigator, RTC
**8.** Richard Torio, field investigative officer, RTC
**9.** Jean Lewis, investigator, RTC
**10.** Mike Caron, senior investigator, RTC
**11.** Donald B. Mackay, trial attorney, Justice Department
**12.** Paula Casey, U.S. attorney, Little Rock, Ark.
**13.** Leslie Patten, lawyer, Patten, McCarthy and Associates
**14.** James Lyons, lawyer
**15.** Stanley Tate, former Clinton nominee to head the RTC
**16.** William Roelle, Federal Deposit Insurance Corp.
**17.** Mack McLarty, White House chief of staff
**18.** Bernard Nussbaum, former White House counsel
**19.** Harold Ickes, deputy White House chief of staff
**20.** Margaret Williams, first lady's chief of staff
**21.** Mark Gearan, White House communications director
**22.** Bruce Lindsey, senior adviser to President Clinton
**23.** Lisa Caputo, first lady's press secretary
**24.** Jean Hanson, general counsel, Treasury Department
**25.** Josh Steiner, chief of staff, Treasury Department
**26.** Jack DeVore, former spokesman for Treasury Secretary Lloyd Bentsen
**27.** Beverly Bassett-Schaffer, lawyer, Wright, Lindsey and Jennings, Fayetteville, Ark.
**28.** Don Lasater, head of failed investment firm and longtime friend and campaign contributor to the president
**29.** Greg Young, Little Rock
**30.** Don Denton, Little Rock
**31.** Lisa Aunspaugh, Little Rock
**32.** Erskine Bowles, adminstrator, Small Business Administration
**33.** Charles E. James, Little Rock
**34.** Sue Strayhorn, Little Rock
, Ellen Kulka, general counsel, RTC
, Jeremy Hedges, Rose Law Firm clerk, Little Rock
**37.** Clayton Lindsey, Little Rock
**38.** Ricki Stacy, Little Rock
, Roger Altman, deputy Treasury secretary
**40.** Jonathan Fiechter, acting director, Office of Thrift Supervision

The Washington Times

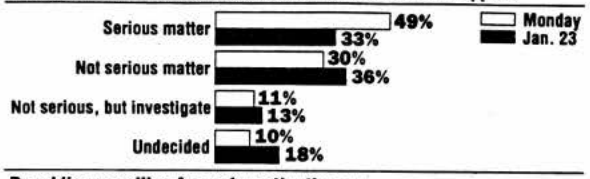
## SLIPPING SUPPORT

**ABC News' "Nightline" asked 525 adults what they think of the Clintons and their dealings with the Whitewater real estate development. Margin of error is 5 percentage points. Numbers may not equal 100 due to rounding.**

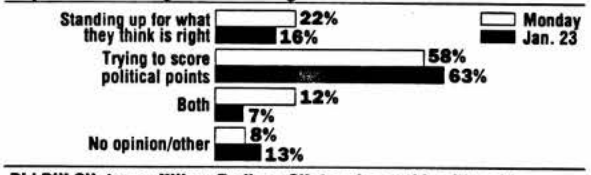
**How much do you know about President Clinton's investment in Arkansas real estate venture called Whitewater Development Corp.?**




**Is Whitewater a serious matter that requires a full-scale federal investigation, or not a serious matter that should be dropped?**




**Republicans calling for an investigation are...**




**Did Bill Clinton or Hillary Rodham Clinton do anything illegal in Whitewater?**

| | Bill | Jan. 23 | Hillary | Jan. 23 |
|---|---|---|---|---|
| Yes | 36% | 23% | 36% | 27% |
| No | 44 | 42 | 42 | 43 |
| No opinion | 20 | 35 | 22 | 35 |

**How do you feel about President Clinton's handling of the Whitewater affair?***




*Question was not asked in January

The Washington Times

# Clinton putting bitterness aside

THE WASHINGTON TIMES

*Wendell Groler of AP Radio asked President Clinton at a White House news conference about media coverage of the Whitewater-Madison affair.*

**Wendell Groler:** You have not even been accused of doing anything improper, and yet look at the cost. Diversion from your policies, from your message for weeks, if not months. Are you bitter about this, sir, and are we wrong for pursuing it the way we have — the press corps I'm talking about?

**President Clinton:** Well, the answer — am I bitter about it? No.

**Groler:** Why not?

**Clinton:** Because I think — because I think as you grow older bitterness is something you have to learn to put aside. As you strive to be more mature, one of the things you have to give up in life is your bitterness about everything. You have to work through that. I mean, I think — I mean, that's part of my personal mission in life. It has nothing to do with being president, really.

I also think you can't be a very good president if you're consumed with bitterness. I mean, if I wake up every day all agitated about this, then I can't deal with the problems of the people. If I'm thinking about me, I can't be thinking about them. The American people hired me.

Now, you will have to make a judgment. The only thing I have — I will just reiterate what you said. I've still not been accused of anything wrong because I haven't done anything wrong and I'm not going to do anything wrong. I'm going to — I revere the responsibility that I have been given and I am not going to abuse it.

But I — do I expect to learn something out of this? Do I expect Lloyd [Cutler] to bring something special to this White House and help us to then have a procedure that has the confidence of you and the American people? Yes, I do. I think we'll do better. Do I think we're in danger of spending too much time on it? That's why I wanted the special counsel. If you'll go back when I said — I said I'm for the special counsel; let him do the job. Let us do that.

Let's don't fill the airways talking about something that we need to draw definitive conclusions about, and that's what the special counsel will do. And I hope earnestly that we can go back to doing just that. That's what's in the public interest, to let the special counsel do the job and not clutter up the public life of this country with something that's going to be clearly and firmly resolved eventually.



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# Under a dark cloud, Rostenkowski pours it on

## 32% undecided as primary nears

By J. Jennings Moss
THE WASHINGTON TIMES

A1

CHICAGO — Rep. Dan Rostenkowski went home last weekend to fight for the job that has been his for 35 years, revealing in two days of campaigning two sides of his jowled political face — one slightly bruised, the other flushed with confidence.

Although a new poll shows him with a slight lead over his Democratic primary challengers, the percentage of undecided voters remains high, at 32 percent, a week before Election Day. Only 31 percent of those surveyed in the Chicago Tribune poll published Monday had a favorable opinion of him.

"Let me just say I hope I'm not a burden," he told a group of more than 100 precinct committeemen of the 39th Ward on Saturday, hoping they would pitch his virtues to their friends in the ethnic, blue-collar neighborhoods of Illinois' 5th Congressional District on Chicago's North Side.

Before he was done, he told a couple of Washington anecdotes and briefly mentioned the legal problems he faces. And he spoke of his accomplishments as chairman of the House Ways and Means Committee and the perks he has brought to the district.

"I want to talk about me and Danny Rostenkowksi's record representing you. In that process, I've acquired responsibility and done some things in this community because leverage in Washington is somewhat important. There's nothing wrong with that," the 66-year-old Mr. Rostenkowski said.

A different Dan Rostenkowski emerged the next day as he held court before a group of about 40 young professionals in an upper-middle-class neighborhood close to Lake Michigan. He made no apologies, offered no commentary about a possible grand jury indictment and spoke about his partner-

*see* **ROSTY**, *page A20*

## ROSTY

*From page A1*

ship with President Clinton.

"I want to go back to Washington. I want to help him. I think I have some expertise in the area. I'm not a genius about putting together legislation, but I'll tell you one thing: I'll compete with anybody about putting programs together and getting the consensus so that we can pass something," he told his constituents, most of whom had not been born when Mr. Rostenkowski first entered Congress in 1959.

Two years ago, Mr. Rostenkowski ran in a newly drawn district that had about 40 percent of his old constituency living within its lines. He got a jolt in the Democratic primary when Dick Simpson, a former city alderman and political science professor, captured 43 percent of the vote.

Mr. Simpson, 53, is running again for the job, but the Tribune poll shows him in third place behind Mr. Rostenkwoski and state Sen. John Cullerton. The poll gave the incumbent 27 percent of the vote, Mr. Cullerton 23 percent and Mr. Simpson 13 percent.

The other candidates are Michael A. Wojcik, a city alderman, and John Francis McCarthy, a follower of political extremist Lyndon LaRouche.

"I'm afraid, with Congressman Rostenkowski, what we have is a symbol of political corruption ... and that's not the face we want to show the nation," Mr. Simpson told a crowd of about 50 — many of them candidates for other offices — who gathered in the 2,000-seat Gateway Theatre of the Copernicus Foundation on Thursday for a candidate forum.

Mr. Cullerton, 45, so far has avoided bashing Mr. Rostenkowski, although he has taken shots at Mr. Simpson for a book he wrote titled "The Politics of Compassion and Transformation."

The reason Mr. Cullerton gives for targeting Mr. Simpson and not Mr. Rostenkowski is that everyone knows about the incumbent's problems but not Mr. Simpson's views.

Those problems center on charges that Mr. Rostenkowski illegally traded stamps for cash, paid salaries to people who did not work for him, paid himself rent from his campaign coffers, and bought personal items from the House stationery store with federal money. He has repaid the U.S. Treasury $82,095 for the items.

"The people of this district right here don't feel his power as chairman of the House Ways and Means Committee really helps them," Mr. Cullerton said after a campaign stop over the weekend. "It's time for somebody new to take over and start with a good record and move up the ladder."

But Phil Krone, a veteran of Chicago politics who has advised Mr. Rostenkowski, said anti-incumbent fervor is not likely to be an issue because Mr. Rostenkowski has been able to produce for the district — such as getting highway dollars to repair the Kennedy Expressway.

"You don't 'Bobbittize' yourself," he said. "Seniority is an issue when a guy isn't producing."

Some political observers speculate that if he wins, Mr. Rostenkowski will retire in 1996. But Mr. Rostenkowski says he has no plans to quit, and some close to him said he would like to be in office throughout the Clinton presidency, should Mr. Clinton win a second term.

In his campaign stops, Mr. Rostenkowski emphasized his relationship with the president. At times, it sounded as though he was campaigning more for Mr. Clinton and the president's health care and welfare reform priorities than for his own re-election.

Last week, Mr. Clinton traveled here, ostensibly to discuss crime but also to support Mr. Rostenkowski — a sound bite the Rostenkowski campaign already is using in a radio ad and will use in a TV spot.

Ironically, Mr. Rostenkowski said Sunday that his committee might get involved in hearings on the Whitewater-Madison scandal to look into Treasury Department briefings of White House staff.

For Mr. Rostenkowski to win next week, analysts said, he should wish for low voter turnout and hope the district's strong ethnic base sticks by him.

Leslie Flinn, a 31-year-old banker in Chicago who heard Mr. Rostenkowski speak on Sunday, said she plans to vote for him even though she is "troubled" by his legal and ethical problems.

"But, like all things in life, there's a trade-off," she said.

Others — like 73-year-old Leona Kozien, who threw herself on the hood of Mr. Rostenkowski's car five years ago to protest Congress' passage of catastrophic health insurance — say they no longer can support him.

"This man is not God. ... He's been in there so long and he's so high and mighty he wouldn't even give you the time of day," the Cullerton backer said.

### ROSTENKOWSKI LEADS

**Rep. Dan Rostenkowski is leading four opponents in his re-election race to represent Illinois's 5th District, according to a Chicago Tribune poll conducted Feb. 27 and 28. The margin of error is 4 percentage points.**

**Which candidate will you vote for in the March 15 Democratic primary?**

| | March | January |
|---|---|---|
| Rep. Dan Rostenkowski | 27% | 24% |
| State Rep. John Cullerton | 23 | 18 |
| Dick Simpson | 13 | 13 |
| Mike Wojcik | 3 | 7 |
| John McCarthy | 2 | 2 |
| Undecided | 32 | 35 |

**How do you feel about the job Mr. Rostenkowski is doing?**

| | February | January |
|---|---|---|
| Approve | 40% | 42% |
| Disapprove | 45 | 40 |
| Don't know | 15 | 18 |

Source: Chicago Tribune

The Washington Times



A1

# Subdued party on the Hill

## Democrats lie low on Whitewater

By Donald Lambro
and Paul M. Rodriguez
THE WASHINGTON TIMES

A1

Congressional Democrats said yesterday they are reluctant to rush to the defense of President Clinton as the probe into the Whitewater-Madison scandal expands and Republican calls for inquiries mount.

Many said their hesitancy stems from the complexity of the Whitewater case, doubts over the White House's handling of the matter and uncertainty about the Clintons' role in the tangled affair.

The Democrats' chorus of silence has not escaped the ears of the White House, whose frustration was voiced yesterday by presidential political adviser Paul Begala.

He said he has asked members of his party: "How come when these Republicans get up and demagogue on these issues there are no Democrats rushing into the breach?"

Mr. Begala said he has received a standard answer: "They say when they go home that people never mention it, so why not leave it as a bunch of hot air from the Republicans?"

A few Democrats have come to the defense of the president and the first lady. One is Rep. Bill Richardson of New Mexico, who said Whitewater-Madison "is a Beltway issue" that Republicans are using "purely for partisan exploitation."

But a significant number of Democrats privately make it clear they are in no hurry to circle the wagons around the president on hope and faith alone.

"Many members want to be sympathetic to Clinton but have learned from just the past few

*see* **PARTY**, *page A20*

## PARTY

*From page A1*

days that defending the president is risky," said a House Democrat who asked not to be identified.

"Hell, just last week we had to read it in the newspapers that they've been holding secret meetings," he said, referring to meetings held by White House aides and federal officials investigating Whitewater-related matters.

According to one Democratic senator, "there are a lot of Democrats today sending a message to the White House: 'Clean up your act.' "

"You don't go out on a limb without having the full details of what it is you are defending," said another Senate Democrat. "It's hard to mount a defense without having all of the information, and even the White House doesn't seem to know all the details."

A veteran House Democrat said: "Basically, we want to believe the president, but we trust in our instincts more strongly that this is a no-win situation. . . . Maybe down the road, if this starts to clear up, you'll see some of the boys standing up for him, but not now — at least not publicly."

Many Democrats in Congress said that Whitewater-Madison has become a big issue in their home districts only recently and that many lawmakers have been content to have their leaders respond for the party.

Others said they have shied away from commenting on the scandal out of fear that any position they take now could come back to haunt them if the controversy worsens.

With midterm elections on the horizon, many Democrats obviously fear the Whitewater-Madison affair will become a campaign bugbear. Senate Minority Leader Bob Dole of Kansas nurtured that fear yesterday, saying Republicans would raise the issue in the states of Democrats who oppose holding congressional hearings into the affair.

Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, which is expected to hold hearings on the controversy, predicts future disclosures of "blockbuster proportions" on Whitewater.

Under increased pressure from Mr. Clinton's political advisers to mount a counteroffensive, Democratic leaders said yesterday they expect more Democrats soon will speak out to keep the president's GOP critics at bay.

"In the next few days you will see Democrats more and more aggressively coming to the president's defense," Democratic National Chairman David Wilhelm said. "The Republican frenzy here is really out of desperation, but we're not going to leave it unanswered."

Yet, until recently, little if any defense of Mr. Clinton and first lady Hillary Rodham Clinton was heard from congressional Democratic leaders.

House Speaker Thomas S. Foley of Washington said Monday: "There's no evidence of any wrongdoing in this matter. None."

Other Democrats have been less vigorous in their defense. In fact, there has been little vocal support for the president from House Majority Leader Richard A. Gephardt of Missouri, Senate Majority Leader George Mitchell of Maine or their deputies.

Sen. John B. Breaux, Louisiana Democrat, said on NBC-TV's "Today" show that congressional hearings on Whitewater-Madison are "clearly not necessary" and accused Republicans of "stirring up the waters" instead of tackling legislation on health care reform and crime.

But he did not counter assertions made by House Minority Whip Newt Gingrich of Georgia, who said the Clintons' Whitewater land deal may have been mixed up in a Small Business Administration fraud case and "an effort to manipulate the entire regulatory process of Arkansas."

As Whitewater-Madison continued to dominate the news and the White House's attention, rank-and-file Democrats became increasingly uneasy over the affair and its political impact on their party in an election year.

The New York state Democratic Party said it received 53 phone calls on Friday after disclosures that documents had been shredded by the Rose Law Firm in Little Rock.

Mrs. Clinton and several administration officials worked for the law firm.

"The White House has succeeded in taking what probably wasn't a major story and one that involved Arkansas and made it into a front-page White House story," said Rep. Charles W. Stenholm, Texas Democrat.

Rep. Timothy J. Penny, Minnesota Democrat, complained that "it is still amateur hour down at the White House."

• *This article is based in part on wire service reports.*



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# Republicans seek to question 40

By Jerry Seper
THE WASHINGTON TIMES

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House Banking Committee Republicans yesterday listed 40 witnesses they want to question at a March 24 oversight hearing on the Whitewater-Madison affair, including top White House officials and key federal regulators.

The list, offered by Republicans yesterday to committee Chairman Henry B. Gonzalez, Texas Democrat, includes a wide range of potential witnesses, outlining several areas of concerns by GOP panel members.

The GOP lawmakers acknowledged, however, they were "doubtful that certain of the witnesses ... will voluntarily appear before the committee." The Republicans, composing the minority, do not have the power to subpoena the witnesses.

"The committee will have ample opportunity to consider whether the issuance of subpoenas would be appropriate," said Rep. Jim Leach, Iowa Republican and ranking GOP committee member, in a letter signed by

*see* **GOP**, *page A8*

## GOP

*From page A1*

√

all 20 Republican members of the committee.

Mr. Gonzalez has said he does not intend to raise Whitewater-Madison concerns during the hearing — a semiannual oversight session of the Thrift Depositor Protection Oversight Board, which oversees the Resolution Trust Corp. — and will not allow Republicans to question administration officials subpoenaed by Whitewater-Madison special counsel Robert B. Fiske Jr.

But President Clinton said yesterday he would not invoke executive privilege to keep administration officials from testifying before Congress.

Mr. Fiske has argued against holding congressional hearings. He said granting immunity to witnesses in exchange for their testimony — as in Iran-Contra hearings for Marine Lt. Col. Oliver North — could result in premature public disclosures of "matters at the core of the criminal investigation."

Mr. Leach said in a letter to Mr. Fiske that he saw "no reason" to grant immunity to witnesses.

"The Banking Committee not only has the authority but the obligation to conduct investigatory hearings into Whitewater-Madison," he said. "The key is to ensure your ongoing investigation is assisted, not undercut."

The witness list suggests Republicans want information about loans to then-Gov. Bill Clinton and if Whitewater Development Corp., an Arkansas real estate venture, illegally repaid those debts; whether other moneys were improperly routed to Mr. Clinton from other sources, including state bond fees; and whether ethics were violated during White House briefings on the Whitewater-Madison affair.

The list also suggests GOP members will ask about ethics violations concerning Hillary Rodham Clinton's representation of Madison Guaranty Savings and Loan Association before state bank regulators, and whether documents at the Rose Law Firm, where she was a senior partner, were shredded.

On the Republican wish list are James B. McDougal, who owned Madison, and his ex-wife, Susan, who were partners with the Clintons in the Whitewater project; White House Chief of Staff Thomas F. "Mack" McLarty; Paula J. Casey, U.S. attorney in Little Rock; and Justice Department prosecutor Donald B. Mackay, who took over the probe when Mrs. Casey recused herself.

Others include:

- David L. Hale, owner of a Small Business Administration-approved lending agency in Little Rock, who said Mr. Clinton pressured him for an illegal $300,000 loan. Arkansas critics of Mr. Clinton say he is the key to "unraveling" Whitewater.
- Lawyer James M. Lyons and accountant Leslie Patten, both of Denver, who wrote a 1992 report saying the Clintons lost $68,900 on the Whitewater venture.
- Beverly Bassett Schaffer, former head of the Arkansas Securities Department, whose ruling on Madison in 1985 kept the S&L in business.
- Dan R. Lasater, a convicted cocaine distributor and former Little Rock investment executive whose firm received more than $664 million in state-approved, tax-exempt bond sales contracts.
- Don Denton, a Little Rock banker who helped arrange a $20,000 loan to Mr. McDougal and Mr. Clinton for the down payment on the Whitewater venture. He said the loan was repaid with money from a separate loan to Mr. McDougal.
- Sheffield Nelson, a Little Rock lawyer who talked with Mr. McDougal in 1992 about reported financial irregularities involving Mr. Clinton. He was the 1990 Republican nominee for governor.

Also on the list are several employees at the Rose Law Firm, including couriers. Some employees of the firm have said they shredded documents, beginning during the 1992 presidential campaign.

The most obvious names on the list are six Clinton administration aides, including White House Counsel Bernard W. Nussbaum, and four current and former Treasury Department officials involved in Whitewater-Madison briefings at the White House.

Other White House officials are presidential adviser Bruce Lindsey; Communications Director Mark Gearan; Deputy Chief of Staff Harold Ickes; Lisa Caputo, Mrs. Clinton's press secretary; and Margaret A. "Maggie" Williams, the first lady's chief of staff.

Treasury officials are Deputy Secretary Roger C. Altman; Deputy Counsel Jean Hanson; Josh Steiner, Treasury Secretary Lloyd Bentsen's chief of staff; and Jack Devore, Mr. Bentsen's former spokesman.

Lloyd Cutler, named yesterday by Mr. Clinton to replace Mr. Nussbaum, said, "It would be my recommendation that everyone in the White House cooperate."

White House and Treasury officials already are scheduled to appear before a federal grand jury in Washington tomorrow on subpoenas issued by Mr. Fiske. They also seek information and documents on the White House briefings.

The White House has said Mr. Nussbaum, who announced his resignation this week, attended at least three meetings with Resolution Trust Corp. and Treasury officials, beginning in late September of last year.

There was no indication Mr. Leach planned to expand his witness list after White House acknowledgment yesterday of additional secret meetings between administration and regulatory officials.

The witness list also includes the names of 10 federal regulators, including seven officials from the RTC, the federal agency that oversees failed S&Ls, and one each from the Federal Deposit Insurance Corp., the Small Business Administration and the Office of Thrift Supervision.

The RTC, which has no prosecutorial power, forwarded nine criminal referrals to the Justice Department in 1992 regarding financial irregularities by Madison and Mr. McDougal. The agency is trying to determine why Madison, which showed evidence of insolvency as early as 1984, was allowed to remain in business until 1989.

Mr. Fiske's inquiry is looking into the representation of Madison by Mrs. Clinton in 1985 before Arkansas banking regulators, who agreed to keep the S&L open after reviewing arguments from Mrs. Clinton and others at the Rose firm. At the time, her husband as governor appointed and oversaw the regulators.

Mr. McDougal has said he paid Mrs. Clinton a $2,000-a-month retainer for the legal help.

The FDIC also is investigating a possible conflict of interest involving the Rose firm's former managing partner, Webster L. Hubbell, in his 1989 representation of the government in a lawsuit against an Arkansas accounting firm, Frost & Co., which was accused of negligence in Madison's failure. Mr. Hubbell is now associate attorney general.

The government suit challenged an audit by Frost the Rose firm had used four years earlier to argue that the S&L was solvent.

The SBA's involvement centers on allegations by Mr. Hale that he was pressured in 1986 by Mr. Clinton and Mr. McDougal for the $300,000 loan to Mr. McDougal's wife.

About a third of the loan, which was never repaid, went to the Whitewater account.

The Washington Times WEDNESDAY, MARCH 9, 1994

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# Jobs: Help wanted √

Few of the well-paid workers at Corning's Blacksburg, Va., ceramics plant had more than high school degrees when the plant closed in 1983.

So, despite years of loyal service, many lost out when Corning reopened a high-tech plant in town several years later. They just didn't have the technical skill needed.

That story has echoed from factory to factory across America for more than a decade. Since 1981, 10 million low-skill, high-pay manufacturing jobs have disappeared; and the jobs replacing them require skills laid-off workers often lack.

The result: Workers let go today take months longer to find jobs. And when they find one, it often pays less than 80% of their old wage.

President Clinton and Labor Secretary Robert Reich today unveil a plan they say can change that glum picture.

They want to revamp the unemployment system and convert its temporary aid to displaced workers into permanent skills and good jobs. In the process, they'd get rid of some old training programs and set up one-stop-shopping centers in which the unemployed could pick the programs that best serve their needs.

The cost? Just $3.4 billion a year.

That's a pittance, if it works. But will it?

Federal training programs often haven't:

Not for those retrained under the Trade Adjustment Assistance Act after losing jobs to foreign imports. An evaluation for the Labor Department found they did no better than those who simply sought work.

Not for young men trained under the Job Training Partnership Act. A private study found they earned *less* than a comparable group that fended for themselves.

Not for food-stamp recipients trained with Agricultural Department aid. A study for the department found "every taxpayer dollar went down a rat hole."

Indeed, not for most displaced workers. According to the Congressional Budget Office, simple job search programs did as well for them as retraining.

Yet the government spends $24 billion a year on 150 training and education programs.

Trimming and streamlining can only help. But history hints at a better approach.

Business itself spends $30 billion a year on training. And studies show that those whom business trains do earn more, where government's trainees don't.

As it takes up Clinton's plan, Congress should keep that in mind.

▶ Jobs plan, 2B

# The 'first spouse' questions we never asked

**As Whitewater hits close to home, what do we do if the worst turns out to be true?** √

I have a question: What if Hillary Rodham Clinton is deeply involved in this Whitewater thing and Bill Clinton isn't?

I mean, what could the president do about that?

What if she were indicted?

How could he respond?

He couldn't condone her behavior. Yet he couldn't ask her to resign, for she has no title, draws no salary and has no official job. He couldn't dissociate himself from her, the way he did Lani Guinier, because they have been rather close for a number of years. He couldn't send her packing back to Arkansas, the way he is sending Bernard Nussbaum back to New York, for she is, after all, his wife. And it hardly seems like grounds for divorce.

There's never been anything like this in history. Presidents have had to deal with goofy brothers, like Billy Carter or Donald Nixon; and bullying fathers, like Joe Kennedy; and errant children, like Neil Bush; and a crooked vice president, Spiro Agnew; and a host of ill-serving aides, from Sherman Adams to John Sununu.

But an unethical wife? An unethical wife who is a sort of co-president?

Of course, nothing has been turned up that proves Hillary Clinton did anything unethical in Arkansas or unconscionable in Washington, but every day there are new developments in this scandal, and, if your home is the White House, they're hitting awfully close to home.



**By Michael Gartner,** editor and chairman of the Ames, Iowa, *Daily Tribune.*

If she is truly and deeply involved, this could be an enormous problem. You could make jokes about it — and as fodder for comedians it already is damaging to the president — but what could really be done about it if she were accused of a crime?

The answer, probably, is nothing.

This seems to be the one contingency no one thought of when the president announced that his wife would have a major role in his administration. It was applauded as being a modern, '90s-type action — a two-career couple in the White House, just like in your house. It was cheered by feminists — why should a bright, educated first lady be relegated to baking cookies or doing good deeds for charities? It was seen as the ultimate in job-sharing.

Oh, there were objections. Some old people thought it unseemly. Some young people viewed her unkindly. Some conservatives thought it unmotherly.

But that was just carping.

No one, apparently, thought of the one unthinkable issue: What if she's a crook?

Perhaps this whole thing will take a different turn. Perhaps it will center on others in the Rose Law Firm in Arkansas or in the White House in Washington. Perhaps there is nothing to it. Or, perhaps, there is something to it but, like Iran-contra, the nation won't care.

But perhaps those perhapses are all wrong. Then what do we do? What do we do if Hillary Clinton is in Whitewater a lot deeper than she should be? What do we do if Hillary Clinton is a buccaneer?

▶ Whitewater, 1A, 4A, 5A



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# A two-track investigation

Special counsel Robert Fiske is on a two-track course in looking at President Clinton's and Hillary Rodham Clinton's involvement in the Whitewater land development deal in Arkansas. Six White House aides and four Treasury Department officials have been subpoenaed to appear Thursday at the special counsel's office in Washington. A look at the probes:

## IN LITTLE ROCK

Fiske has a special grand jury looking at Whitewater and all its tentacles:

▶ **President Clinton's** involvement, both financially and influentially, when he was governor of Arkansas.

▶ **Hillary Rodham Clinton's role,** both as an investor in Whitewater and as lawyer for Madison Guaranty Savings & Loan.



AP

**HILLARY CLINTON:** Two roles examined

▶ **Madison S&L** run by Whitewater partner James McDougal. Its failure cost taxpayers at least $47 million. Questions include: whether state regulators went easy on McDougal and Madison because of the Clinton connection; whether Madison funds were illegally diverted to cover Clinton campaign costs.



AP

**McDOUGAL:** Partner in land venture

▶ **Possible destruction** of Whitewater documents by Hillary Clinton and her Rose Law Firm, a charge denied by the president and the law firm.

## IN WASHINGTON

Fiske's staffers are looking at the possible obstruction of justice by Clinton administration officials:

▶ **Conversations** between White House aides and Treasury Department officials about a Resolution Trust Corp. investigation into Madison S&L's failure.

▶ **Confidential information** given to President Clinton that the RTC was investigating whether his gubernatorial campaign had received improper donations from Madison. Clinton said he was told about the probe in October, but said he didn't recall who told him.



AP

**NUSSBAUM:** Quit White House post

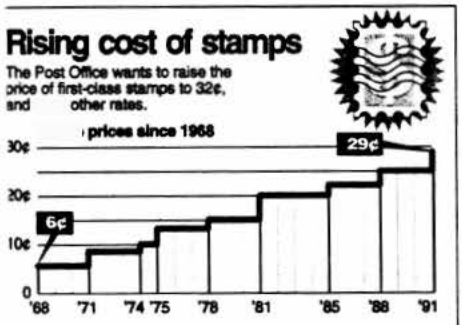
▶ **Suicide** of White House deputy counsel Vince Foster, a partner with Hillary Clinton in the Rose Law Firm. The probe focuses on both the investigation into Foster's death and possible removal of Whitewater documents from his office by resigned White House counsel Bernard Nussbaum.

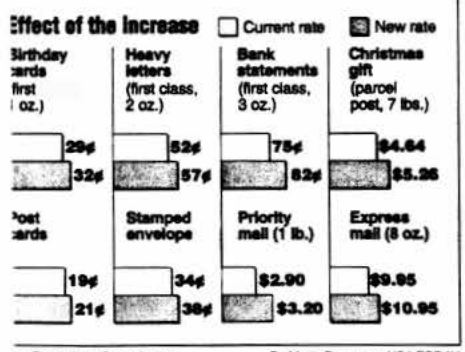
▶ **Possible destruction** of Whitewater documents beyond those believed taken from Foster's office by Nussbaum. One sign of the probe: Piles of trash accumulated in White House offices as more than 400 employees were told not to destroy their trash, phone logs or computer files.

Source: USA TODAY research

## Rising cost of stamps

The Post Office wants to raise the price of first-class stamps to 32¢, and other rates.




Source: Postal Rate Commission

By Marty Baumann, USA TODAY

# Post haste? Not here

## Slow mail service angers Chicagoans amid talk of a 32¢ stamp

By Kevin Johnson
USA TODAY

CHICAGO — "The check is in the mail" is not a comment city residents want to hear — because it could be a while.

"Checks are missing, checks are lost, checks are delayed," says Pat O'Shea, a 48th Ward aide in Chicago's Uptown neighborhood. "And it goes in reverse. People have credit problems because the checks they send out are lost."

In a recent Postal Service study, the city's mail service ranked last with a 64% customer satisfaction rating. Manhattan was next at 75%. The national average was 88%.

Tuesday's announcement of a proposed 3-cent increase in the cost of a first-class stamp didn't sit well with Chicagoans.

If it passes, "they would be outraged, absolutely outraged," says Alderman Joe Moore.

Among the postal district's problems:

▶ 5.9 million pieces of forwarded mail, normally delivered in three days, were delayed as long as a month.

▶ Last month, about 100 sacks of mail, containing 40,000 pieces, were found in the truck of a letter carrier whose route included 484 customers. The carrier has been suspended pending an investigation.

▶ A day later, workers found a two-foot stack of undelivered mail beneath a hydraulic lift South Side postal station.

▶ In January, test letters mailed to some city addresses wound up in a Minneapolis dead-letter office.

The *Chicago Sun-Times* reported last week that some mail carriers refused to go out in the cold.

"The number of complaints has risen exponentially," Moore says. "Social Security checks are late; mail isn't delivered for several days. People get their November phone bills in January. Whatever happened to the 'neither rain, nor sleet, nor snow' motto?"

Postal spokesman Jim Mruk says the service is "in trouble," and is trying to improve.

Mruk says the problems in the areas rated worst are that customers move frequently, live in apartment buildings and have mailboxes in unusual places. "But that doesn't relieve us of the responsibility for quality service," he says.

He says improvements are in the works, including:

▶ More supervisors and "improvement teams" at poor performing stations.

▶ More phone operators to field complaints and questions.

▶ Construction of a new main post office.

▶ A new processing center.

Ron Erday, 42, says he will believe it when he sees it. He says a mail carrier has skipped his block an average of once a month the nine months he has lived there. "How many times have we heard things will be better before?" he says.

▶ Rate increase, 1A



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# Again, a veteran to rescue

## A cool hand to navigate crisis

By Bill Nichols
USA TODAY



By H. Darr Beiser, USA TODAY

**'THE ORIGINAL':** President Clinton turned to Lloyd Cutler, 76, chief counsel in the Carter White House from 1979-81, to help guide the administration through the rising furor over the Whitewater affair.

Over the weekend, President Clinton was looking for a "Lloyd Cutler type" to replace departing White House counsel Bernard Nussbaum and help calm a nearly week-long crisis over the Whitewater affair.

But finally, as Clinton said Tuesday, "I just decided I would go to the original first and see how I could do."

The original, a 76-year-old veteran of the Carter administration and a quintessential Washington operator, now is charged with injecting his prestige and savvy into a White Ho once more in dire need of a cool, seasoned hand.

Said Cutler: "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 assure that that trust is maintained."

The selection of Cutler, who was chief counsel in the Carter White Ho from 1979-81, to follow Nussbaum's messy, forced departure brought almost unanimous bipartisan praise.

Cutler, who called himself a "senior citizen," will stay on the job no more than 130 days, working for free. He mentioned possibly donating his pay to a federal deficit fund.

Old friends said Cutler is a perfect choice to guide Clinton through the rising Whitewater furor.

Special counsel Robert Fiske last week subpoenaed six senior White Ho aides in the latest development of his probe of the relationship of a failed Arkansas savings and loan to the first family's Whitewater real estate venture.

Said Cutler of his much-criticized predecessor: "I think Bernie Nussbaum had a lot of bad luck."

Cutler "was always calm and reasoned and brought the kind of approach where you didn't have fits of panic in a crisis," said former Carter budget chief Bert Lance. "He brings experience and institutional memory ... and all those things are so important."

Cutler's appointment also follows a long Clinton pattern that reaches back to his days as governor in Arkansas. When in trouble, bring in a older, respected, establishment type to smooth the waters.

In the campaign, when Clinton was under fire on charges of evading the draft during the Vietnam war, he brought forth former Joint Chiefs of Staff chairman, retired admiral William Crowe, then 68, for help.

During the early days of the administration, David Gergen, just 51 but perhaps the ultimate Washington insider of his generation and a veteran of three Republican White Houses, was hustled aboard as counselor.

> "(Cutler) brings experience and institutional memory ... and all those things are so important."
>
> **— Bert Lance, budget chief under President Carter**

A self-described liberal Democrat who has been both a Washington and Democratic Party powerbroker for decades, Cutler seems to the left of Clinton's "New Democrat" administration, but he has also shown an independent streak.

His clients, in recent years, have included conservative Rep. Henry Hyde, R-Ill., and former secretary of State George Shultz.

And in 1987, when most Democrats were working to defeat the Supreme Court nomination of Robert Bork, Cutler scandalized his liberal peers by defending Bork.

Cutler, who served on President Bush's Commission on Federal Ethics Reform, also is no stranger to White House ethics brush fires.

He came into the Carter White House under similar circumstances, during a period in which Carter also was trying to soothe Washington's power elite by bringing in one of their own and when presidential brother Billy Carter's ties to Libya were under congressional investigation.

In USA TODAY last July, Cutler gently chided the administration for last year's tumultuous reorganization of the White House travel office, citing "the personal ambition and excessive zeal displayed by some White House staffers."

On Whitewater, he offered this advice in *The Washington Post* recently, words that may now have new meaning.

"There are no winning solutions," Cutler wrote. "If you had all the experience in the world, these are still very difficult choices to make."

▶ Cutler appointed, 1A



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# Special counsel Fiske moves quickly — and aggressively

"(Fiske's) strategy is the quickest, best way. You bring as many witnesses as possible before as many grand juries as you need and knock them off boom, boom, boom." — Former prosecutor Nick Akerman

By Dennis Cauchon
USA TODAY

Special counsel Robert Fiske has chosen a strategy of quick and aggressive action in the Whitewater probe.

Rather than have FBI agents work quietly behind the scenes to gather information slowly, Fiske has taken a high-profile approach. He has:

▶ Slapped wide-ranging subpoenas on every possible witmajor or minor.

▶ Hurried witnesses before a grand jury in Little Rock.

▶ Ordered White House aides to appear before a grand jury in Washington, D.C., starting as early as Thursday.

▶ Personally phoned Republican legislators to discourage congressional hearings.

Veteran prosecutors say Fiske has the right strategy.

"A prosecutor would prefer a low-key approach," says Marvin Collins, U.S. attorney in Dallas under Reagan and Bush. "You get more information that way. Unfortunately, when the story is on the front page like Whitewater, you have to take a different route."

In his most assertive move, Fiske subpoenaed six White House staffers to testify before a grand jury about meetings they had on Whitewater with savings and loan regulators.

By expanding the probe to include a possible White House cover-up, Fiske has made the investigation more dangerous for the White House.

White House counsel Bernard Nussbaum lost his job as a result. And White House staffers have hired private lawyers.

The lawyers are working out when White House aides will ly and turn over documents to the grand jury. The appearances could start as early as Thursday, says Allen Snyder, lawyer for White House senior adviser Bruce Lindsey.

President Clinton has pledged full cooperation. Four hundred White House staffers signed papers this week to certify that they had turned over every Whitewater document on their desk or in their trash.

The search appears likely to produce more embarrassment. The White House says the search turned up additional contacts, albeit minor ones, with other agencies about Whitewater.



By Danny Johnston, AP

**DANGER SIGNAL:** Probing a possible cover-up, Robert Fiske has made the investigation more dangerous for the White House.

Deputy Treasury Secretary Roger Altman, one of the officials who will testify before a grand jury, has said he had minor hallway discussions about Whitewater, but only one significant meeting.

Legal experts say Nussbaum got the Clinton staff into trouble because he misunderstood the White House counsel's role.

"He serves the office of the presidency, not President Bill Clinton," says legal ethics scholar Monroe Freedman.

Bush White House counsel C. Boyden Gray says he wanted to help Bush on some legal issues but didn't: "There are times when you simply have to hold back and not get involved."

Fiske, who earned a reputation prosecuting organized crime, appears prepared to pick through every strand of the Whitewater web.

He has offices in three cities — Little Rock, New York and Washington, D.C. — and two separate grand juries.

His Washington office is 1001 Pennsylvania Avenue — six blocks from the White House. The building's other tenants include former Bush campaign manager James Baker and Bush budget director Richard Darman.

By using two grand juries to investigate, Fiske gains several advantages. He:

▶ Gets testimony from witnesses outside the presence of defense lawyers, who aren't allowed in the grand jury room.

▶ Avoids the slow process of waiting for FBI agents to process paperwork on what happened in an interview.

▶ Makes it hard for witnesses to change or soften their story during the lengthy probe.

▶ Gets testimony before Congress does, avoiding the chance that congressional immunity might make the information impossible to use in court. That problem plagued Iran-contra prosecutors.

"This strategy is the quickest, fastest, best way. You bring as many witnesses as possible before as many grand juries as you need and knock them off boom, boom, boom," says former federal prosecutor Nick Akerman, who worked for Fiske when Fiske was U.S. attorney in New York.

▶ Cutler appointed, 1A
▶ What Clinton knew, 5A



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# For 2nd day, Clinton tries to calm the waters

By Adam Nagourney
USA TODAY

In a second day of efforts to stem Whitewater damage, President Clinton Tuesday devoted more than 40 minutes to answering questions on the topic and said he would cooperate with a congressional probe.

Clinton also said it would be "hard for me to imagine a case" in which he would invoke lawyer-client or executive privilege to block the release of White House papers to special counsel Robert Fiske, who is investigating the Clintons' role in Whitewater and possible White House efforts to compromise the investigation.

The appointment of Lloyd Cutler, 76, as White House counsel for 130 days, and the lengthy question-and-answer session, marked the second effort by Clinton in as many days to calm the Whitewater rapids.

Clinton said again he could not recall when and how he learned that the Resolution Trust Corp. had made a "criminal referral" to the Justice Department — recommending it conduct a criminal probe of a failed Arkansas thrift with ties to Bill and Hillary Clinton.

That is an important question, because Fiske has subpoenaed six White House officials to ask about potentially improper contacts under which they received advanced, sensitive information about the probe.

Clinton aides said they believe he learned of the probe not because of the suspect conversations, but only after reporters began calling the White House asking for reaction.

Clinton, though, was much vaguer. He insisted he could not recall the details of a conversation in which he learned that the Justice Department was beginning a criminal investigation of Madison Savings & Loan, which had business and campaign ties to both he and his wife.

"All I remember is at some point in October, I heard about it and that my clear impression was that that was an action the RTC had taken to make this referral," he said. "It's just something that I knew and absorbed. I didn't discuss it or ask anybody to do anything or take action."

He said he suspected that senior adviser Bruce Lindsey told him. Lindsey has told colleagues he doesn't recall if he did.

Clinton also said a review of White House documents, computer record and phone logs over the past three days had turned up a few other incidents of contact between White House officials and Treasury Department officials. He said they were "incidental" and "had nothing to do with the substance" of the probe.

And while he seemed to rule out invoking any kind of executive or lawyer-client privilege, he did not say whether he would instruct his staff not to invoke Fifth Amendment protections against self-incrimination when they answer questions.

He dodged a question on whether his wife, at the center of the Whitewater story, should hold her own press conference: "She's perfectly capable of speaking for herself."

Clinton's decision not to resist a congressional probe, despite fears of advisers that it would only continue to fuel the story, reflected a bow to political reality, and the White House's diminishing political clout in this area.

Although Fiske asked Congress not to proceed with its own probe, saying it could be disruptive, Cutler advised Clinton to cooperate if it did.

Clinton — in contrast to his senior aides, including David Gergen and George Stephanopoulos — rejected the suggestion the White House shared much of the blame for allowing the Whitewater story to explode.

"You know, it's still what it always was: I mean, it's a real estate investment I made 15 years ago that I didn't make money on."

## Mere suspicion merits a 'referral'

A "criminal referral" is a form that bank regulators fill out when they suspect a crime has occurred. The form is sent to the Justice Department, which decides whether to prosecute.

Criminal referrals are triggered by the mere suspicion of a crime.

"A fairly low threshhold of evidence is required," says Rosemary Stewart, former enforcement chief at the Office of Thrift Supervision.

The referrals often don't result in prosecution, because the evidence is too slim or the amount involved is small.

Referrals are confidential, although they were sometimes leaked to reporters during the savings and loan scandals of the 1980s. — *Dennis Cauchon*

## Clinton aides could face big legal bills

Legal problems may quickly turn to financial ones for White House aides who have been subpoenaed by the special counsel probing the Whitewater affair.

In the past, legal bills have exceeded $500,000 for some government officials.

Under the special prosecutor law, now expired, the federal government could reimburse employees cleared in a criminal probe. Former attorney general Edwin Meese's lawyers got $472,190.

But it's uncertain who would pay the bill for President Clinton's aides.

"It's hard on government officials of moderate means," says Notre Dame law professor Douglas Kmiec. "These fees mount up extremely quickly."

The White House is considering asking to use a Justice Department fund that pays lawyers up to $99 an hour to defend government officials.

But Justice Department spokesman Carl Stern says the fund generally is used in civil cases, not criminal ones.

Also, because the special counsel is working for the Justice Department, paying the defense lawyers "would put us on both sides of the case," Stern says.

No official request for the money has been made, Stern said.

Another possibility: a donation of time from a lawyer, called *pro bono* work.

"A *pro bono* case doesn't have to be for the poor. It only requires that the lawyer believe in the cause," Kmiec says.

— *Dennis Cauchon*

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# The Fiske Coverup

Independent Counsel Robert Fiske is a distinguished member of the New York bar, and he is only doing what any good lawyer would do. But when this approach is applied to broad public policy concerns, as distinguished New York attorney Bernard Nussbaum found, it can produce preposterous results.

So in preparation for Mr. Fiske's meeting this morning to urge Senator D'Amato and the rest of Congress to shut up and get out of the way, we'd like to offer an update on *Dow Jones v. Department of Justice*. As most readers know, we've filed suit under the Freedom of Information Act for the release of reports on the death of Vincent Foster. The Justice Department's reply consists of a letter from Mr. Fiske saying the reports should not be released because it would compromise his investigation.

At the time Mr. Fiske was appointed, we'd already been waiting for these reports for five months. We filed our original FOIA request back in August, because we thought that's what the Justice Department was asking us to do. "As soon as the FOIA section processes the report, it'll be available to you. That has already started before this meeting even took place," spokesman Carl Stern told the press. So we filed the request and let the process proceed.



*Robert Fiske Jr.*

As it proceeded, Mr. Foster's death was widely blamed on us, because prior to his death we were the only people suggesting there might be an issue concerning ethics among former members of the Rose Law Firm. Michael Kinsley cast the first stone, as is his wont, and the blame-laying reached a crescendo with the headline on Jonathan Alter's Newsweek column: "Journalism as a Blood Sport."

We never viewed this theme as an accident. John Hanchette, national correspondent for the Gannett News Service, recently confirmed our suspicions, telling Peter Bronson of the Cincinnati Inquirer, "Reporters got unsolicited calls from the White House saying that they were at fault, that the press was vultures picking over his bones." And of course, we were designated as chief vultures, on the basis of the note found six days after Mr. Foster's death, torn up at the bottom of his briefcase but supposedly missed in previous searches.

In one of the copious leaks from the report that Justice and Mr. Fiske say we can't have, we learn that a Park Police investigator says he had earlier watched Mr. Nussbaum examine the briefcase. This account appeared in the New York Times the week after our suit was filed. Most people, having learned about Whitewater files in and mysterious visits to Mr. Foster's office, no longer attach much credence to the theme of blaming the press.

Leaks from the reports we're suing for, however, continue to press the original White House theme. In its Feb. 11 report based on "secret police files reviewed yesterday," the New York Daily News reports that Mr. Foster's widow said he suffered from "humiliation." The paper's Karen Ball added, "Foster and the Rose firm were the targets of acerbic Wall Street Journal editorials." And New York magazine quotes this comment on our lawsuit, " 'They didn't even have the grace to say they're sorry,' says a White House official. 'And they've picked up right where they left off.' "

In replying to our suit, the Justice Department concedes nearly all of our FOIA contentions, but claims an exemption for information on investigations. Mr. Fiske's supporting letter says, "The public disclosure of all or any part of the Park Police or FBI report at this time would substantially prejudice the ability of the Office of the Independent Counsel to conduct its investigation. For example, if a witness has access to what another person has said about a particular fact or to conclusions reached in a report, that witness's testimony or statements in an interview could be tainted by that knowledge."

Sounds lawyerly. What in blazes is he talking about? His witnesses are the same people who'd been sitting on this report for five months before he took office. Which of the following hasn't had access to it: Mr. Nussbaum, Bruce Lindsey, Harold Ickes, Mark Gearan, Maggie Williams, Lisa Caputo? These people or those who work for or with them, we feel entitled to suspect, are also behind the spin on the secret report intended to blacken our name. They and compatriots like Webster Hubbell at Justice also understand that Mr. Fiske will do what every good lawyer would, and that this will continue their coverup beyond the Congressional election and with luck beyond the Presidential one.

There's more. When we filed suit we also filed a separate request for a photocopy of the Foster note. The text had been released, and a photocopy has been available for inspection in Mr. Stern's office. The Justice Department has replied to this request with a letter saying "the handwritten note will be treated as part of your earlier request," throwing it under Mr. Fiske's "all or any part" umbrella. In other words, the distinguished lawyer is arguing that his investigation will be jeopardized by release of a letter the text of which has already been printed in every newspaper in the land, and the copy of which has been available for those willing to visit Mr. Stern's office.

Perhaps some of the members of Congress would like to explore this logic in their meeting with Mr. Fiske this morning. It is a taste of what they can expect if they defer to what any good lawyer would do, and shirk their own responsibility to air important concerns in public. They should tell Mr. Fiske that they ultimately don't care whether someone goes to jail; for our own part we hope no one does. The more important responsibility is to give the public the facts it needs to judge the performance of its government; deciding whether to indict is less important than deciding whether to throw the rascals out.

THE WALL STREET JOURNAL WEDNESDAY, MARCH 9, 1994

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# The White House Counsel's Job

## Rule of Law

By Terry Eastland

In his letter of resignation to President Clinton, Bernard Nussbaum blamed his decision to quit on the controversy created by those "who do not understand, nor wish to understand, the role and obligation of a lawyer, even one acting as White House counsel." Mr. Nussbaum was right, in complicated and ironic ways.

By all accounts, Mr. Nussbaum, who spent 27 years as a top corporate litigator in New York City, is an excellent lawyer. He probably would have been a fine White House counsel—sometime before the 1970s. Mr. Nussbaum proved unable to cope effectively with the culture of scandal that has emerged since the late '60s and especially Watergate. As his friend Leonard Garment, who served as counsel to President Nixon in 1973-74, sympathetically puts it, he was "not very well versed in the ways of Washington."

Ironically, Mr. Nussbaum served (along with Hillary Rodham Clinton) on the House Judiciary Committee during its investigation of Watergate, and it is more his party than the GOP that over the past 20 years has harped on the importance of "ethics in government," especially by the president and the executive branch. The culture of scandal that embraces that idea is defined by the ethics laws and regulations (most put in place in the past 30 years) that govern the executive and that are enforced by Congress, government ethics officers and, in its own loud and visible way, the press. Central to this culture is the independent (or special) counsel, who is summoned to conduct criminal probes of executive officers even in contexts in which ordinary prosecutors would find no reasonable basis to proceed.

Also central to this culture is the notion that executive officers are supposed to avoid even the "appearance" of impropriety. Found in an executive order issued by President Lyndon Johnson in 1965, this standard is especially endorsed by the press, which tends to regard any appearance infraction as a possible first step on the slippery slope to another Watergate.

The White House has denied interfering with the criminal investigation of Whitewater, but the mere fact that Mr. Nussbaum met on three occasions with Treasury Department officials to discuss the case was universally judged a violation of the appearance standard. Mr. Nussbaum wasn't the only one guilty of this infraction, and sooner or later most of the others who participated will be made to pay, with their jobs and reputations. But Mr. Nussbaum was made to draw the first black bead because he, as the White House counsel and its designated agency ethics officer, should have known better.

In fact, Mr. Nussbaum should have known better, although the reason is not just to satisfy the modern appearance standard. Mr. Nussbaum conceived of his job as that of protecting his client, the president, and were he in the private sector his Whitewater-related actions would have caused no problems. But the White House counsel's job involves more than that. "You are also counsel to the presidential office," says Boyden Gray, who held Mr. Nussbaum's job under President Bush. "And it's your responsibility to leave the institution as strong as it was when you went in."

By that standard, the most important one, Mr. Nussbaum failed spectacularly. Actions, however unremarkable in a previous era, that today can provoke subpoenas of many high-ranking White House officials cannot be regarded as excellent public service. A Clinton-Nussbaum legacy is that it will be easier to subpoena top White House officials. More broadly, it will be harder for the president's lawyers to defend what Hamilton called "the constitutional rights of the executive."

Mr. Nussbaum's successor, Lloyd Cutler, will have to grapple with this legacy. This is the second time around for Mr. Cutler, who served as Jimmy Carter's White House counsel. He knows the basic work of the office—examining legislation sent to the president, vetting presidential nominations, judging pardon petitions, reviewing all the official remarks of the president, considering ethics questions, and so on. Unlike Mr. Nussbaum, he has a public record of engagement with constitutional issues—although note well that Mr. Cutler, a strong advocate of independent counsel legislation and a critic of the Constitution's separation of powers, has not been a strong proponent of executive power. Also unlike Mr. Nussbaum, he is well versed in the ways of Washington.



*Lloyd Cutler*

Still, he will find this job more difficult than the one he had under President Carter. For one thing, he will arrive not knowing whether the president or the first lady has violated any laws. This is a very dangerous spot to be in as a lawyer. Mr. Cutler will have to assume his client has done nothing wrong. But if he advises the president to do certain things and the president disagrees and Mr. Cutler doesn't know why he disagrees, Mr. Cutler could be drawn into a coverup.

For another, Mr. Cutler will discover people on the White House staff and elsewhere in the administration who seem to think themselves a step above other mortals involved in politics. They see themselves as inherently good people who are doing good things for the country, and they could not possibly do anything wrong. The bad people were those Republicans who gave us the "greed decade," Iran-Contra and, long ago, Watergate. Whether Mr. Cutler—no personal friend of Bill's or Hillary's—can change this attitude is obviously doubtful; leadership must come from the president, whose public pronouncements so far would not appear to have encouraged penitence on the part of arrogant subordinates.

Finally, Mr. Cutler's job may be complicated by the unprecedented phenomenon of a de facto plural presidency. Past first ladies have influenced the decisions of their husband presidents, but Mrs. Clinton's different influence is not merely of degree but of kind. No first lady has ever been in charge of the most important policy initiative of her husband's presidency, and no first lady has had a political constituency within and outside the administration. She has in effect wielded the president's constitutional appointment powers, as her allies hold high positions in Justice and other agencies. It is not unthinkable that Mrs. Clinton's interests might diverge from her husband's, in Whitewater if nowhere else.

Mr. Cutler says he will serve the presidency and not be Mr. Clinton's private attorney. But which part of the presidency will he serve? If part of Mr. Nussbaum's job was to serve Mrs. Clinton, the "role and obligations of a lawyer," especially one asked to serve in this White House as its counsel, are more demanding and much trickier than anyone—save Mr. Nussbaum himself—has yet to understand.

*Mr. Eastland is editor of Forbes Media-Critic and a fellow at the Ethics and Public Policy Center in Washington.*

**CAPITAL JOURNAL**
**BY GERALD F. SEIB**

# *What the Clintons Don't Need Now Is a Good Lawyer*

ONE TOP ADVISER to President Clinton, trying to explain how the Whitewater affair has spun so badly out of control, starts with this thought: "From the very beginning, this was handled by the lawyers."

He's got a point. It's remarkable how many of the central players handling the fallout from Whitewater are lawyers, and remarkable how often their lawyerly instincts have been wrong. The Clinton adviser sees a connection. A lawyer's inclination normally is to guard information jealously, and to give access to it only grudgingly. That is precisely the wrong approach for the Whitewater affair, or most any other political scandal, and it lies at the heart of the White House's troubles.



There's a deeper lesson in all of this, both for President Clinton and his successors. The best defense in dealing with a political problem is almost always to overwhelm critics and the press with information. Full disclosure of information also happens to be in the public's best interest. This fact often is understood more instinctively by political advisers than by lawyers.

Yet it is lawyers who are all around the Whitewater affair. President Clinton himself is a lawyer. So is his wife Hillary. So was Vincent Foster, the White House aide whose apparent suicide did so much to rekindle intrigue about the Whitewater real estate development and the failed Madison Guaranty Savings & Loan. Bruce Lindsey, the White House aide handling damage control, is a lawyer. Webster Hubbell, the associate attorney general who hovers around the edges of the affair, is a lawyer. So, of course, was Bernard Nussbaum, the White House counsel forced out last weekend.

FROM THE TIME Whitewater reared its head during the 1992 campaign, Clintonites say, it has been a group of such lawyers that has handled the job of explaining the web connecting the Clintons, the real estate deal, the savings and loan and the Rose Law Firm in Little Rock. But at many turns the inclination has been to guard rather than release information. That led to the inadequate report during the campaign on Whitewater; the removal of Mr. Foster's Whitewater files after his death; the failure to show those files to investigators or the public; and the private briefings White House officials received about supposedly independent investigations.

And it was a lawyer who took a step that was, in sheer political and symbolic terms, perhaps the most harmful move of all. When the White House decided late last year to turn the Clintons' files on Whitewater over to the Justice Department, the president's new personal lawyer, David Kendall, sought from Justice a subpoena to cover the documents. Learning a subpoena was under way, he sought to broaden its scope to cover more material.

This was perfectly acceptable, even routine, legal behavior. But politically it misfired. Putting the documents under subpoena shielded them from public disclosure. That seemed only to confirm the darkest accusation then being made by Republicans: that the Clintons would use the legal system not to clear the air but to keep Whitewater documentation out of the hands of members of Congress and reporters. Republicans had telegraphed their political punch, and the Clinton team walked right into it anyway. Instead of getting credit for turning over documents voluntarily, the Clinton team sowed the seeds of suspicions that have sprouted into today's cover-up charges.

IT'S STRIKING that Mr. Clinton's most deft political advisers have been largely absent from handling Whitewater. There's been little sign of a substantial role for James Carville, Paul Begala or David Gergen – all of whom, intriguingly enough, are lawyers by education but political operatives by trade. And those arguing that it would be better to open up files and release more information and documents have been dismissed as overly naive. Instead, the prevailing view has been that, because the Clintons' own documentation on the Whitewater affair is incomplete, releasing their fragmentary information would inevitably raise more questions than it could answer.

That's probably true. But instead of just questions, the Clintons now face accusations of coverup. Some Clintonites now wish they had followed the course set in last year's flap over the firing of the White House travel office staff. In that case, after a period of flailing, the White House buried the story with an exhaustive report that overwhelmed the inquisitive with information.

For President Clinton, the tragedy of all this is that there is little so far to suggest that he should be in as much trouble over Whitewater as he is now. The White House has been focused on bringing on board respected lawyer Lloyd Cutler as new presidential counsel. Perhaps now it ought to focus on getting some more non-lawyer political advisers more directly involved in decisions about Whitewater fallout.

# Japan to Aid Chrysler Corp. Exports of Jeeps

## Easing of Trade Tensions Appears Goal; Cherokee Shipments May Double

By Douglas Lavin
*Staff Reporter of* The Wall Street Journal

DETROIT – In an apparent effort to ease growing U.S.-Japan trade friction, Japan is expected to clear the way for **Chrysler** Corp. to sharply boost exports of Jeep Cherokees to Japan.

As a result, Chrysler hopes to more than double exports to Japan of U.S-made right-hand-drive Jeep Cherokee sport-utility vehicles this year, to 10,000 units.

Hideaki Mukaiyama, a vice minister in Japan's ministry of transportation, tomorrow is expected to present Chrysler a "type certificate" covering the Cherokees. That means the ministry certifies in advance as road-worthy all Cherokees that Chrysler intends to import, rather than requiring that each individual vehicle be inspected. This will remove a major nontariff barrier to Chrysler sales in Japan. The Cherokee accounts for the bulk of Chrysler's sales there and is one of the most popular U.S.-built Big Three products sold in Japan.

"This was granted to us on very short notice and is a direct result of U.S. trade pressure," said Peter C. Badore, general manager for Chrysler's Asia/Pacific operations. Japanese officials confirmed that Mr. Mukaiyama traveled to Detroit to make the presentation but declined to comment further.

Japan-U.S. trade relations have been frayed as talks between the two countries broke down. Last week, President Clinton renewed a tough trade measure called Super 301, which allows the U.S. to impose sanctions against countries it considers unfair trading partners. The renewal was aimed squarely at the Japanese.

But Japan has been taking a variety of steps aimed at easing trade tensions. For instance, on the day that President Clinton announced the Super 301 renewal, **Toyota Motor** Corp. Chairman Shoichiro Toyoda said his company would be willing to accept nonbinding targets for purchases of U.S. auto parts. U.S. negotiators have been seeking binding targets and said isolated actions such as the Toyota offer and the Chrysler "type certificate" don't go far enough.

The regulatory easing by Japan comes as the strong yen and years of cost-cutting by Detroit have transformed the U.S. into a significant auto exporter. Chrysler, together with **General Motors** Corp. and **Ford Motor** Co., has been gearing up to try to sell more cars in Japan. For years, Detroit has complained bitterly that Japanese regulatory roadblocks made selling cars there difficult. Japan always countered that Detroit wasn't making a serious effort to sell reasonably priced, right-hand-drive vehicles that matched Japanese tastes.

But in 1992, Chrysler introduced a right-hand-drive Cherokee, the first right-hand-drive U.S. export to be sold in Japan in years, and in 1993, it cut prices on the vehicle substantially.

Last year, Chrysler's Cherokee sales in Japan hit 4,000 units, as the auto maker took advantage of the strong yen to chop the price of the top-of-the-line Cherokee to 3.7 million yen ($34,972) from 5.3 million yen. It also introduced a base version for 2.9 million yen. About 75% of the vehicles are sold through **Honda Motor** Corp.'s dealer network, where they undercut Japanese-made Isuzu Troopers, also sold by Honda, but for 3.2 million yen. Chrysler also sells in Japan through Seibu Motor Sales' dealer network.

In the first two months of 1994, Chrysler sold 1,741 Cherokees, but nonetheless, after each sale, a car salesman had to drive the Cherokee to a local land transport office of the transportation ministry and take the vehicle through what amounted to a four-hour inspection.

"Imagine if the salesman who sold you a car had to take four-to-five hours of his time at the secretary of state's office," said Chrysler's Mr. Badore, "including in some cases a two-hour drive each way."

The "type certificate" will help boost Cherokee sales further and will allow the company to cut prices. The company is planning price cuts and a dealer-incentive program to encourage more dealers to stock Cherokees, so that customers can test-drive the vehicles more easily.

Over the next few years, the auto maker plans to develop right-hand-drive versions of the Grand Cherokee; the next-generation Cherokee, due in 1997; the Neon; and its minivan. Most, if not all, those vehicles will be sold in Japan.

The Chrysler "type certificate" isn't a first for a U.S. auto maker. GM has certificates allowing it to export two Cadillac models and the Pontiac Grand Am. But those are low-volume, left-hand-drive products, and the bulk of GM's sales are European-made Opels, not U.S. exports. Similarly, the bulk of Ford's Japan sales are Mazdas with a Ford badge.

Last year, Chrysler sold 5,699 North-American-built vehicles in Japan, including the 4,000 Cherokees; Ford sold 5,111; and GM sold 8,525.

# *Investors Jitters Over Clinton Woes Drag Down Dollar*

By Gary Rosenberger
*Special to* The Wall Street Journal

NEW YORK – Jitters over the investigation into the involvement of President Clinton and his wife in a soured Arkansas land venture helped drag the dollar marginally lower against most currencies in a thin market.

The main beneficiary of the Whitewater affair was the mark, which rose in spite of bearish German data indicating a rise in domestic unemployment and a contraction in fourth-quarter gross domestic product.

Late in New York, the dollar was quoted at 1.7143 marks, down from 1.7195 marks late Monday in New York. The U.S. currency also was changing hands at 105.37 yen, down from 105.55 yen. Sterling was trading at $1.4880, down from $1.4900.

About noon Wednesday in Tokyo, the dollar was trading at 105.23 yen and at 1.7117 marks.

Traders said dollar prospects are dimmed by the widening investigation into Bill and Hillary Clinton's investment in the Whitewater Development Co., a failed real-estate development with ties to a savings and loan that was taken over by federal regulators before Mr. Clinton became president.

"Articles have started to appear outside of this country, and that will keep a top on the dollar until there's a resolution," said **Justin McCarthy, a trader for National Westminster Bank** in New York. "But there won't be one soon, and the dollar will be lower for weeks to come."

But other traders see the problems facing the Clinton administration as placing a cap on market activity, rather than fomenting any major dollar sell-off.

"Whitewater is a good [obstacle] for the dollar moving either way," said Jack Stapleton, chief corporate dealer for Standard Chartered Bank PLC in New York.

"The majority of American traders see it as a sale of the dollar, while Europeans buy on the thinking that nothing will really come of it," he added.

Political concerns in the U.S. overwhelmed bad economic news from Germany, and the mark gained despite reports that the western German GDP contracted 0.5% during the fourth quarter of 1993, compared with the third quarter.

The data strongly suggested the German recession is deepening, according to economists.

That news buttressed an earlier bearish report that the German unemployment rate rose to 8.9% in February, from 8.8% a month earlier.

Traders noted the bad economic news should have been a detriment to the mark because it adds pressure on the Bundesbank to lower key interest rates.



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# Clinton Names Cutler Counsel At White House

## Interim-Basis Appointment Is Seen as Symbolic Act To Restore Credibility

By Michael K. Frisby
And Paulette Thomas
*Staff Reporters of* The Wall Street Journal

WASHINGTON – President Clinton attempted to stanch the political and legal damage from the Whitewater imbroglio by naming Washington insider Lloyd Cutler as the White House's special counsel.

Mr. Cutler, 76, took the job on an interim basis only, until a permanent replacement can be found for Bernard Nussbaum, the White House counsel who resigned under pressure last weekend.

**The Flow of Information**

**As the Whitewater affair demonstrates, the best defense in dealing with a political problem is almost always to overwhelm critics and the press with information. That is often understood more instinctively by political advisers than by lawyers. Capital Journal, page A14.**

Mr. Cutler is a consummate Washington establishment figure who was also called in to serve as President Jimmy Carter's counsel when his White House became mired in ethical problems. At a news conference, President Clinton called Mr. Cutler, who was admitted to the bar six years before Mr. Clinton's birth, "a man of seasoned judgment and the highest ethical standards."

The hurried appointment of Mr. Cutler almost seemed an act of desperation to restore credibility to the embattled Clinton White House. Before he agreed to accept the appointment, Mr. Cutler said he negotiated for a limited, 130-day appointment because of his age and the rigors of the job. Since he will be working at the White House for such a short time, Mr. Cutler's is as much a symbolic act to reassure the public and the media about the ethical conduct of the White House as it is an addition of a significant White House team player.

In his first call as counsel, Mr. Cutler said he would probably advise White House staffers and other administration officials to testify before congressional panels that may hold hearings on the Whitewater affair. He stated, "It would be my advice that they cooperate," even though Robert Fiske, the independent counsel conducting a Whitewater inquiry, has said he opposes such hearings.

White House officials also said yesterday that there have been conversations in addition to the three controversial meetings between White House and Treasury officials. But they contended that the conversations didn't deal with substantive matters. Mr. Clinton said that any such contacts were "incidental . . . follow-up conversations."

Yesterday, Rep. James Leach (R., Iowa), a House banking panel member who has aggressively pursued the Whitewater matter, released a seven-page letter that included a list of administration figures he would like to question at a hearing later this month. In a separate letter, Rep. Leach told Mr. Fiske that his request that the House Banking Committee refrain from holding hearings "would have a chilling effect on the role of congressional oversight."

Mr. Fiske plans to go to the Capitol today to meet with the Senate Banking Committee's ranking Republican, Alfonse D'Amato of New York, in an attempt to discourage him from moving forward with hearings. Sen. D'Amato isn't expected to back down, either.

Rep. Leach's witness list contained 40 figures who have cropped up in various Whitewater-related stories and events. The list includes administration officials such as White House Chief of Staff Mack McLarty and his deputy Harold Ickes. It also lists top Treasury officials, including Deputy Secretary Roger Altman, who participated in one of the White House meetings about the Resolution Trust Corp.'s investigation of a failed Arkansas savings-and-loan institution.

The RTC eventually asked the Justice Department to investigate whether the thrift, Madison Guaranty Savings & Loan of Little Rock, may have improperly diverted funds to Mr. Clinton's gubernatorial campaigns and Whitewater Development Co. The owner of Madison, James McDougal, also was a partner of the Clintons in Whitewater, an Arkansas real estate venture.

Rep. Leach's list also included lawyers from Rose Law Firm, where Hillary Rodham Clinton was a partner. Rep. Leach would also like to call Mr. McDougal and David Hale, another Arkansas political figure who is about to go on trial and is accused of making an improper business loan to Mr. McDougal's wife.

However, the questioning could be hampered by the committee's chairman, Rep. Henry Gonzalez. In a March 7 letter to Mr. Fiske, the Texas Democrat suggested "since these actions may be inconsistent with your responsibilities, you may wish to advise all parties of your views on whether they should respond to such inquiries." Rep. Gonzalez added that "while I cannot prevent members from propounding questions, it is within the province of the Chair to rule on the relevance of questions."



*Lloyd Cutler*

Amid this partisan parrying, Senate Minority Leader Robert Dole of Kansas increased the pressure on his Democratic colleagues to abandon their stance against congressional hearings. Sen. Dole said he may offer a resolution to force Democratic senators to take a formal public stand on the issue. If that doesn't work, Mr. Dole said Republicans will try to get the party's Senate challengers to begin raising the issue against Democratic incumbents up for election this November.

President Clinton, in turn, accused the Republicans of making "political hay" out of Whitewater. At his news conference, Mr. Clinton strongly defended himself and said, "I revere the responsibility I have been given and I am not going to abuse it." Responding to a question, he said that his aide Bruce Lindsey "probably" told him about the RTC's criminal referral before the action was made public. On Monday, Mr. Clinton said he didn't remember who had told him about the referral.

Separately, Mrs. Clinton was also swinging back. In an intervew conducted last Friday with Elle magazine, she said, "I know nothing bad happened—and that's what everybody's going to know, as they should know now – since they have yet to come forward with anything other than the wildest kind of paranoid conspiracies. You just don't pay attention to it."

While the congressional hearings into the Whitewater affair are on the horizon, a separate investigation was called off.

At a hearing before a House appropriations panel, Treasury Secretary Lloyd Bentsen said that he asked his department's inspector general to suspend a probe into the meetings between Treasury officials and the White House. "Mr. Fiske does not want him to investigate," Mr. Bentsen said, because it could compromise the independent counsel's probe, "and the inspector general agreed not to do so."

A separate review of the meetings that the Treasury secretary had earlier requested by the Office of Government Ethics will proceed.

*—John Harwood contributed to this article.*

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# What's News— A1

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## *Business and Finance*

**FLEET FINANCIAL** plans to cut 3,000 to 5,000 jobs, or as much as 19% of its total work force, in a broad effort to slash operating expenses, people familiar with the move said. The bank holding company initially had as its goal reducing annual costs by $150 million. The final figures are expected to be released this week.

(Article on Page A3)

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**Japan is expected** to clear the way for Chrysler to sharply boost exports of Jeep Cherokees to Japan, in an apparent effort by Japan to ease growing trade friction with the U.S. Chrysler plans to more than double exports to Japan of right-hand-drive Jeep Cherokee sport-utility vehicles this year.

(Article on Page A2)

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**Maclean Hunter accepted** a sweetened offer of $2.13 billion from Rogers Communications that would create a Canadian multimedia giant serving a third of Canadian cable subscribers. But Rogers must still get the approval of the country's broadcast regulators.

(Article on Page A3)

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**Heavy trading** in Grumman stock and options ahead of Martin Marietta's $1.9 billion tender offer for Grumman is being investigated by the SEC, the Big Board and the CBOE.

(Article on Page C1)

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**USAir indicated** to analysts that it has enough cash to get through the end of the year, even without concessions from its unions. The airline faces an uphill battle in trying to persuade its unions to make concessions and may have to give workers an equity stake.

(Article on Page A4)

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**Texas Instruments is expected** to unveil today a superfast computer chip that can process huge chunks of audio and video signals. The move aims to position TI as a leading supplier for the next generation of interactive TV and high-tech computers.

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**A group of federal** agencies unveiled a plan for a more organized approach to enforcing fair-lending laws.

(Article on Page A2)

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**RJR Nabisco's plans** for a $2 billion preferred stock offer is facing a tough sell on Wall Street. One of the biggest risks is that the shares are tied to the less-desirable tobacco unit if RJR breaks up its food and tobacco units.

(Article on Page C1)

* * *

**Flagging bond prices pushed** stocks lower. The Dow Jones Industrial Average fell 4.50 points to 3851.72. The Treasury's 30-year bond lost nearly a point. Its yield was 6.87%. Meanwhile, the dollar fell.

(Article on Page C1)

* * *

**Kmart's $6.7 billion debt** was downgraded for the second time in a year by Moody's ratings service, which said that competition is hampering the retailer despite its renovation efforts.

(Article on Page B4)

* * *

**The SEC urged** a federal judge to slash the fees sought by plaintiffs' lawyers in a big class-action settlement involving Prudential Securities. The SEC said the lawyers shouldn't get the $27 million they're seeking in the $90.7 million accord because they had advocated an "inadequate" settlement.

(Article on Page B8)

* * *

**Markets—**

**Stocks:** Volume 298,038,850 shares. Dow Jones industrials 3851.72, off 4.50; transportation 1751.72, up 10.37; utilities 211.64, off 1.55.

**Bonds:** Lehman Brothers Treasury index 5315.95, off 33.70.

**Commodities:** Oil $14.10 a barrel, unchanged. Dow Jones futures index 144.50, off 0.41; spot index 130.46, off 0.49.

**Dollar:** 105.37 yen, off 0.18; 1.7143 marks, off 0.0052.

## *World-Wide*

**CLINTON CHOSE Washington lawyer Cutler to be White House special counsel.** Lloyd Cutler took the job on an interim basis only, until a permanent replacement can be found for Nussbaum, the White House counsel who resigned under pressure over the Whitewater affair. Cutler, 76, said he requested a limited, 130-day appointment because of his age and the rigors of the job. In 1979, he was brought in as counsel for the Carter White House when it was mired in ethical problems. The hurried appointment by Clinton almost seemed an act of desperation to restore credibility to his administration. (Articles on Pages A3 and A14)

*Cutler said he probably would advise White House staffers and other administration officials to testify before any congressional hearings on Whitewater.*

* * *

**Democrats are proposing** to pare the basic benefits package in Clinton's health plan and make further concessions to small business. A House panel is considering a plan that would guarantee a benefit package costing a single person about 14% less than what the administration has proposed. (Article on Page A2)

* * *

**Chinese police picked up** a leader of the 1989 Tiananmen Square demonstrations for the second time in a week and threatened to imprison him again if he continues his pro-democracy activities. The hour-long detention of Wang Dan came three days before Secretary of State Christopher is to arrive in Beijing. (Related article on Page A8)

* * *

**An Israeli army official said** that only one of three soldiers assigned to guard the Cave of the Patriarchs in Hebron was at his post when a Jewish gunman opened fire. The presence of the full guard contingent might have prevented the Feb. 25 massacre of Palestinians, he added. (Related articles in Column 1 and on Page A8)

* * *

**Antiaircraft fire struck** a Spanish air force plane taking part in a NATO operation over Croatia, forcing the aircraft to make an emergency landing. In Belgrade, Clinton's special envoy, Charles Redman, held talks with Serb officials, who reacted coolly to a U.S.-supported federation plan for Bosnia. (Related article on Page A8)

* * *

**Federal investigators found** no evidence of scientific misconduct by a prominent lead-poisoning researcher. But they cited "numerous errors and misstatements" in the published work of University of Pittsburgh researcher Herbert Needleman, who has warned of lead's adverse health effects. (Article on Page B6)

* * *

**The FCC voted** to clear the way for a new pocket-phone industry by removing police, fire and emergency medical systems from a portion of the airwaves. The agency also adopted general bidding methods it will use to auction off the airwaves for personal communications services, including pocket phones. (Article on Page B6)

* * *

**U.S. planes were repaired** with unapproved or counterfeit parts at 14 facilities in the U.S. and Europe, a government report found. The report faulted the FAA for not adequately policing the repair stations. (Article on Page A14)

* * *

**A speeding train derailed** on a sharp curve outside the South African port city of Durban, and 63 people — mostly black commuters — died when the cars smashed into a wooded hill. A railway investigator was trying to determine if a bomb caused the derailment. Some 370 other commuters were injured, officials said.

* * *

**Soldiers killed** about 300 civilians with bayonets last weekend in the capital of the African nation of Burundi, Vatican Radio said. The military, dominated by the minority Tutsi group, entered a neighborhood of the rival Hutu people to hunt for weapons, according to a missionary. The soldiers massacred all the residents, he said.

* * *

**A Mexican rebel leader is encountering** criticism from some of his own supporters over a tentative peace accord to end an uprising in the southern state of Chiapas. Criticism of the leader, known as Marcos, came as his supporters began to debate terms of the agreement that was announced last week. (Related article on Page A8)

* * *

**Democratic lawmakers accused** the Clinton administration of pressuring ousted Haitian President Aristide to accept a flawed plan for restoring democracy. Some said the threat of U.S. military force may be needed to return Aristide to power. He has rejected a series of recent U.N. proposals.

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# White House discloses more talks with probers

By Paul Bedard
THE WASHINGTON TIMES

A1

A search of White House records and computers has uncovered additional contacts between President Clinton's aides and federal regulators investigating the Whitewater-Madison connection, the White House conceded yesterday.

These disclosures were made as the president introduced his new White House counsel, 76-year-old Washington insider and superlawyer Lloyd Cutler.

For the second straight day, Mr. Clinton answered questions from reporters, some of them more pointed than the day before, and the president again characterized the Whitewater-Madison affair as a Republican attempt to play "the politics of personal destruction."

Mr. Clinton got in several jabs at Republicans who have been his most vocal critics.

When a reporter asked whether first lady Hillary Rodham Clinton had been briefed by her chief of staff about White House meetings on the investigation, the president avoided an answer.

Instead, he mocked the role of Sen. Alfonse M. D'Amato, New York Republican, who in the past faced ethics questions, as one of his sharpest Whitewater-Madison critics.

"You know, look," the president said. "I don't — the Republicans have decided that Senator D'Amato will be the ethical spokesman for the Republican Party in the Congress. That is their right to do that. I'm not in the business of answering his questions. I am cooperating with the special counsel."

When Mr. Cutler was asked whether he agrees that the Whitewater probe is a Republican ven-

*see* **PROBERS**, *page A9*

## PROBERS

*From page A1*

detta, he said: "I think I'll stick to giving legal advice."

The White House said further contacts with Treasury officials — to discuss the inquiry into the Clintons' links to the failed Madison Guaranty Savings and Loan Association in Arkansas — were discovered as it complied with a subpoena from Whitewater-Madison special counsel Robert B. Fiske Jr., who has demanded all documents detailing the secret meetings.

"Any contacts were incidental and were follow-up conversations which had nothing to do with the substance of the RTC investigations," Mr. Clinton said, referring to the Resolution Trust Corp., which handles S&L bailouts.

White House Press Secretary Dee Dee Myers said the additional contacts were largely telephone calls, presumably to discuss press inquiries into the scandal, from the White House to Treasury officials aware of the probe.

The RTC is investigating whether Madison illegally diverted money to Mr. Clinton's 1984 gubernatorial campaign and to the Whitewater Development Corp., a northern Arkansas real estate development owned by the Clintons, James B. McDougal, Madison's owner, and his wife, Susan.

"I haven't done anything wrong, and I'm not going to do anything wrong," Mr. Clinton said.

As the White House remained under fire, Rep. Jim Leach, Iowa Republican, and other House Banking Committee Republicans released the names of 40 witnesses, including top White House officials and key federal regulators, they want to question during a March 24 oversight hearing on the Whitewater-Madison affair.

Senate Minority Leader Bob Dole of Kansas said GOP senators may seek a vote on a resolution demanding a congressional investigation of the affair and make the vote a 1994 campaign issue against Democrats.

Revelations of three White House meetings with federal regulators about the Whitewater-Madison investigation had raised questions about whether Mr. Clinton's aides were trying to meddle in the affair. Six White House officials and four Treasury officials were subpoenaed to testify tomorrow in U.S. District Court.

Another subpoena is expected for White House Chief of Staff Thomas F. "Mack" McLarty, who has said he helped arrange one of the meetings.

Mr. Clinton again said he knew in October that his name had been raised in the criminal probe of Madison, but he repeated that he does not know how he knew. He suggested that personal aide Bruce Lindsey told him in October — when he first became aware of the "criminal referral" — but he was not sure.

"My clear — I don't even remember when or exactly how I learned it — but my clear impression was that the RTC had made a referral on this and that it — I understood the issue and I just absorbed it and did — I did nothing about it. I ordered no action to be taken. And I honestly don't remember what date it occurred on," Mr. Clinton said.

His comments, however, countered those by aide Jeff Eller, who told the Associated Press on Oct. 31 that neither Mr. Clinton nor the White House had been told about the referral.

On Monday, Mr. Clinton said he was made aware of the RTC criminal referral after the second meeting with Treasury officials Oct. 10. A senior administration official said the meeting was held to discuss how to handle press inquiries about the criminal link to the Clintons in the probe.

Treasury Secretary Lloyd Bentsen told a House subcommittee yesterday that the department's inspector general decided not to conduct a separate Whitewater-Madison investigation after conferring with Mr. Fiske.

The existence of the Treasury-White House contacts — in September, October and February — prompted Mr. Clinton to force White House Counsel Bernard Nussbaum to resign Saturday. He will stay until April to provide a smooth transition with Mr. Cutler and the eventual successor to Mr. Cutler.

Mr. Cutler, who agreed to stay for 130 days, will begin work immediately to set up long-desired work rules for the counsel's office.

Mr. Cutler, a Carter administration trouble-shooter and counsel, represents the institutional Washington that Mr. Clinton rejected for his White House but has been forced to turn to during crises.

A senior administration official said the hiring of Mr. Cutler was the first indication that Mr. Clinton was shifting his legal team's leadership away from Mrs. Clinton and her former law partners.

"Cutler can stand up to Hillary," said the official.

The official said Mr. Cutler will bring political professionalism to the White House and add an air of independence from the group gathered by Mrs. Clinton, including Mr. Nussbaum, Associate Attorney General Webster L. Hubbell, White House Associate Counsel William Kennedy III and former White House Deputy Counsel Vincent W. Foster Jr.



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AUSTIN, Texas (AP) Gov. Ann Richards went right to work after winning the Democratic nomination for a second term, employing the same acid wit against GOP challenger George W. Bush that she used against his father.

Meanwhile, U.S. Sen. Kay Bailey Hutchison handily defeated six Republican challengers Tuesday in the nation's first major primaries of the political season. She awaits the outcome of an April 12 runoff to determine her Democratic opponent.

And Democratic U.S. Rep. Craig Washington lost the nomination for another term to a Houston city councilwoman. He became the first incumbent defeated in the nation's midterm congressional elections.

Bush, after his victory Tuesday, said: ``Texans are not willing to accept the status quo. Texans want change, Texans want action where there's been inaction. Texans want leadership from their governor.''

=

WASHINGTON (AP) While lawmakers got down to the minutiae of writing a new health care plan, hundreds of doctors, dentists, psychologists and restaurant owners swarmed over Capitol Hill.

``Timing is everything,'' said Wendy Webster, spokeswoman for the National Restaurant Association. Eatery owners want to make sure the government doesn't force them to pay for health insurance for their workers, many of whom now have no coverage.

Wearing large stickers that said, ``NO Mandate,'' the 200 or so restaurant owners carried the message that forcing them to pick up the tab for insurance would cost thousands of jobs in their industry.

The American Psychological Association dispatched more than 300 of its members to meet with their senators and representatives, pleading that mental health coverage be included in any new health care system.

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JERUSALEM (AP) The army commander for the West Bank blamed lax security for the massacre at a Hebron mosque, but said the army was geared toward thwarting attacks by Arabs against Israelis, not vice versa.

Maj. Gen. Danny Yatom also told a judicial commission investigating last month's shooting spree that it could have been prevented if all the Israeli guards had shown up for duty.

Yatom defended the army's practice of allowing Jewish worshipers to bring automatic rifles into the Tomb of the Patriarchs, a site of frequent friction where Muslims and Jews pray in adjoining rooms.

Grilled on that point by one commission member, Yatom said army intelligence didn't address Jewish extremists.

=

SARAJEVO, Bosnia-Herzegovina (AP) Bosnia's two biggest Muslim enclaves made new progress toward peace, but the war showed no signs of waning in smaller towns surrounded by Serbs.

Serbs on Tuesday continued their relentless pounding of Maglaj, a town of 19,000 north of Sarajevo that has been under siege for nine months.

Serbs also blocked critical aid shipments to the isolated pocket of government territory, stopping a 10-truck aid convoy west of Maglaj.

Meanwhile, Bosnian radio reported continuing Serb attacks on the Muslim enclave of Bihac, in northwestern Bosnia.

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WASHINGTON (AP) Millions of American families are eating in soup kitchens and getting their groceries at food pantries. Thousands more are turned away because the cupboards are bare, according to a study by the Second Harvest network of food banks.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:APE-(--) on 03/09/94 at 05:59EST ****
**** printed by:WHPR(JEL) on 03/09/94 at 08:00EST ****

PM-Whitewater-Witnesses,720
With PM-Whitewater
EDS: Also moving on national wire
By The Associated Press=

The Whitewater witness list proposed by Republicans on the Senate Banking Committee:

James McDougal, former owner of Madison Guaranty Savings and Loan, a partner of Bill and Hillary Rodham Clinton in the Whitewater real estate venture.

Susan McDougal, James' former wife, also a partner in Whitewater.

Bernard Nussbaum, who resigned as White House counsel because of his involvement in White House meetings with RTC and Treasury Department officials. Two of the meetings involved discussions of a request from the RTC to the Justice Department for a criminal investigation of Madison.

Roger Altman, deputy treasury secretary and interim head of the RTC; admitted arranging a ``heads up'' meeting this year for White House officials, to discuss expiration of the deadline for filing civil actions by the agency.

Mack McLarty, White House chief of staff.

Harold Ickes, deputy chief of staff at the White House.

Margaret Williams, chief of staff to Mrs. Clinton; attended an October 1993 White House meeting on the criminal referral.

Mark Gearan, White House communications director, who attended the October meeting.

Bruce Lindsey, senior adviser to the president, who attended the October meeting.

Lisa Caputo, press secretary to Mrs. Clinton who had a telephone conversation with someone from RTC.

Jean Hanson, general counsel, Treasury Department, who briefed White House officials on the criminal referral.

Josh Steiner, chief of staff, Treasury Department, who attended the October White House meeting.

Jack DeVore, former Treasury Department press spokesman, who attended the October White House meeting.

Jeremy Hedges, courier at the Rose firm; reportedly told a grand jury he shredded documents that bore the signature of Vince Foster, the late deputy White House counsel and Rose firm lawyer; says he saw no Whitewater documents.

David Hale, a former municipal judge in Little Rock who was indicted on fraud charges. He alleges that Bill Clinton pressed him to make a Small Business Administration-backed loan to Susan McDougal. Clinton denied it.

Sheffield Nelson, a political opponent of Clinton who was an investor in a Madison real estate venture.

April Breslaw, a Resolution Trust Corp. attorney; dismissed conflict of interest concerns involving the Rose Law Firm, where Mrs. Clinton and Associate Attorney General Webster Hubbell worked.

James Dudine, RTC investigations director involved in the decision to make a criminal referral on Madison to the Justice Department.

Lee Ausen, RTC criminal investigator, Kansas City office.

L. Richard Iorio, field investigative officer, RTC, Kansas City, helped send initial criminal referral to RTC headquarters in Washington.

Jean Lewis, RTC investigator, Kansas City.

Mike Caron, senior investigator, RTC, Kansas City.

Donald B. Mackay, trial attorney, Justice Department, handled Whitewater investigation before special counsel Robert B. Fiske Jr. was appointed.

Paula Casey, U.S. attorney in Little Rock, a Clinton supporter who recused herself from the Whitewater case.

Leslie Patten, Denver accountant who helped put together an explanation of Whitewater for the Clintons during the 1992 presidential campaign.

James Lyons, Denver attorney who wrote the report for the Clintons in the 1992 campaign.

Stanley Tate, nominee to head the RTC, who withdrew from consideration

amid conflict-of-interest allegations; alleged fraud, waste and abuse in the agency.

William Roelle, Federal Deposit Insurance Corp., former top official in the RTC.

Beverly Bassett-Schaffer, Arkansas state banking regulator who approved a recapitalization plan for Madison Guaranty that never was placed into effect.

Dan Lasater, friend of the Clintons who was sued by the Federal Deposit Insurance Corp. in connection with an Illinois S&L failure. Mrs. Clinton worked on the case for the Rose Law Firm.

Greg Young, an executive and director of Madison.

Don Denton, a Madison loan officer.

Lisa Aunspaugh, Little Rock, no information available.

Erskine Bowles, administrator, Small Business Administration.

Charles E. James, Little Rock accountant who kept the books on the Whitewater real estate venture.

Sue Strayhorn, a top official of Madison.

Ellen Kulka, general counsel, RTC.

Clayton Lindsey, courier at the Rose Law Firm.

Ricki Stacy, Rose Law Firm.

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**** printed by:WHPR(JEL) on 03/09/94 at 07:59EST ****

# Clinton jumps to defense of Hillary's ethics

## Admits learning of S&L probe

By Paul Bedard
THE WASHINGTON TIMES

President Clinton yesterday emotionally defended his wife against charges of impropriety in the escalating Whitewater-Madison affair but admitted he was told privately last October of a federal probe of a failed Arkansas thrift tied to the Clintons.

The president defended Hillary Rodham Clinton's ethics as a lawyer but did not deny a report yesterday in The Washington Times that she ordered the shredding of documents at Little Rock's Rose Law Firm after a New York Times report first raised the Whitewater-Madision issue during the 1992 presidential campaign.

"I have never known a person with a stronger sense of right and wrong in my life," a nervous Mr. Clinton said in comments reminiscent of his defense of his wife when Democratic presidential challenger Jerry Brown first raised the Whitewater issue in 1992.

"I am just telling you," said the president, thumping the podium for emphasis during a news conference with Georgian President Eduard Shevardnadze. "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."

As Mr. Clinton fended off Whitewater-Madison questions, White House officials braced for another round of subpoenas, possibly targeting Mrs. Clinton and Chief of Staff Thomas F. "Mack" McLarty, in the wake of new press reports of their involvement in Whitewater-Madison.

Mr. McLarty helped to arrange one of three meetings during which White House officials discussed the president's name in the criminal probe of Madison Guaranty Savings and Loan Association, owned by James B. McDougal, the Clintons' partner in Whitewater Development Corp.

The second meeting, on Oct. 10, took place to discuss how to handle press inquiries about the criminal link to the Clintons in the probe, according to a senior administration official.

It was after that meeting, Mr. Clinton said yesterday, that he was made aware of the so-called "criminal referral" by the Resolution Trust Corp. (RTC), which oversees S&L bailouts, but said he did not remember who told him.

White House officials vehemently deny that anyone in the meetings told Mr. Clinton about the substance of the accusations.

"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 — the referral, I think it's called, on the question of whether my campaign benefited improperly from checks which allegedly came from the S&L and I knew about that," Mr. Clinton said.

As he fidgeted with typed notes, the president added, "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 Whitewater-Madison issue dominated the news conference with Mr. Shevardnadze, with every question from the American press directed to that issue.

And White House officials huddled to deal with the mounting questions, and later fanned out to television news and talk shows to carry out damage control.

The White House maneuverings came as political pressure was building on Capitol Hill to hold Whitewater-Madison hearings sought by Republicans. Special counsel Robert B. Fiske, Jr. urged congressional leaders not to hold hearings for fear it might taint the ongoing grand jury probe.

Democratic and Republican House leaders were expected to meet privately — possibly by Thursday — to discuss Whitewater-Madison.

Mr. Clinton insisted yesterday that the investigation into his failed Whitewater real estate venture in northern Arkansas was not similar to the Watergate scandal that brought down President Nixon.

"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," Mr. Clinton said.

As for the documents Mrs. Clinton is accused of ordering shredded, Mr. Clinton said: "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."

Mr. Clinton's defense came as White House Deputy Counsel Joel Klein issued new rules outlining how all White House staff — including Mr. and Mrs. Clinton — should handle papers and electronic messages demanded under a Whitewater-related subpoena issued last Friday.

Administration officials were told Friday to stop burning, shredding or disposing of anything until they checked for papers covered by the subpoena. There were mountains of garbage at the White House yesterday and an empty garbage can for disposal of burn-bag ashes.

"It's getting pretty deep and stinky here," said an administration official.

By late last night, all documents and computer memos were to have been collected. They will be carted away by Mr. Fiske's prosecutors later this week.

Earlier this year, the White House turned over some 10 cartons of documents related to the Whitewater-Madison probe to Justice Department investigators before Mr. Fiske was appointed by Attorney General Janet Reno.

Mr. Fiske's subpoenas of 10 current and former administration officials target any information related to the three meetings between White House counsel and Treasury officials about the Whitewater-Madison investigation.

At a Sept. 29 meeting, White House Counsel Bernard W. Nussbaum and Treasury Deputy Counsel Jean Hanson met to discuss the RTC probe, which is looking into whether Madison improperly funneled money to Mr. Clinton's 1984 gubernatorial campaign or Whitewater.

At that meeting, Ms. Hanson told Mr. Nussbaum that the Clinton's had been named in a "criminal referral" but was not accused of wrongdoing.

It was after the second meeting that Mr. Clinton was told of his connection to the probe.

Mr. Clinton said he was unaware of a third meeting in February when Deputy Treasury Secretary and acting RTC head Roger C. Altman discussed the Madison probe.

While with the Rose firm, Mrs. Clinton represented Madison, which had financial ties to the Whitewater venture.

The Washington Times TUESDAY, MARCH 8, 1994

# WHITEWATER:

By Adam Nagourney
USA TODAY

With key aides missing from their White House offices and others rummaging for docu- s in garbage pails, Presi- Clinton fought Monday to c ı questions about Whitewater — denouncing attacks on his wife, asserting the White H was cooperating, yet portraying it as an overheated partisan attack.

After weeks of bumbling that left Clinton's closest advisers convinced the issue could seize his White House and derail his legislative agenda, Clinton moved in his most aggressive terms yet to respond to questions about a topic he and his wife have resisted talking about for more than a year.

His news conference represented a political strategy that is now running on a parallel track with the legal strategy by White House lawyers dealing with the investigation by special counsel Robert Fiske.

After strenuously resisting queries about his involvement in a tainted Arkansas land scheme called Whitewater, Clinton is now asserting he will totally cooperate with an investigation he insists will turn up nothing.

He is indignantly defending the honor of his wife — eyes glistening, finger thumping — in a not-unfamiliar gambit Clinton employed to previous attacks on the first family's Arkansas business dealings.

And he is seeking to dismiss the Republican attacks as politics-as-usual, notwithstanding the growing bipartisan tone of the political alarm bells.

"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."

Against that backdrop, the White House is planning to attempt to proceed with business-as-usual this week, pushing ahead with planned speeches on health care today and crime Thursday.

"Once we have a counsel, once we've complied with the subpoenas, then we've once again pushed this out of the White House," said senior adviser George Stephanopoulos.

Counselor David Gergen, whose sudden public emergence on this issue reflects the depths of White House concern about the scandal (he even did *Nightline* Monday), said the key concern now was Clinton's legislative agenda.

"The most immediate danger, if we were to fall to the wayside and just close down, would be to the legislative agenda," Gergen said.

"People are raising the specter of Watergate," he said. "The only similarity between Watergate and Whitewater is they both start with the same letter."

Still, for all the late-afternoon optimism by Clinton's inner guard, it is hard to overesti- e the size of the task that now faces the president.

The atmosphere at the White House was testy and somber Monday. In one office, an official cursed out CNN's Wolf Blitzer as he did a report in front of a pile of documents in a White House garbage bin.

The six White House advisers subpoenaed by Fiske — they are being questioned about possibly improper contacts between the White House and federal investigators — were nowhere to be seen.

The door to communications director Mark Gearan's empty office was open. Neither he nor adviser Bruce Lindsey, also under subpoena, attended the news conference Clinton had with Georgian leader Eduard Shevardnadze.

Meanwhile, officials offered gallows humor about going through garbage pails in search of any document with the word "Whitewater" on it, to comply with the subpoena.

The news conference with Shevardnadze was nothing short of surreal. Clinton alternated between intense questions from the U.S. press corps on Whitewater and questions on U.S.-Russian relations from members of the Georgian press, some of whose accents were so strong that Clinton had trouble discerning whether they were speaking in Russian or English.

In a hint of what fate awaits the White House effort to return to normalcy, aides were forced to cancel without comment a briefing with senior economic adviser Robert Rubin that had been set for Monday afternoon to discuss next week's job summit.

Meanwhile, the still relatively inexperienced White House seemed flummoxed on how to deal with Whitewater, with its twisted connections between government and private business and the often murky federal ethics law.

Officials insisted this was not as bad as the flare-up when they fired the travel office, in part because that was unquestionably a White House story and in part because one who works for Bill Clinton learns to deal with crisis. "This is no Travelgate," said Stephanopoulos.

Still, there was a sense that for all their best efforts, officials just did not have a grasp on things.

Aides remained confused. Questions about whether the subpoenaed White House aides would be required to foot their own legal bill were referred, straight-faced, to Marlin Fitzwater, press secretary under two Republican presidents.

The official who is overseeing the White House cooperation with the subpoena — who gave a briefing under which his name could not be disclosed — was stopped short by what would seem to be a fairly obvious question: Would the subpoenas for information apply to documents drafted by Hillary Clinton, who is not a government official.

The belated answer: She'll comply.

Even Clinton's biggest boosters acknowledged things could well turn worse. Chief of staff Thomas "Mack" McLarty acknowledged hosting one of the meetings under investigation, and thus will himself likely be subpoenaed.

For all Clinton's interest in turning attention back to health care, the official running the health-care effort — Harold Ickes — is also under subpoena and now running the Whitewater response.

▶ What Clinton knew, 1A
▶ Congressional reaction, 2A

## Administration officials face grand jury

**The White House and Treasury officials subpoenaed to appear before a federal grand jury investigating the ties of President Clinton and Hillary Rodham Clinton to the Whitewater land deal and the failed Madison Guaranty Savings & Loan:**

### PRESIDENT'S STAFF


AP

**Bernard Nussbaum**
**White House counsel:** Nussbaum resigned, effective April 5, after taking part in discussions with Treasury officials about the status of an investigation by the Resolution Trust Corp. into possible criminal wrongdoing in the failure of Madison.


AP

**Harold Ickes**
**Deputy chief of staff:** Since he arrived in January, Ickes has been coordinating White House damage-control efforts in the face of the widening probe of Whitewater and Madison. He met with Deputy Treasury Secretary Roger Altman in February.


AP

**Bruce Lindsey**
**Senior presidential adviser:** Has handled questions on the Clintons' role in Whitewater and Madison. Lindsey said he met with Treasury officials, but did not discuss the substance of investigations, but rather how to deal with reporters' questions.


AP

**Mark Gearan**
**White House communications director:** He confirmed White House officials got two briefings from Treasury officials last fall. He said the meetings were proper, held to discuss dealing with press inquiries.

### FIRST LADY'S STAFF


AP

**Lisa Caputo**
**Hillary Rodham Clinton's press secretary:** Said she got a call last fall from an RTC official who told her about press questions on Whitewater and Madison.


AP

**Maggie Williams**
**Hillary Rodham Clinton's chief of staff:** She attended at least one meeting at which Treasury officials discussed Whitewater and Madison.

### TREASURY STAFF


AP

**Roger Altman**
**Deputy Treasury secretary:** He disclosed he briefed White House officials in February about how RTC would deal with civil claims growing out of Madison's failure.

**Jean Hanson**
**Treasury Department general counsel:** Reportedly told Nussbaum last fall the Clintons were named by the RTC as possible beneficiaries of questionable transactions at Madison, but were not accused of wrongdoing.

**Joshua Steiner**
**Treasury Department chief of staff:** He attended the second Whitewater meeting with White House officials.

**Jack Devore**
**Former press secretary to Treasury Secretary Lloyd Bentsen:** He attended one of the Whitewater meetings held with White House officials before he retired from the government Oct. 31.


By Danny Johnston, AP

**FISKE:** Has subpoenaed six White House advisers

# Clinton Says He Was Told in Advance RTC Wanted Criminal Probe of Madison

By Michael K. Frisby
And Bruce Ingersoll
*Staff Reporters of The Wall Street Journal*

WASHINGTON – Raising new questions about whether the White House may have meddled in an investigation of Madison Guaranty Savings & Loan, President Clinton said he was told about a criminal referral in the case before the action was made public.

Mr. Clinton's disclosure provides the first evidence that he, as well as his staff, obtained advance warning of the Resolution Trust Corp.'s decision to request a criminal inquiry into whether funds from Madison Guaranty may have been improperly diverted into his gubernatorial campaigns or into Whitewater Development.

Speaking to reporters, Mr. Clinton said yesterday that at sometime in October "I became aware" that the RTC was referring questions about Madison funds for further investigation. "I don't remember when I knew about it or who told me about it," Mr. Clinton said, "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."

The president's remarks come on the heels of other disclosures last week that top Treasury Department and RTC officials met three times with White House Counsel Bernard Nussbaum and other White House officials to discuss the Madison case. The RTC is an independent regulatory agency and its investigations are supposed to proceed in confidence.

Mr. Nussbaum resigned under pressure from his job last weekend after the unusual meetings were reported by the media. He and the other officials who attended the meetings have been subpoenaed to appear on Thursday before a grand jury here investigating the Whitewater affair.

Last night, Mr. Clinton appeared to be on the verge of picking veteran Washington attorney Lloyd Cutler, 76, to succeed Mr. Nussbaum as White House counsel. Mr. Cutler served in the same capacity for former President Carter and was hailed as a strong choice by Democrats. "He's calm, collected and experienced," said Bert Lance, another Carter aide. "He will have the best interest of the president and the presidency at heart." Mr. Cutler couldn't be reached for comment last night.

Mr. Cutler's choice would be the second time that Mr. Clinton reached out to the Washington establishment for help at a time of distress. Last spring, he picked media guru David Gergen to bring order into the White House.

The president apparently was apprised of the RTC action sometime after the first meeting Sept. 29, when Treasury General Counsel Jean Hanson told Mr. Nussbaum that the RTC was asking the Justice Department to investigate. A senior White House official said this discussion occurred at the end of a meeting on a different topic.

Although it remained unclear exactly when the president was told, White House officials said yesterday that Mr. Nussbaum informed Bruce Lindsey, an aide to the president, who was dealing with media questions related to the investigation of Madison and the Clintons' Whitewater real estate partnership with Madison's owner, James McDougal.

The White House official said that neither Mr. Nussbaum nor Mr. Lindsey told the president about the referral. The referral was made on Oct. 8, but it didn't become public until the end of the month.

White House aides also said Hillary Rodham Clinton was unaware of the referral until it became public, and that she didn't know about the contacts with Treasury officials until Deputy Treasury Secretary Roger Altman testified last week.

Mr. Clinton used his session with reporters yesterday to defend his wife. "I believe I'm a better authority than anybody else in America on my wife," he said. "I have never known a person with a stronger sense of right and wrong in my life – ever."

After the uproar over the meetings, the White House is taking great pains to stem the damage. Mr. Clinton's disclosure that he had advance knowledge about the RTC referral seemed to be part of a broader effort to get out as much information as possible. His remarks came as the deputy White House counsel issued guidelines for all White House staffers to keep any information that the special counsel investigating Whitewater may seek.

Mr. Fiske, the special counsel, yesterday expressed a "strong concern" about any congressional hearings into the Whitewater affair. The House Banking panel plans hearings starting March 24 to deal with the performance of the RTC, and Republicans have been promised a full day to call their own witnesses in that hearing.

In letters to House and Senate Banking Committee leaders, Mr. Fiske said that a congressional inquiry would "pose a severe risk to the integrity of our investigation," and that "inevitably, any such inquiry would overlap substantially with the grand jury's activities."

Republican leaders of the two committees – New York Sen. Alfonse D'Amato and Iowa Rep. James Leach – responded that congressional hearings are necessary and that Mr. Fiske's request may be premature and too broad. The Democratic chairmen of the two committees – Michigan Sen. Donald Riegle and Texas Rep. Henry Gonzalez – didn't challenge the special counsel's plea.

Mr. Fiske agreed to a meeting with committee leaders in Sen. D'Amato's office at 11:30 a.m. tomorrow, a spokesman for the senator said. Mr. Fisk declined to comment.

Any hearings are likely to bring up the question of document shredding at the Rose Law Firm in Little Rock. Contrary to statements from the firm, two couriers insisted that they had shredded files of

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White House lawyer Vincent W. Foster in late January.

One of the couriers, Jeremy Hedges, said in an interview yesterday that he and his colleagues were often dispatched to the Arkansas Governor's Mansion during the 1992 presidential campaign to pick up sealed envelopes from Mrs. Clinton, a Rose partner of Mr. Foster's. But Mr. Hedges and others said they didn't know what happened to the contents of the envelopes.

Mr. Hedges has appeared before a federal grand jury and recounted how he and another courier, Clayton Lindsey, ran the contents of a box bearing Mr. Foster's initials – VWF – through the firm's shredder. Mr. Lindsey has been told by Fiske aides to expect a grand jury summons to give his version of the shredding.

The firm says an old box of Mr. Foster's was being reused by a clerk in helping a lawyer change offices. "There were no Foster files destroyed," asserted Ronald Clark, the firm's managing partner, in an interview over the weekend.

But yesterday, neither Mr. Hedges nor Mr. Lindsey wavered in their recollections. "The files were his, definitely," said Mr. Hedges, 20, a college student. "The files were set up, organized in one manila folder after another, with tabs saying VWF searches, VWF correspondence and VWF pleadings."

"I don't want to call the firm a liar," he added, "but I think the probability [of the firm's version of events] is pretty slim." Mr. Lindsey, 19, corroborated Mr Hedges's account. Mr. Clark didn't return calls yesterday for further comment.

The shredding, first reported by the New York Times – is of interest to investigators because Mr. Foster was the Clintons' personal attorney until his death last July. In a Feb. 16 appearance before the grand jury, Mr. Hedges said it occurred in late January. Mr. Fiske was appointed special counsel on Jan. 20.

The firm began the practice of shredding more than two years ago after Mr Clinton entered the presidential race and the firm came under greater scrutiny from reporters and others, according to employees. But Mr. Clark denied the allegation of one employee that large amounts of potentially embarrassing documents were destroyed in "shredfests" after Mr. Clinton finished an encouraging second in the New Hampshire primary in February 1992 and won the New York primary in April. "No Whitewater or Madison Guaranty files have [been] or will be destroyed," Mr. Clark said this weekend.

The investigation of the discussion between White House and Treasury officials represents an expansion of the role of the Washington wing of Mr. Fiske's operation, led by Roderick Lankler. Mr. Lankler had planned to focus primarily on events relating to Mr. Foster's death. Mr. Fiske's staffers now are also trying to determine whether the meetings resulted in any attempt to obstruct Mr. Fiske's probe.

Meanwhile, the RTC plans to audit legal bills from Rose Law Firm. The firm worked for the RTC over several years and has come under fire for representing the [illegible] apparently without disclosing it had previously represented the thrift. This month it was disclosed that Rose was reviewing the billing records of former partner Webster Hubbell, now a high-ranking Justice Department official. The RTC was a Hubbell client. The firm's managing partner didn't return phone calls yesterday.

*–Albert R. Karr and Ellen Joan Pollock contributed to this article.*

# ANOTHER QUESTION RAISED BY CLINTON ON LAND DEALINGS

## WHEN HE KNEW IS AT ISSUE

### Clinton, in Extended Rebuttal, Defends Wife and Aides on Handling of Whitewater

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 7 — President Clinton today defended his wife and his White House against accusations of interfering in the Whitewater investigation, but he quickly found himself facing new questions about his knowledge of the inquiry's earliest stages.

After a stormy weekend watching from Camp David as his Administration came under attack for its handling of the Whitewater case, Mr. Clinton held a White House news conference today on relations with the former Soviet Union — but he clearly expected to be asked about Whitewater and was prepared to offer extended comments.

He emphasized that the case was different from past investigations of the White House, especially Watergate, which drove President Richard M. Nixon from office. "No one has accused me of any abuse of authority in office," Mr. Clinton said. "That's what Watergate was about."

**Effort to Counterattack**

As part of a calculated effort to "take the offensive," Mr. Clinton pounded the lectern as he came to the defense of his wife, Hillary, who has been criticized in recent days for her role in the Clintons' investment in the Whitewater Development Company, an Arkansas land venture, and its ties to an Arkansas savings and loan that was taken over by Federal regulators.

"I do not believe for a moment that she has done anything wrong," Mr. Clinton said. "If everybody in this country had a character half as strong as hers, we wouldn't have half the problem we've got."

But Mr. Clinton left his aides scrambling to put out a new brushfire, which he started when he acknowledged during the news conference that shortly after it was made, he had been told about a request by Federal regulators for a criminal investigation into the savings and loan, Madison Guaranty, which is at the heart of the Whitewater matter.

**Focus on White House**

That statement made it clear for the first time that Mr. Clinton learned about the sensitive request before it became public, and raised the question of whether he gained the knowledge improperly. In recent days, attention has focused on internal White House discussions about the inquiry, including a series of conversations between White House and Treasury Department officials. The disclosure of those conversations last week forced the resignation of Bernard W. Nussbaum, the White House counsel, and prompted the independent counsel, Robert B. Fiske Jr., to issue subpoenas to six senior members of the White House staff.

White House officials said they also expected other aides to Mr. Clinton to receive subpoenas from Mr. Fiske, perhaps including the chief of staff, Thomas F. McLarty 3d, who has acknowledged being told in advance about one meeting under scrutiny.

With the White House trying to meet a Thursday deadline to turn over subpoenaed documents to Mr. Fiske, Democratic leaders of the House of Representatives agreed to meet with Republicans to discuss their demands for a Congressional inquiry into Whitewater.

But Mr. Fiske asked lawmakers not to hold such hearings, saying they would interfere with his own investigation. Mr. Fiske may have been seeking to avoid the kind of problems faced by the prosecutors in the Iran-contra affair, when a court dismissed two central cases on the ground that Congressional hearings had tainted the evidence.

And as the White House began to sift through the documents already subpoenaed by Mr. Fiske, Government officials familiar with the sweeping terms of his request said it was likely to yield information about previously undisclosed contacts within the Administration about the inquiry into Madison Guaranty.

Joel I. Klein, the deputy White House counsel, is to meet with Mr. Fiske on Tuesday to discuss how the documents will be turned over to the special counsel. Hundreds of White House officials, including the President and the First Lady, have been asked to reply to Mr. Fiske's request for "any and all documents" relating to discussions about the inquiry, a senior White House official said today.

The way the Whitewater case has come to overshadow all other business was played out at today's news conference, where the guest, President Eduard Shevardnadze of Georgia, could only look on as Mr. Clinton was questioned repeatedly about the land deal.

Asked by the first reporter he called upon when he had first learned of the investigation, Mr. Clinton responded with a long and carefully worded statement saying that he had first been told of it "sometime in October."

Mr. Clinton said he did not remember who had told him about the investigation or exactly when in October he learned of the request the Resolution Trust Corporation made on Oct. 8. But he acknowledged that he had been told that the request for a criminal investigation named his gubernatorial campaign as a possible beneficiary of illegal action by Madison Guaranty, whose chairman, James B. McDougal, was a partner with his wife, Susan, and the Clintons in Whitewater, an investment intended to develop vacation homes in Arkansas. Part of the investigation has focused on whether Madison improperly allowed overdrafts by Whitewater.

Such requests for investigation, known as criminal referrals, are regarded as highly confidential by the Justice Department and the R.T.C., which is an independent agency. The vague chain of events sketched by Mr. Clinton today meant that he learned about a criminal investigation that could involve him and his wife either before a formal decision was made to proceed with it or when the investigation was in its very earliest stages.

The best recollection of Mr. Clinton and his top aides, the official said, was the President was told about the request only after reporters began to ask the White House about it. But the official, who insisted on anonymity, said Mr. Clinton's murky memory about the conversation made it impossible to speak more authoritatively about it.

A senior White House official said today Mr. Clinton had returned to Washington from Camp David on Sunday night angry at the criticism he had read and heard about the White House's handling of the case. The official described Mr. Clinton as particularly sensitive about the buffeting taken by his wife, who managed the Clintons' finances at the time the couple invested in the Whitewater venture.

Mrs. Clinton began her own counteroffensive last Friday during an interview with Elle Magazine. The publication released excerpts of her remarks today.

In the interview, she said that she is treating the fresh allegations of misconduct as politically motivated.

"I know nothing bad happened," she said. "And that's what everybody's going to know, as they should know now, since they have yet to come forward with anything other than the wildest kind of paranoid conspiracies.

"But I am just not interested in falling into the trap that the fomenters of all this want us to, which is to become isolated and on the defensive and diverted," she said. "I'm not going to let that happen."

She said that efforts to question her role in the Whitewater matter were aimed at undermining her. "If one thing doesn't work, these folks shift gears and try something," he said. "It's so transparent to me."

As Mr. Clinton's aides joined in the effort to fight back, Dee Dee Myers, the White House spokeswoman, tonight welcomed Mr. Fiske's request that Congress postpone any investigation of the Whitewater matter. "We want a good, solid and thorough inquiry, and we don't want to do anything that would interfere," Ms. Myers said.

At a briefing for reporters today, however, a senior White House aide refused to rule out the prospect that Mr. Clinton would invoke executive privilege or attorney-client privilege to avoid having to surrender documents sought by Mr. Fiske.

If Mr. Clinton should invoke executive privilege, the issue would almost certainly have to be resolved by the courts. In ruling on President Nixon's effort to invoke executive privilege to withhold the Watergate tapes, the Supreme Court in 1974 said that there was a legitimate constitutional basis for a President to withhold from Congress or the courts the contents of conversations with Presidential aides.

Continued on Page D21, Column 5

## *Clinton Raises Whitewater Issue Of When He Learned of Inquiry*

*Continued From Page A1*

**An effort to douse a brush fire creates another.**

MARY McGRORY

# Heavy Froth for Shallow Water

The Republicans think they have died and gone to Heaven. Life has come round again for them. The moment of their most excruciating humiliation, Watergate, is being replayed before their eyes. The White House is asking other agencies for inside dope about "criminal referrals"; an exhilarating whiff of Iran-contra-type paper shredding is in the air. Hillary Clinton's high-gloss image is being mauled—she is depicted as a shredder and a shrew who puts her legal reputation above her husband's political survival.

There is even further cause for glee: In the rushing muddy waters of Whitewater, there is the intoxicating possibility that the blame for Republicans' most expensive blunder, the S&L debacle, can be diluted a little. Madison Guaranty Savings & Loan, mother ship of the misbegotten Whitewater development, is going to become the most investigated thrift of them all, and pretty soon you may hear Republicans chatting easily about "a bipartisan scandal."

Sen. Alfonse M. D'Amato (R-N.Y.), who had a near-death experience with sleaze charges, has been retrofitted with a halo and lectures his colleagues by the hour about conflict of interest and other subtle points of morality. The Washington Times is printing long screeds about Watergate parallels. New York Times columnist William Safire, an alumnus of the Nixon White House, fulminates against the outrageous impropriety of the president's (newly resigned) counsel, Bernard Nussbaum, acting like the president's lawyer, having forgotten that *his* president, Richard Nixon, used the attorney general of the United States for his mouthpiece when the going got tough in Watergate.

It's payback time, no question. It's slavering and subpoena time, too. Robert B. Fiske Jr. has come roaring out of his special counsel's office to hand officials summonses to 10 administration people who attended three White House meetings where inside information about "criminal referrals" in the Madison probe were held at the behest of someone trying to be helpful.

The most imposed upon of them may be Lisa Caputo, Hillary Clinton's press secretary. Her crime was to have taken a call from a helpful Resolution Trust Corp. flak who warned her to expect some press questions.

The Subpoenaed Ten spent an anguished weekend explaining to their parents and their children that they had neither been arrested nor were they headed for jail. President Clinton may come in time to thank Fiske for this bit of grandstanding. If Fiske is going to be that assertive and hard-nosed, even with people who took telephone calls, he could lessen the clamor for congressional hearings. The screeching and cackling is deafening on the Hill, but maybe someone will remember that Hill airings can lessen the chance of getting to know more about what went on, and also just about end any hope of successful prosecutions. Maybe someone hot on the trail will stop and remember the Iran-contra hearings, which made the principal culprit a Senate candidate.

And possibly, when they cool down a little, they will take another look and notice that whatever he or she or both Clintons did at Whitewater, it is not impeachable. Impeachment is reserved for presidents who commit high crimes and misdemeanors in their great office. The Clintons probably can't admit that what looks awful in Washington is routine in Little Rock, but the fact is that chagrin could be the ultimate punishment. It is not likely that Nussbaum's many blunders will lead to prosecution. Ineptitude is not listed in the U.S. Code.

Besides getting a new counsel, the president might hand out passion-for-anonimity pills to his babbling staff. And he might suggest to Hill Democrats that they occasionally speak well of the first family, as Sen. Daniel Patrick Moynihan (N.Y.) did on Sunday. Although he has needled the president without mercy about health care and welfare reform, on "Face the Nation" he gallantly unfurled a timely tribute to the beleaguered first lady. On a visit to a Brooklyn hospital, he said, "she lit up the room."

Clinton is in the fight of his life—as he so often is. He has to be patient and strong. Nobody can help him. Hillary, who bailed him out of previous messes, is benched this time. He must weather heckling and baiting. He must keep his head and his temper. He has to get Whitewater out of the White House before his presidency gets mildewed. Lucky for him, he was not elected as a role model or a moral authority. But the Republicans, for the moment are pretending he was, and they won't let go.

*Jim Hoagland*

# O d Boys At the CIA




Aldrich Hazen Ames, the spy with three last names, might not have run his scam as long as he did had he been plain Fred Jones or Billy Bob Smith. Then his fellow spooks might have been more suspicious when he drove up to work one day in a new Jaguar, fresh from his mortgage-free $540,000 manse.

Let me rephrase that as a question: Does the still-unfolding Ames case reveal the Central Intelligence Agency as a mini-class system that has begun a decline into obsolescence and decay?

It is grandiose overstatement to refer to an intelligence agency as a class system, of course. What we are really talking about is an old boys' network—a network that also revolves around the central notions of a class system: inherited privilege and social solidarity.

Those notions permeate the case of Ames, the 52-year-old former head of counterintelligence for the Soviet Union and Eastern Europe at the CIA, now accused of having spied for the Kremlin. He was hired by the agency before even finishing college because of his father's good record there. He was, the old boys at the agency decided, OUF: One Of Us.

A sense of social solidarity may help explain why the U.S. intelligence community, which spends about $30 billion a year to discover the world's most guarded secrets, failed to see a significant and suspicious change of behavior that occurred under its nose. There are some things OUFs are not expected to do.

CIA Director R. James Woolsey reportedly said as much when he informed CIA employees of Ames's arrest. A Washington Post account paraphrased Woolsey saying on closed circuit television that he found such a betrayal hard to comprehend "involving as it did both harm to the country and a violation of a spy's personal and professional obligations."

That is the mind-set that produced the failure of the agency to follow Ronald Reagan's most famous dictum: Trust but Verify. The spymasters trusted Ames but did not verify his bank accounts. Indeed, the agency does not seem to have even asked to see them. (Reagan was president when Ames's alleged treachery began.)

Ex-director Robert M. Gates bristled on television when journalists suggested that failing to check Ames's finances may possibly have been an error. Congress did not order us to check employees' bank accounts, Gates said by way of explanation. The agency was uncomfortable about being too "intrusive" in the lives of its employees, he added.

I doubt that delicacy about intrusiveness really explains the agency's failure in the Ames case. I think the spymasters missed a crucial turn in their business, much as Philco stuck with radios at the dawn of the television era and IBM let its disdain for laptop computers undermine its corporate foundations.

The agency seems to have stuck with the idea that what OUFs don't do is spy for big money. Internal controls are designed to weed out or capture ideological turncoats or agents caught in the familiar KGB honeypot trap of compromising sexual situations that expose fallen agents to blackmail.

The CIA was run in a tweedy Ivy League fashion in its first decades and has remained deeply influenced by the Anglophilia of its founders. Ideology and/or sex were at the core of Britain's big spy cases. The CIA's first line of counterespionage defense assumed, perhaps unconsciously, that the same would be true for American spies.

But times change. In the 1980s the Walker family, Ronald Pelton and other cash-short Americans got big bonuses for signing up with the KGB and selling their country secret by secret. In a world of satellite photography and the big ears of electronic surveillance, spies concentrated more and more on the commerce of turning each other's coats.

Seventy to eighty percent of a CIA covert agent's working hours is spent on one activity: trying to recruit his or her opposite number in the Kremlin's secret service. That estimate comes from several CIA field agents, all speaking with the same tones of frustration over this misplaced expenditure of time and effort.

This is marketplace activity, the buying and selling of careers and lives. In its last decade the KGB dominated this loathsome traffic. In contrast, the major Soviet defectors in that period came over not for money but because they saw the failure and inevitable doom of a bankrupt Soviet system.

The Ames case displays a third characteristic of the class system, even one as small as an old boys' network. A self-contained aristocracy is eventually corrupted or overwhelmed by money.

Treating espionage primarily as a marketplace activity exposed the OUFs of the CIA to the virus of betrayal through greed. If he is guilty as charged, Aldrich Hazen Ames became One Of Them, and a traitor to his professional class, for money.

*Richard Cohen*

# A Smart-Dumb White House

A pal once referred to a mutual friend as "smart-dumb": smart most of the time but inexplicably dumb when it came to certain matters. It occurs to me that this phrase fits not only Bernard Nussbaum, the freshly departed White House counsel but most of the Clinton administration itself, 10 of whose senior officials were subpoenaed by the special Whitewater prosecutor. Not since Richard Nixon's time has Washington seen such a virtuoso display of smart people acting so dumb.

In more ways than Elizabeth Barrett Browning could count love, the Clintonians are smart as can be. But how can the same people, including President and Mrs. Clinton, be so confounded dumb when it comes to the Whitewater scandal? Just to gauge how inept they have been, consider this: I called Whitewater a "scandal," and you probably didn't even notice it. But no crime has been alleged, no laws have yet been proved broken and not a single administration official has been indicted. Only the Clintons could come up with the reciprocal of a victimless crime. In Nussbaum, Whitewater has produced a crimeless victim.

How did this happen? One possible explanation has to do with the nature of Bill Clinton. Unlike, say, Ronald Reagan, whose followers saw him primarily as a vehicle to advance conservatism, Clinton over the years has attracted virtual acolytes. The vaunted FOB—Friends of Bill—are more wedded to the man than to a specific political ideology. Their loyalty is fierce. When it comes to the First Family, they lack perspective, the distance to make pragmatic political decisions. In contrast, Treasury Secretary Lloyd Bentsen knew precisely what to do when he heard that Treasury officials had, without his knowledge, briefed White House aides on a Whitewater-related issue. He called in the Government Office of Ethics.

Loyalty, when it is blind, can be synonymous with stupidity. It admits no cynicism. It sees conspiracies where they do not exist. In the case of the Clinton loyalists, they tend to blame the press or the Republican opposition for having illegitimate agendas when, to more neutral observers, the questions being raised are appropriate and obvious. This us-against-them mentality may date to the New Hampshire primary, when Gennifer Flowers surfaced and questions were raised about how Clinton avoided the Vietnam War draft. In both cases, the Clintonians fumed against the press, little noticing, it seemed, that their man was giving less than credible explanations.

Whatever the reason, it has long been apparent that the Clintonians have a far different view of the president from that of the American people or, for sure, the Washington establishment. In this regard Nussbaum was typical. He defended the First Family's interests as if he were an attorney representing an ordinary client. He failed to understand that what matters most in this town, if not in America, is candor—at least the appearance of it. Nussbaum would not turn over Whitewater-related files in the office of the late Vincent Foster. Legally, he might have been on sound ground. In public relations terms, though, it looked as if he were stonewalling.

If there is a single area in which the inside and outside perceptions of Clinton differ, it is character. The evidence for that can be gleaned by watching the late-night talk shows, where Clinton jokes are a staple. Clinton insiders, though, not only don't find those jokes funny, they simply can't comprehend them. They don't understand, either, why Clinton's "never inhaled" answer about smoking marijuana seems to say something about him as a politician. It's remembered not only because it's funny but because it's telling.

The stark difference in perception helps explain the initial decision by the Clinton White House to bypass the Washington press corps. "You know why I can stiff you on the press conferences?" Clinton told a dinner of radio and television correspondents in February 1992. "Because Larry King liberated me from you by giving me the American people directly." Later, Clinton modified that approach, but it's clear the old distrust lingers. Neither he nor those around him could draw back to see themselves as the press and others did.

Nussbaum's departure does not end matters. At the meetings in which Treasury officials briefed the White House on the progress of its Whitewater-related investigation, he was not alone. Others were there, and still others must have heard about them—including, one would suspect, one or another of the Clintons. (Mrs. Clinton's chief of staff, Margaret A. Williams, attended one of the meetings.)

At the White House, it has somehow been forgotten that while no one doubts Bill Clinton's smarts, his integrity and character are a different matter. The way Whitewater has been handled ought to have made the president ask himself a question or two not just about Nussbaum but about some other members of his staff as well. The first is: If they're so smart, how come they've acted so dumb?

And the second is: How come they're still around?

# GOP, Special Counsel At Odds Over Hearings

By Charles R. Babcock and Kenneth Cooper
Washington Post Staff Writers

While a special counsel requested that Congress cancel its plans to investigate the tangled Whitewater affair, Republican congressional leaders yesterday suggested that hearings should be broadened to look at possible improper White House involvement in the probe.

Special counsel Robert B. Fiske Jr. warned leaders in a letter that congressional inquiries could interfere with his broad investigation into President Clinton's Arkansas land venture and ties to the failed Madison Guaranty Savings & Loan. Fiske also is investigating the July suicide of former deputy White House counsel Vincent Foster Jr.

Fiske has subpoenaed 10 White House and Treasury Department officials to give testimony to a federal grand jury in Washington Thursday.

Rep. Jim Leach (R-Iowa) said he intends to seek testimony from some of the same individuals at a March 24 Resolution Trust Corp. oversight hearing which Republicans plan to use to delve into the Whitewater matter.

"We've gone from possible illegal acts prior to assuming office to the possibility of illegal acts taken by a president while in office," Leach said.

Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Banking Committee, said he will go ahead with the oversight hearing despite Fiske's request but will not allow Republicans to grill administration officials who have been subpoenaed by Fiske.

Those officials took part in meetings at the White House to discuss a confidential criminal referral from the RTC to the Justice Department that mentioned the Clintons' involvement in the mid-1980s with Madison, owned by their Whitewater business partner James McDougal.

"In view of the fact they have been subpoenaed, that would be a matter that is not vital to our RTC hearing," Gonzalez said. "Those people will have to answer to the prosecutor."

Sen. Donald W. Riegle Jr. (D-Mich.), chairman of the Senate Banking Committee, told Fiske his committee should defer further hearings that touched on Whitewater and Madison. But Sen. Alfonse M. D'Amato (R-N.Y.), the ranking minority member of that committee, said he thought Fiske's request "may be a premature and overly broad remedy." He plans to meet with Fiske Wednesday to discuss the matter.

He said in an interview yesterday that Congress should question all of the officials Fiske has subpoenaed about the White House-Treasury meetings. "We can do it without giving them immunity," he said.

Leach, who is leading the House Banking Committee Republicans, said in an interview that he respects Fiske's role, but "a prosecutor cannot interfere with the oversight responsibility of the Congress."

Leach said this is especially true with recent revelations that White House officials, including the president, were told last fall about the RTC criminal referral.

Gonzalez told Fiske in a letter that he didn't intend to interfere in his work, but noted that Republican members "do not necessarily share my concern." He suggested Fiske advise "all parties on your views of whether they should respond" to GOP inquiries for documents and information.

In the meantime, members of both political parties issued broadsides yesterday, with Senate Minority Leader Robert J. Dole (R-Kan.) and House Minority Whip Newt Gingrich (R-Ga.) seeking to keep public attention on the issue while Senate Majority Leader George J. Mitchell (D-Maine) said hearings could thwart Fiske's probe.

Mitchell told reporters that court rulings dismissing Iran-contra charges against Oliver L. North showed congressional investigations "effectively preclude" criminal prosecutions stemming from the same incidents. He called the GOP actions a partisan effort to embarrass the president.



REP. JIM LEACH
*. . . seeks to protect role of Congress*

Dole, meanwhile, called Whitewater "a case study in self-immolation. Omissions, misstatements of fact, 'negotiated' subpoenas, behind the scenes meetings. . . . have all created the impression that there's something to hide."

Gingrich demanded that Republicans on other House committees be given power to subpoena documents related to Whitewater.

In his letters to the leaders of the two banking committees yesterday, Fiske said congressional investigations would "overlap substantially" with the grand jury's. He cited the dangers of congressional immunity, premature disclosure of documents or testimony that could allow witnesses to tailor their testimony. He said he was concerned too that hearings into the recently disclosed meetings between White House and Treasury officials "will inevitably lead to the disclosure of the contents of RTC referrals."

But Leach said that congressional inquiries often help, rather than hinder, criminal investigations. He noted that congressional investigators discovered the White House tapes in Watergate and that the first White House-Treasury meeting was disclosed at a recent Senate hearing.

*Staff writer Helen Dewar contributed to this report.*

TUESDAY, MARCH 8, 1994 THE WASHINGTON POST

# Coverage for Mental Illness, Drug Abuse Urged

Former First Ladies Betty Ford and Rosalynn Carter urged Congress to abandon outmoded ideas as it attempts to reform the health care system and to cover mental illness and substance abuse in the same way as physical illnesses.

"I don't believe any health program will be successful unless it addresses drug and alcohol dependency and mental illness," said Ford. "These programs are working and they are cost effective."

Carter said that the American people are "ahead of the Congress" in their views of mental illness and substance abuse. She cited a poll released yesterday saying that 62 percent of Americans support covering mental health and substance abuse the same as physical illnesses.

If the benefits need to be reduced to save money they should be reduced "across the board" rather than by discriminating against people who are mentally ill, Carter said.

"If you're sick, you're sick," she said at a news conference yesterday launching a two-day lobbying blitz by the former First Ladies. "If you're hurting, you're hurting. If you need care, you should be able to get care."

Mental illness can be defined and it can be treated, Carter said in a meeting with Washington Post reporters and editors. She said that numerous major corporations had found that covering mental illness and substance abuse saved money in the long run. Mental health treatment "is not a bottomless pit.

"If there are abuses, rout them out," she said.

Ford said she had "never found it comfortable to evaluate the role of another First Lady," but that she applauded Hillary Rodham Clinton for leading health care reform.

"She would be criticized no matter what she did," said Carter. "I think she is courageous to take it on."

The Clinton health care proposal phases in coverage for mental illness and substance abuse by limiting coverage in 1998 to 30 days' residential treatment a year. Some members of Congress have criticized such coverage as too costly and it is regarded as one of the most vulnerable elements of the Clinton plan.

# President Again Turns to Capital Insider

By Ruth Marcus and Dan Balz
Washington Post Staff Writers

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President Clinton is trying to persuade Lloyd N. Cutler to serve as White House counsel, turning to a well-known Washington figure who held the same job in the Carter administration to help quiet the uproar over White House ethics.

Administration officials said over the weekend that they were searching for a "Lloyd Cutler" type, and yesterday tried to make that wish become reality. Sources said late yesterday that Cutler and White House officials were trying to work out the terms of his appointment.

If they can reach agreement, a formal announcement could be made as early as today. But even if Cutler, 76, decides not to join the administration, the effort to recruit him underscored the severity of the problems White House officials have created for themselves in their handling of the Whitewater affair.

Among the issues being discussed was Cutler's insistence that he be regarded as counsel to the office of the presidency and not Clinton's personal attorney.

If the negotiations are successful, Cutler would replace Bernard Nussbaum, who submitted his resignation Saturday after an ill-starred tenure in which he was repeatedly criticized inside and outside the White House for lacking the kind of political judgment required of a lawyer in the counsel's post.

Cutler is one of the best-known members of the Washington legal community and a veteran of dealings with Congress and the press.

Cutler's arrival would mark the second time that Clinton has turned to a prominent

See COUNSEL, A9, Col. 1

# 'Gray Eminence' Sought for White House

COUNSEL, From A1

Washington insider to help bail him out of trouble. Last spring, reeling over a series of staff problems and legislative difficulties, Clinton recruited David R. Gergen, a veteran of three Republican White Houses, as a senior adviser.

Clinton, at a news conference yesterday, 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" and "someone 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 . . . to deal with all matters in the appropriate way."

Fifteen years ago, Cutler came to the aid of another Democratic administration, when then-President Jimmy Carter tapped him to replace Atlanta lawyer Robert J. Lipschutz, who was criticized for being over his head in the delicate job of White House counsel.

"We were in the process of trying to strengthen our staff and Lloyd brought his connections with the Hill and the Washington establishment," said Jody Powell, who was Carter's press secretary. "He was a real help."

Like Clinton and his wife, Hillary, Cutler is a graduate of Yale Law School. But in an administration of Baby Boomers and Twentysomethings, Cutler would be a grandfatherly figure. He was admitted to the bar six years before Clinton was born.

Over the years, Cutler has been described as "the ultimate Washington lawyer" and a "Washington gray eminence," the kind of man outsider Ross Perot turned to in 1992 to give him advice about government when he was beginning to think about running for president.

He has been an enormously successful lawyer in the firm of Wilmer, Cutler & Pickering (where he is now "of counsel") and when he was practicing full-time had a long list of blue-chip corporate clients whom he guided through the legislative and regulatory shoals of Washington.

But Cutler also developed a sizable reputation for promoting liberal causes, for *pro bono* legal work and for developing an interest and expertise in governmental reform and ethics issues.

Most recently, he was the lead attorney in the case against the constitutionality of the Washington state term limits statute and won the first round when a federal district court judge in Seattle ruled in his favor last month in a battle that is expected eventually to end up in the Supreme Court.

In recent years, he has been a frequent contributor to the op-ed pages of major newspapers. One of those articles, written in 1987, caused an uproar in liberal circles as he came to the defense of Robert H. Bork's nomination to the Supreme Court. He was one of Bork's strongest advocates during the fight that killed the nomination.

Last year, he promoted the nomination of Zoe E. Baird as attorney general, having been her mentor from their days in the Carter administration. Cutler appeared on ABC's "Nightline" to defend her even as the White House was preparing to withdraw her nomination.

Two months ago, he wrote an op-ed piece in The Washington Post praising the Clintons for being forthcoming on the Whitewater investigation and defending Attorney General Janet Reno for not immediately appointing a special counsel, saying it would be better for Congress to reenact the independent counsel law in the event that an outside investigation were needed. A few days later, Clinton called for Reno to appoint a special counsel.

# Clinton Rejects Likening Whitewater to Watergate

## *Republicans Accused of Fomenting 'Hysteria' on Issue*

By Ruth Marcus and Ann Devroy
Washington Post Staff Writers

President Clinton yesterday rejected comparisons of the Whitewater affair to Watergate, strongly defended his wife's conduct, and accused Republicans of being "blatantly partisan" in attempting to gin up "hysteria" on the issue.

Clinton's comments came as the White House attempted to get beyond a weekend dominated by reports about the resignation of the White House counsel and the subpoenaing of six senior aides about a series of meetings on the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan, a failed Arkansas thrift with ties to the Clintons.

Yesterday, the Clintons and the rest of the White House staff found themselves sorting through the trash and reviewing computer messages in an effort to comply with special counsel Robert B. Fiske Jr.'s subpoena for all documents relating to those meetings.

The only good news for the White House yesterday was Fiske's letter to the House and Senate Banking committees urging them to hold off on hearings that would focus on Madison and Whitewater, the real estate investment company that the Clintons entered into with Madison owner James McDougal and his former wife.

Fiske expressed "strong concern" about the possibility of hearings and warned that such an inquiry "would pose a severe risk to the integrity of our investigation."

Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.), replying to Fiske, agreed that the banking committee "should defer to your investigation." But members of the House Banking Committee said they will proceed with a March 24 oversight hearing that Republicans intend

WHITEWATER, From A1

to use to focus on the Madison criminal referrals.

The continuing impact of the Whitewater investigation and the Fiske subpoenas on the normal operations of the White House was evident at Clinton's news conference yesterday with Georgian leader Eduard Shevardnadze. Each of the U.S. reporters questioning Clinton asked about that subject, and none of the subpoenaed aides appeared in the East Room for the event.

Clinton said that neither he nor Hillary Rodham Clinton was briefed on the three meetings between senior White House officials and Treasury Department aides concerning the Madison investigation.

But he said that "some time in October" he became aware of the fact that the Resolution Trust Corp. had referred the Madison case to the Justice Department for possible criminal prosecution. The Clintons were not accused of any wrongdoing by the RTC, but were identified in the Oct. 8 referral as possible beneficiaries of improprieties at Madison.

"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," Clinton said. "And I didn't think much about it at the time. It was just something that I absorbed."

Although the president was aware of the referral before it was reported by The Washington Post on Oct. 31, Hillary Clinton learned of it by reading the newspaper, a senior official said yesterday.

The White House was first alerted to the referral on Sept. 29, when Treasury Department general counsel Jean Hanson told White House counsel Bernard Nussbaum that it was coming.

Administration officials said Nussbaum "swears he did not tell either Clinton" but did inform presidential aide Bruce Lindsey, who had taken the lead at the White House in handling inquiries about the case. Lindsey, officials said, "believes that he did not act on" the September information but "may have told the Clintons" about the issue in October after press inquiries began.

"Regardless of when they knew" about the criminal referral, George Stephanopoulos, senior adviser, said yesterday, "I am certain that the Clintons did not direct anyone to take any action based on that knowledge to interfere with the referral or interfere with the normal process at the Justice Department."

Clinton used the occasion of his news conference yesterday to try again to put the Whitewater investigation behind him, saying repeatedly that he simply wanted to "let the special counsel do its job." After resisting for weeks congressional calls for appointment of an independent counsel, the White House now desperately wants to avoid the even messier step of congressional hearings into Madison and Whitewater.

Clinton methodically listed what he said were the differences between the Whitewater investigation and the Watergate scandal two decades ago. He said that his White House, unlike Richard M. Nixon's, was not attempting a coverup; that he has not been accused of "any abuse of authority in office"; and that there is "no credible evidence" that he violated any laws during the 1980s, when the investment was made.

"So there is no analogy except any hysteria that they [Republicans] can gin up around it," he said. "There will not be a coverup, there will not be an abuse of power in this office."

Asked about the role of his wife, who has been singled out in some recent press reports as a major cause of the fix in which the White House now finds itself, Clinton responded with an emotional defense.

"I believe I'm a better authority than anybody else in America on my wife," he 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."

Hillary Clinton was even harsher on the Republicans in an interview she gave to Elle magazine last Friday, as the subpoenas were being served. Hillary Clinton handled the details of the Clinton investment in the Whitewater land deal, and, as a private lawyer, was involved in helping Madison owner James McDougal win state permission for a new financing plan for his thrift. McDougal has said he hired Hillary Clinton and the Rose Law Firm of Little Rock and paid $2,000 a month for its services representing the thrift before Clinton appointees at the state securities commission.

In the Elle interview, Hillary Clinton called the focus on Whitewater "a well-organized, 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 said those who raise questions about her role or that of her husband are engaging in "the wildest kind of paranoid conspiracies" and that the whole issue is being pushed by Republicans as part of a continuous effort to "find a way of undermining me. If one thing doesn't work, these folks shift gears and try something else. It's so transparent to me."

A senior official involved in the procedure of ensuring White House compliance with Fiske's subpoenas said that six White House lawyers are now involved in a massive process of overseeing the production of documents. "Individuals, hundreds of individuals, are being asked to certify" that they have gone through all their files, computers, burn bags, trash and are either turning over relevant documents or have found no relevant documents.

The official said that all employees—not just senior aides—of the White House were ordered into the process. One of those involved said, "The situation here today was unbelievable . . . people sorting through trash, people unsure of who they could talk to about what, nobody knowing who to ask the questions of. . . ."

Officials said that Joel Klein, the deputy counsel placed in charge of the compliance, had told the officials subpoenaed that "there will be no coordinated defenses, you cannot compare stories, you cannot discuss this with one another." For that reason, the subpoenaed officials, White House Deputy Chief of Staff Harold Ickes, Hillary Clinton's chief of staff Margaret Williams and press secretary Lisa Caputo, Clinton senior adviser Bruce Lindsey, White House Communications Director Mark Gearan and Nussbaum, are under what one called "severe restraints" in discussing any aspect of Whitewater.

Although senior White House officials last week said they had searched their records and concluded no meetings beyond those revealed in The Washington Post had occurred, yesterday they withdrew that assertion. Said one, "Until the documents are all produced" in connection with the subpoena, "I cannot say. That inquiry is part of the document search."

The White House faces a string of potentially explosive legal decisions, aides acknowledge. The senior official said the White House is prepared to claim executive privilege for documents containing classified or other sensitive material but will not know whether such a claim regarding any documents will be made until the documents are produced.

"At this point, we haven't made any decisions" in that area, the official said.

Once all the documents are produced, the official said, a team of six White House lawyers "will review them and if executive privilege comes up," decisions will be made then, he said.

At both the White House and Treasury, the subpoenaed officials have retained their own personal lawyers, officials at both agencies said yesterday. Howard Schloss Jr. at Treasury said that officials there received memos similar to the ones at the White House to preserve paper and documents and that lawyers there are going through the same sifting process.

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Republicans Name 40 Whitewater Witnesses They Want for Hearing
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With AM-Whitewater, Bjt
By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) In a who's who of Whitewater, Republicans gave Democrats the names of 40 witnesses they plan to call before a House Banking Committee hearing.

The list for the March 24 hearing, presented Tuesday, includes key Arkansas figures in the case, current and former senior White House aides, officials of the savings and loan cleanup agency and federal prosecutors.

Among them: James McDougal, former head of Madison Guaranty Savings and Loan; White House Chief of Staff Mack McLarty; former White House Counsel Bernard Nussbaum; Jean Hanson, general counsel of the Treasury Department; Roger Altman, deputy treasury secretary and interim head of the Resolution Trust Corp., and Hillary Rodham Clinton's chief of staff and press secretary.

Committee Republicans indicated they would seek to subpoena reluctant witnesses, but Democrats are virtually certain to defeat such an effort.

Lloyd Cutler, named Tuesday to replace Nussbaum, said, ``If the House Banking Committee should decide to ask the list of people ... to testify, it would be my recommendation that everyone in the White House cooperate.''

Meanwhile, The New York Times reported Wednesday that a Rose Law Firm employee said he saw Vince Foster's signature on documents he shredded at the Little Rock firm.

Mrs. Clinton worked at the Rose Law Firm with Foster, the late deputy counsel whose apparent suicide is being examined as part of the Whitewater investigation.

The employee, part-time courier Jeremy Hedges, testified before a federal grand jury in February, the paper said. According to a Times report last week, the courier testified that he did not know precisely what he had shredded but that the papers were separated by binders marked with the initials ''VWF,'' the firm's typical abbreviation for Foster, the Times said.

But in an interview with the Times, Hedges said he glanced at a handful of the documents, and that some had Foster's signature at the bottom and were on company stationary. Hedges added that none of the documents he saw related to Whitewater or James McDougal.

The Rose firm has denied any of Foster's papers had been shredded. Managing partner Ron Clark said the documents were internal documents unrelated to Whitewater matters. He said they were shredded in connection with one lawyer moving from one office to another.

On the Whitewater hearings, Senate Republican Leader Bob Dole said the GOP may propose an amendment to unrelated legislation in an effort to put the Senate on record endorsing the hearings.

Senate Majority Leader George Mitchell promptly called the Republican's remarks ``a political stunt to embarrass the president.''

The House Banking Committee hearings were previously scheduled as a way to oversee the work of the RTC, the savings and loan cleanup agency. Among the failed S&Ls in RTC jurisdiction was Madison Guaranty, an Arkansas institution linked to the Whitewater case.

Minority Republicans are permitted under House rules to call their own witnesses, allowing the GOP to focus the hearing on Madison and Whitewater.

The GOP lawmakers defied a plea by Justice Department special counsel Robert Fiske, who said congressional hearings ``would pose a severe risk'' to his Whitewater investigation.

Rep. Jim Leach, R-Iowa, ranking Republican on the Banking Committee, wrote Fiske, ``In balancing competing interests, the public's right to know should not be overwhelmed by your prosecutorial strategies.''

**** filed by:APE-(--) on 03/08/94 at 22:43EST ****

# Clinton jumps to defense of Hillary's ethics

## Admits learning of S&L probe

By Paul Bedard
THE WASHINGTON TIMES

President Clinton yesterday emotionally defended his wife against charges of impropriety in the escalating Whitewater-Madison affair but admitted he was told privately last October of a federal probe of a failed Arkansas thrift tied to the Clintons.

The president defended Hillary Rodham Clinton's ethics as a lawyer but did not deny a report yesterday in The Washington Times that she ordered the shredding of documents at Little Rock's Rose Law Firm after a New York Times report first raised the Whitewater-Madision issue during the 1992 presidential campaign.

"I have never known a person with a stronger sense of right and wrong in my life," a nervous Mr. Clinton said in comments reminiscent of his defense of his wife when Democratic presidential challenger Jerry Brown first raised the Whitewater issue in 1992.

"I am just telling you," said the president, thumping the podium for emphasis during a news conference with Georgian President Eduard Shevardnadze. "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."

As Mr. Clinton fended off Whitewater-Madison questions, White House officials braced for another round of subpoenas, possibly targeting Mrs. Clinton and Chief of Staff Thomas F. "Mack" McLarty, in the wake of new press reports of their involvement in Whitewater-Madison.

Mr. McLarty helped to arrange one of three meetings during which White House officials discussed the president's name in the criminal probe of Madison Guaranty Savings and Loan Association, owned by James B. McDougal, the Clintons' partner in Whitewater Development Corp.

The second meeting, on Oct. 10, took place to discuss how to handle press inquiries about the criminal link to the Clintons in the probe, according to a senior administration official.

It was after that meeting, Mr. Clinton said yesterday, that he was made aware of the so-called "criminal referral" by the Resolution Trust Corp. (RTC), which oversees S&L bailouts, but said he did not remember who told him.

White House officials vehemently deny that anyone in the meetings told Mr. Clinton about the substance of the accusations.

"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 — the referral, I think it's called, on the question of whether my campaign benefited improperly from checks which allegedly came from the S&L and I knew about that," Mr. Clinton said.

As he fidgeted with typed notes, the president added, "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 Whitewater-Madison issue dominated the news conference with Mr. Shevardnadze, with every question from the American press directed to that issue.

And White House officials huddled to deal with the mounting questions, and later fanned out to television news and talk shows to carry out damage control.

The White House maneuverings came as political pressure was building on Capitol Hill to hold Whitewater-Madison hearings sought by Republicans. Special counsel Robert B. Fiske, Jr. urged congressional leaders not to hold hearings for fear it might taint the ongoing grand jury probe.

Democratic and Republican House leaders were expected to meet privately — possibly by Thursday — to discuss Whitewater-Madison.

Mr. Clinton insisted yesterday that the investigation into his failed Whitewater real estate venture in northern Arkansas was not similar to the Watergate scandal that brought down President Nixon.

"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," Mr. Clinton said.

As for the documents Mrs. Clinton is accused of ordering shredded, Mr. Clinton said: "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."

Mr. Clinton's defense came as White House Deputy Counsel Joel Klein issued new rules outlining how all White House staff — including Mr. and Mrs. Clinton — should handle papers and electronic messages demanded under a Whitewater-related subpoena issued last Friday.

Administration officials were told Friday to stop burning, shredding or disposing of anything until they checked for papers covered by the subpoena. There were mountains of garbage at the White House yesterday and an empty garbage can for disposal of burn-bag ashes.

"It's getting pretty deep and stinky here," said an administration official.

By late last night, all documents and computer memos were to have been collected. They will be carted away by Mr. Fiske's prosecutors later this week.

Earlier this year, the White House turned over some 10 cartons of documents related to the Whitewater-Madison probe to Justice Department investigators before Mr. Fiske was appointed by Attorney General Janet Reno.

Mr. Fiske's subpoenas of 10 current and former administration officials target any information related to the three meetings between White House counsel and Treasury officials about the Whitewater-Madison investigation.

At a Sept. 29 meeting, White House Counsel Bernard W. Nussbaum and Treasury Deputy Counsel Jean Hanson met to discuss the RTC probe, which is looking into whether Madison improperly funneled money to Mr. Clinton's 1984 gubernatorial campaign or Whitewater.

At that meeting, Ms. Hanson told Mr. Nussbaum that the Clinton's had been named in a "criminal referral" but was not accused of wrongdoing.

It was after the second meeting that Mr. Clinton was told of his connection to the probe.

Mr. Clinton said he was unaware of a third meeting in February when Deputy Treasury Secretary and acting RTC head Roger C. Altman discussed the Madison probe.

While with the Rose firm, Mrs. Clinton represented Madison, which had financial ties to the Whitewater venture.

The Washington Times TUESDAY, MARCH 8, 1994

# Clinton Says He Was Told in Advance RTC Wanted Criminal Probe of Madison

By Michael K. Frisby
And Bruce Ingersoll
*Staff Reporters of The Wall Street Journal*

WASHINGTON – Raising new questions about whether the White House may have meddled in an investigation of Madison Guaranty Savings & Loan, President Clinton said he was told about a criminal referral in the case before the action was made public.

Mr. Clinton's disclosure provides the first evidence that he, as well as his staff, obtained advance warning of the Resolution Trust Corp.'s decision to request a criminal inquiry into whether funds from Madison Guaranty may have been improperly diverted into his gubernatorial campaigns or into Whitewater Development.

Speaking to reporters, Mr. Clinton said yesterday that at sometime in October "I became aware" that the RTC was referring questions about Madison funds for further investigation. "I don't remember when I knew about it or who told me about it," Mr. Clinton said, "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."

The president's remarks come on the heels of other disclosures last week that top Treasury Department and RTC officials met three times with White House Counsel Bernard Nussbaum and other White House officials to discuss the Madison case. The RTC is an independent regulatory agency and its investigations are supposed to proceed in confidence.

Mr. Nussbaum resigned under pressure from his job last weekend after the unusual meetings were reported by the media. He and the other officials who attended the meetings have been subpoenaed to appear on Thursday before a grand jury here investigating the Whitewater affair.

Last night, Mr. Clinton appeared to be on the verge of picking veteran Washington attorney Lloyd Cutler, 76, to succeed Mr. Nussbaum as White House counsel. Mr. Cutler served in the same capacity for former President Carter and was hailed as a strong choice by Democrats. "He's calm, collected and experienced," said Bert Lance, another Carter aide. "He will have the best interest of the president and the presidency at heart." Mr. Cutler couldn't be reached for comment last night.

Mr. Cutler's choice would be the second time that Mr. Clinton reached out to the Washington establishment for help at a time of distress. Last spring, he picked media guru David Gergen to bring order into the White House.

The president apparently was apprised of the RTC action sometime after the first meeting Sept. 29, when Treasury General Counsel Jean Hanson told Mr. Nussbaum that the RTC was asking the Justice Department to investigate. A senior White House official said this discussion occurred at the end of a meeting on a different topic.

Although it remained unclear exactly when the president was told, White House officials said yesterday that Mr. Nussbaum informed Bruce Lindsey, an aide to the president, who was dealing with media questions related to the investigation of Madison and the Clintons' Whitewater real estate partnership with Madison's owner, James McDougal.

The White House official said that neither Mr. Nussbaum nor Mr. Lindsey told the president about the referral. The referral was made on Oct. 8, but it didn't become public until the end of the month.

White House aides also said Hillary Rodham Clinton was unaware of the referral until it became public, and that she didn't know about the contacts with Treasury officials until Deputy Treasury Secretary Roger Altman testified last week.

Mr. Clinton used his session with reporters yesterday to defend his wife. "I believe I'm a better authority than anybody else in America on my wife," he said. "I have never known a person with a stronger sense of right and wrong in my life–ever."

After the uproar over the meetings, the White House is taking great pains to stem the damage. Mr. Clinton's disclosure that he had advance knowledge about the RTC referral seemed to be part of a broader effort to get out as much information as possible. His remarks came as the deputy White House counsel issued guidelines for all White House staffers to keep any information that the special counsel investigating Whitewater may seek.

Mr. Fiske, the special counsel, yesterday expressed a "strong concern" about any congressional hearings into the Whitewater affair. The House Banking panel plans hearings starting March 24 to deal with the performance of the RTC, and Republicans have been promised a full day to call their own witnesses in that hearing.

In letters to House and Senate Banking Committee leaders, Mr. Fiske said that a congressional inquiry would "pose a severe risk to the integrity of our investigation," and that "inevitably, any such inquiry would overlap substantially with the grand jury's activities."

Republican leaders of the two committees–New York Sen. Alfonse D'Amato and Iowa Rep. James Leach – responded that congressional hearings are necessary and that Mr. Fiske's request may be premature and too broad. The Democratic chairmen of the two committees – Michigan Sen. Donald Riegle and Texas Rep. Henry Gonzalez – didn't challenge the special counsel's plea.

Mr. Fiske agreed to a meeting with committee leaders in Sen. D'Amato's office at 11:30 a.m. tomorrow, a spokesman for the senator said. Mr. Fisk declined to comment.

Any hearings are likely to bring up the question of document shredding at the Rose Law Firm in Little Rock. Contrary to statements from the firm, two couriers insisted that they had shredded files of

*Please Turn to Page A18, Column 1*

*Continued From Page A3*

White House lawyer Vincent W. Foster in late January.

One of the couriers, Jeremy Hedges, said in an interview yesterday that he and his colleagues were often dispatched to the Arkansas Governor's Mansion during the 1992 presidential campaign to pick up sealed envelopes from Mrs. Clinton, a Rose partner of Mr. Foster's. But Mr. Hedges and others said they didn't know what happened to the contents of the envelopes.

Mr. Hedges has appeared before a federal grand jury and recounted how he and another courier, Clayton Lindsey, ran the contents of a box bearing Mr. Foster's initials–VWF–through the firm's shredder. Mr. Lindsey has been told by Fiske aides to expect a grand jury summons to give his version of the shredding.

The firm says an old box of Mr. Foster's was being reused by a clerk in helping a lawyer change offices. "There were no Foster files destroyed," asserted Ronald Clark, the firm's managing partner, in an interview over the weekend.

But yesterday, neither Mr. Hedges nor Mr. Lindsey wavered in their recollections. "The files were his, definitely," said Mr. Hedges, 20, a college student. "The files were set up, organized in one manila folder after another, with tabs saying VWF searches, VWF correspondence and VWF pleadings."

"I don't want to call the firm a liar," he added, "but I think the probability [of the firm's version of events] is pretty slim." Mr. Lindsey, 19, corroborated Mr Hedges's account. Mr. Clark didn't return calls yesterday for further comment.

The shredding, first reported by the New York Times – is of interest to investigators because Mr. Foster was the Clintons' personal attorney until his death last July. In a Feb. 16 appearance before the grand jury, Mr. Hedges said it occurred in late January. Mr. Fiske was appointed special counsel on Jan. 20.

The firm began the practice of shredding more than two years ago after Mr Clinton entered the presidential race and the firm came under greater scrutiny from reporters and others, according to employees. But Mr. Clark denied the allegation of one employee that large amounts of potentially embarrassing documents were destroyed in "shredfests" after Mr. Clinton finished an encouraging second in the New Hampshire primary in February 1992 and won the New York primary in April. "No Whitewater or Madison Guaranty files have [been] or will be destroyed," Mr. Clark said this weekend.

The investigation of the discussion between White House and Treasury officials represents an expansion of the role of the Washington wing of Mr. Fiske's operation, led by Roderick Lankler. Mr. Lankler had planned to focus primarily on events relating to Mr. Foster's death. Mr. Fiske's staffers now are also trying to determine whether the meetings resulted in any attempt to obstruct Mr. Fiske's probe.

Meanwhile, the RTC plans to audit legal bills from Rose Law Firm. The firm worked for the RTC over several years and has come under fire for representing the [illegible] apparently without disclosing it had previously represented the thrift. This month it was disclosed that Rose was reviewing the billing records of former partner Webster Hubbell, now a high-ranking Justice Department official. The RTC was a Hubbell client. The firm's managing partner didn't return phone calls yesterday.

*–Albert R. Karr and Ellen Joan Pollock contributed to this article.*



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# ANOTHER QUESTION RAISED BY CLINTON ON LAND DEALINGS

## WHEN HE KNEW IS AT ISSUE

### Clinton, in Extended Rebuttal, Defends Wife and Aides on Handling of Whitewater

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 7 — President Clinton today defended his wife and his White House against accusations of interfering in the Whitewater investigation, but he quickly found himself facing new questions about his knowledge of the inquiry's earliest stages.

After a stormy weekend watching from Camp David as his Administration came under attack for its handling of the Whitewater case, Mr. Clinton held a White House news conference today on relations with the former Soviet Union — but he clearly expected to be asked about Whitewater and was prepared to offer extended comments.

He emphasized that the case was different from past investigations of the White House, especially Watergate, which drove President Richard M. Nixon from office. "No one has accused me of any abuse of authority in office," Mr. Clinton said. "That's what Watergate was about."

**Effort to Counterattack**

As part of a calculated effort to "take the offensive," Mr. Clinton pounded the lectern as he came to the defense of his wife, Hillary, who has been criticized in recent days for her role in the Clintons' investment in the Whitewater Development Company, an Arkansas land venture, and its ties to an Arkansas savings and loan that was taken over by Federal regulators.

"I do not believe for a moment that she has done anything wrong," Mr. Clinton said. "If everybody in this country had a character half as strong as hers, we wouldn't have half the problem we've got."

But Mr. Clinton left his aides scrambling to put out a new brushfire, which he started when he acknowledged during the news conference that shortly after it was made, he had been told about a request by Federal regulators for a criminal investigation into the savings and loan, Madison Guaranty, which is at the heart of the Whitewater matter.

**Focus on White House**

That statement made it clear for the first time that Mr. Clinton learned about the sensitive request before it became public, and raised the question of whether he gained the knowledge improperly. In recent days, attention has focused on internal White House discussions about the inquiry, including a series of conversations between White House and Treasury Department officials. The disclosure of those conversations last week forced the resignation of Bernard W. Nussbaum, the White House counsel, and prompted the independent counsel, Robert B. Fiske Jr., to issue subpoenas to six senior members of the White House staff.

White House officials said they also expected other aides to Mr. Clinton to receive subpoenas from Mr. Fiske, perhaps including the chief of staff, Thomas F. McLarty 3d, who has acknowledged being told in advance about one meeting under scrutiny.

Continued on Page D21, Column 5

# *Clinton Raises Whitewater Issue Of When He Learned of Inquiry*

*Continued From Page A1*

With the White House trying to meet a Thursday deadline to turn over subpoenaed documents to Mr. Fiske, Democratic leaders of the House of Representatives agreed to meet with Republicans to discuss their demands for a Congressional inquiry into Whitewater.

But Mr. Fiske asked lawmakers not to hold such hearings, saying they would interfere with his own investigation. Mr. Fiske may have been seeking to avoid the kind of problems faced by the prosecutors in the Iran-contra affair, when a court dismissed two central cases on the ground that Congressional hearings had tainted the evidence.

And as the White House began to sift through the documents already subpoenaed by Mr. Fiske, Government officials familiar with the sweeping terms of his request said it was likely to yield information about previously undisclosed contacts within the Administration about the inquiry into Madison Guaranty.

Joel I. Klein, the deputy White House counsel, is to meet with Mr. Fiske on Tuesday to discuss how the documents will be turned over to the special counsel. Hundreds of White House officials, including the President and the First Lady, have been asked to reply to Mr. Fiske's request for "any and all documents" relating to discussions about the inquiry, a senior White House official said today.

The way the Whitewater case has come to overshadow all other business was played out at today's news conference, where the guest, President Eduard Shevardnadze of Georgia, could only look on as Mr. Clinton was questioned repeatedly about the land deal.

Asked by the first reporter he called upon when he had first learned of the investigation, Mr. Clinton responded with a long and carefully worded statement saying that he had first been told of it "sometime in October."

Mr. Clinton said he did not remember who had told him about the investigation or exactly when in October he learned of the request the Resolution Trust Corporation made on Oct. 8. But he acknowledged that he had been told that the request for a criminal investigation named his gubernatorial campaign as a possible beneficiary of illegal action by Madison Guaranty, whose chairman, James B. McDougal, was a partner with his wife, Susan, and the Clintons in Whitewater, an investment intended to develop vacation homes in Arkansas. Part of the investigation has focused on whether Madison improperly allowed overdrafts by Whitewater.

Such requests for investigation, known as criminal referrals, are regarded as highly confidential by the Justice Department and the R.T.C., which is an independent agency. The vague chain of events sketched by Mr. Clinton today meant that he learned about a criminal investigation that could involve him and his wife either before a formal decision was made to proceed with it or when the investigation was in its very earliest stages.

The best recollection of Mr. Clinton and his top aides, the official said, was the President was told about the request only after reporters began to ask the White House about it. But the official, who insisted on anonymity, said Mr. Clinton's murky memory about the conversation made it impossible to speak more authoritatively about it.

A senior White House official said today Mr. Clinton had returned to Washington from Camp David on Sunday night angry at the criticism he had read and heard about the White House's handling of the case. The official described Mr. Clinton as particularly sensitive about the buffeting taken by his wife, who managed the Clintons' finances at the time the couple invested in the Whitewater venture.

Mrs. Clinton began her own counteroffensive last Friday during an interview with Elle Magazine. The publication released excerpts of her remarks today.

In the interview, she said that she is treating the fresh allegations of misconduct as politically motivated.

"I know nothing bad happened," she said. "And that's what everybody's going to know, as they should know now, since they have yet to come forward with anything other than the wildest kind of paranoid conspiracies.

> An effort to douse a brush fire creates another.

"But I am just not interested in falling into the trap that the fomenters of all this want us to, which is to become isolated and on the defensive and diverted," she said. "I'm not going to let that happen."

She said that efforts to question her role in the Whitewater matter were aimed at undermining her. "If one thing doesn't work, these folks shift gears and try something," he said. "It's so transparent to me."

As Mr. Clinton's aides joined in the effort to fight back, Dee Dee Myers, the White House spokeswoman, tonight welcomed Mr. Fiske's request that Congress postpone any investigation of the Whitewater matter. "We want a good, solid and thorough inquiry, and we don't want to do anything that would interfere," Ms. Myers said.

At a briefing for reporters today, however, a senior White House aide refused to rule out the prospect that Mr. Clinton would invoke executive privilege or attorney-client privilege to avoid having to surrender documents sought by Mr. Fiske.

If Mr. Clinton should invoke executive privilege, the issue would almost certainly have to be resolved by the courts. In ruling on President Nixon's effort to invoke executive privilege to withhold the Watergate tapes, the Supreme Court in 1974 said that there was a legitimate constitutional basis for a President to withhold from Congress or the courts the contents of conversations with Presidential aides.

# WHITEWATER.

By Adam Nagourney
USA TODAY

With key aides missing from their White House offices and others rummaging for documents in garbage pails, Presi- Clinton fought Monday to contain questions about Whitewater — denouncing attacks on his wife, asserting the White House was cooperating, yet portraying it as an overheated partisan attack.

After weeks of bumbling that left Clinton's closest advisers convinced the issue could seize his White House and derail his legislative agenda, Clinton moved in his most aggressive terms yet to respond to questions about a topic he and his wife have resisted talking about for more than a year.

His news conference represented a political strategy that is now running on a parallel track with the legal strategy by White House lawyers dealing with the investigation by special counsel Robert Fiske.

After strenuously resisting queries about his involvement in a tainted Arkansas land scheme called Whitewater, Clinton is now asserting he will totally cooperate with an investigation he insists will turn up nothing.

He is indignantly defending the honor of his wife — eyes glistening, finger thumping — in a not-unfamiliar gambit Clinton has employed to previous attacks on the first family's Arkansas business dealings.

And he is seeking to dismiss the Republican attacks as politics-as-usual, notwithstanding the growing bipartisan tone of the political alarm bells.

"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."

Against that backdrop, the White House is planning to attempt to proceed with business-as-usual this week, pushing ahead with planned speeches on health care today and crime Thursday.

"Once we have a counsel, once we've complied with the subpoenas, then we've once again pushed this out of the White House," said senior adviser George Stephanopoulos.

Counselor David Gergen, whose sudden public emergence on this issue reflects the depths of White House concern about the scandal (he even did *Nightline* Monday), said the key concern now was Clinton's legislative agenda.

"The most immediate danger, if we were to fall to the wayside and just close down, would be to the legislative agenda," Gergen said.

"People are raising the specter of Watergate," he said. "The only similarity between Watergate and Whitewater is that they both start with the same letter."

Still, for all the late-afternoon optimism by Clinton's inner guard, it is hard to overestimate the size of the task that now faces the president.

The atmosphere at the White House was testy and somber Monday. In one office, an official cursed out CNN's Wolf Blitzer as he did a report in front of a pile of documents in a White House garbage bin.

The six White House advisers subpoenaed by Fiske — they are being questioned about possibly improper contacts between the White House and federal investigators — were nowhere to be seen.

The door to communications director Mark Gearan's empty office was open. Neither he nor adviser Bruce Lindsey, also under subpoena, attended the news conference Clinton had with Georgian leader Eduard Shevardnadze.

Meanwhile, officials offered gallows humor about going through garbage pails in search of any document with the word "Whitewater" on it, to comply with the subpoena.

The news conference with Shevardnadze was nothing short of surreal. Clinton alternated between intense questions from the U.S. press corps on Whitewater and questions on U.S.-Russian relations from members of the Georgian press, some of whose accents were so strong that Clinton had trouble discerning whether they were speaking in Russian or English.

In a hint of what fate awaits the White House effort to return to normalcy, aides were forced to cancel without comment a briefing with senior economic adviser Robert Rubin that had been set for Monday afternoon to discuss next week's job summit.

Meanwhile, the still relatively inexperienced White House seemed flummoxed on how to deal with Whitewater, with its twisted connections between government and private business and the often murky federal ethics law.

Officials insisted this was not as bad as the flare-up when they fired the travel office, in part because that was unquestionably a White House story and in part because one who works for Bill Clinton learns to deal with crisis. "This is no Travelgate," said Stephanopoulos.

Still, there was a sense that for all their best efforts, officials just did not have a grasp on things.

Aides remained confused. Questions about whether the subpoenaed White House aides would be required to foot their own legal bill were referred, straight-faced, to Marlin Fitzwater, press secretary under two Republican presidents.

The official who is overseeing the White House cooperation with the subpoena — wh gave a briefing under whic his name could not be di closed — was stopped short b what would seem to be a fairl obvious question: Would th subpoenas for information a ply to documents drafted b Hillary Clinton, who is not government official.

The belated answer: She comply.

Even Clinton's biggest boos ers acknowledged things cou well turn worse. Chief of sta Thomas "Mack" McLarty a knowledged hosting one of t meetings under investigatio and thus will himself likely b subpoenaed.

For all Clinton's interest turning attention back t health care, the official ru ning the health-care effort - Harold Ickes — is also und subpoena and now running t Whitewater response.

▶ What Clinton knew, 1A
▶ Congressional reaction, 2

## Administration officials face grand jury

The White House and Treasury officials subpoenaed to appear before a federal grand jury investigating the ties of President Clinton and Hillary Rodham Clinton to the Whitewater land deal and the failed Madison Guaranty Savings & Loan:

### PRESIDENT'S STAFF


AP

**Bernard Nussbaum**
**White House counsel:** Nussbaum resigned, effective April 5, after taking part in discussions with Treasury officials about the status of an investigation by the Resolution Trust Corp. into possible criminal wrongdoing in the failure of Madison.


AP

**Harold Ickes**
**Deputy chief of staff:** Since he arrived in January, Ickes has been coordinating White House damage-control efforts in the face of the widening probe of Whitewater and Madison. He met with Deputy Treasury Secretary Roger Altman in February.


AP

**Bruce Lindsey**
**Senior presidential adviser:** Has handled questions on the Clintons' role in Whitewater and Madison. Lindsey said he met with Treasury officials, but did not discuss the substance of investigations, but rather how to deal with reporters' questions.


AP

**Mark Gearan**
**White House communications director:** He confir White House officials got two briefings from T ury officials last fall. He the meetings were proper, held to discuss dealing with p inquiries.

### FIRST LADY'S STAFF


AP

**Lisa Caputo**
**Hillary Rodham Clinton's press secretary:** Said she got a call last fall from an RTC official who told her about press questions on Whitewater and Madison.


AP

**Maggie Williams**
**Hillary Rodham Clinton's chief of staff:** She attended at least one meeting at which Treasury officials discussed Whitewater and Madison.

### TREASURY STAFF


AP

**Roger Altman**
**Deputy Treasury secretary:** He disclosed he briefed White House officials in February about how RTC would deal with civil claims growing out of Madison's failure.

**Jean Hanson**
**Treasury Department general counsel:** Reportedly told Nussbaum last fall the Clintons were named by the RTC as possible beneficiaries of questionable transactions at Madison, but were not accused of wrongdoing.

**Joshua Steiner**
**Treasury Department chief of staff:** He attended the second Whitewater n g with White House officials.

**Jack Devore**
**Former press secretary to Treasury Secretary Lloyd Bentsen:** He attended one of the Whitewater meetings held with White House officials before he retired from the government Oct. 31.


By Danny Johnston, AP

**FISKE:** Has subpoenaed six White House advisers



9A

# Art of the non-denial, continued

President Clinton admitted yesterday that he was given privileged information about the progress of the Resolution Trust Corp.'s investigation of the failed Madison Guarantee Savings & Loan. Obtaining this information bred subpoenas and cost White House counsel Bernard Nussbaum his job. If it was improper for Mr. Nussbaum to be briefed on the status of the RTC's criminal referral, so too was it wrong for the president to be briefed in turn.

Mr. Clinton did his best at yesterday's press conference to play down the importance of his own briefing on the subject, evidently hoping the media and public would buy the proposition that he was insouciant when told his name had popped up in a criminal referral. Said the president:

"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 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. 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."

It is doubtful, to say the least, that the president paid this issue so little mind. But the believability of that claim aside, the crucial revelation is that the information obtained by Mr. Nussbaum was passed along to Mr. Clinton. This could well mean that the grand jury testimony to be taken Thursday from White House and Treasury officials about the meetings will involve questions about the president's involvement.

One other point of interest in the president's answers to the press: In a familiar pattern, although he was at pains to praise the first lady's virtue and integrity, he did not actually manage to deny that Mrs. Clinton sent a stream of documents from the Arkansas governor's mansion to the Rose law firm to be destroyed, as Jerry Seper reported yesterday in The Washington Times. But he did try to soft-pedal the shredding: "I did not read the article," Mr. Clinton said, "but I understand the article didn't purport to say what the contents of any of the files were."

Please. The president does not have to read The Times to know what was in those files: If he doesn't know already, he can ask his wife. Mr. Clinton needs to be asked directly whether Hillary Rodham Clinton ordered Whitewater files destroyed — and if not, exactly what files were destroyed. If the press doesn't put that question to him, no doubt Special Counsel Robert Fiske, Jr. will.

# Ocie and the hydra

Not many people know the story of Ocie Mills, a Florida man sent to a federal prison with his son for the unlikely crime of putting sand on his property and cleaning out a drainage ditch. But if Mr. Mills has his way, Washington's regulatory establishment will never forget him.

Today, Mr. Mills and the Pacific Legal Foundation are scheduled to go before the 11th Circuit Court of Appeals in an effort to clear the Mills' names of what a district court subsequently referred to as "Alice in Wonderland" justice. The two men were convicted in 1989 of discharging "pollutants into the navigable waters of the United States," a violation of federal regulations. Trouble is, there is no statutory basis for these regulations. There is only a "regulatory hydra," wrote District Judge Roger Vinson, that has grown out of the 1972 Clean Water Act and mandates that "a landowner who places clean fill dirt on ... dry land may be imprisoned for ... discharging pollutants into the navigable waters of the United States."

Obviously there is a little constitutional problem with convicting someone of violating a "law" that exists in the minds of federal regulators and nowhere else. There is also a problem in that the Florida Department of Environmental Regulation approved the Mills' property improvements —after the feds had referred the men to the state for permission.

If the elderly Mr. Mills, an unlikely Hercules, wins his case and slays the hydra, he stands to free countless property owners on whom the hydra has been preying over the years in less publicized cases. A new report compiled by Virginia Albrecht, a lawyer with the Washington firm of Beveridge and Diamond, and Bernard Goode, regulatory chief of the U.S. Army Corps of Engineers from 1981 to 1989, lays out the havoc wetlands rules have created for landowners unable to negotiate the regulatory maze.

Part of the complexity results from the fact that wetlands don't actually have to be wet to qualify as such. The 1972 Clean Water Act governs the discharge of dredged or fill material into "navigable waters," which it defined as "waters of the United States, including the territorial seas." The Corps and the Environmental Protection Agency, however, define "navigable waters" as wetlands, sort-of-wet wetlands and bone-dry wetlands. "You are correct," a Corps official wrote to Rep. Owen Pickett last month, "that an area may be considered 'saturated to the surface' even though 'the top plane of the soil is dry.' " Dry is wet, you see.

And navigable waters don't really have to be navigable either, as long as they are in some way connected to interstate commerce like, well, birds. That's right, birds. So-called isolated wetlands fall under federal jurisdiction because a bird, glancing down, might decide to land in them, thereby doing something or other to commerce.

What these loose definitions mean is that what qualifies as a wetland depends entirely on the caprice of regulators. So does the permit process. Defenders of the existing system argue that people who want to do something dangerous — like putting builders' sand on their property — have only to seek permission from the friendly folks at the Corps, who will dispatch the necessary permits with speed and efficiency.

In fact, based on the Corps' own statistics, Ms. Albrecht and Mr. Goode found "the system" isn't working:

- It took the average applicant 373 days to get through the individual permit process.
- Roughly 93 percent of the individual permit applications exceeded the 60-day standard for "evaluation time" specified in Corps regulations.
- Some 63 percent of the individual applications decided in 1992 and 56 percent of applications decided between 1988 and 1993 ended up being withdrawn by either the applicant or the Corps.

Who gets permits? Well, the U.S. Fish and Wildlife Service got an after-the-fact permit (meaning the work was done prior to the permit) to clear hundreds of acres of wetland forest in 1992 after just 160 days from public notice to decision. By regulatory standards, that is warp speed. But a developer who wanted a permit for residential construction on an area that included a wetland about half the size of a ping-pong table gave up and withdrew an application after 450 days. A Rhode Island town had to wait almost two years for a permit to do mosquito-control work on 0.009 acres of wetlands.

It's hard to believe lawmakers had glancing birds and mosquito rights in mind when they passed the Clean Water Act so long ago. At the least, their 1972 handiwork makes no mention of them. But today the hydra runs amok. If lawmakers can't do it in, maybe the stubborn Mr. Mills can.

PAT BUCHANAN

# Whitewater's time and tide

Well, it looks as though Bernie Nussbaum may have had a role in bringing down two presidents. In his White House office, right next to Hillary's, the counsel to the president proudly hung a picture of himself, Hillary and all the old gang in their glory days as young staffers on the House committee that voted to impeach Richard Nixon.

This week, Bernie marches into his own grand jury.

When you get there, Bernie, a suggestion: Don't fudge — or that historic photo may one day be hanging above your cot at the minimum security facility at Allenwood. What goes around comes around.

Forgetting the "lessons of Watergate," Bernie put himself in the thick of that nasty little scheme to use the FBI to blacken the reputations of the White House Travel Office staff; he led the late-night raiding party into Vince Foster's office to sanitize the files; he hosted the three White House meetings with officials charged with looking into who looted Madison Guaranty.

As the president likes to say, Bernie: Three strikes, you're out.

Here in D.C., it's deja vu all over again.

The same day, independent counsel Robert Fiske subpoenaed six White House staffers, Hillary was conducting her own Friday night massacre, purging the chef, his staff and one of four White House ushers; while Bill was yet insisting he did nothing wrong. First time ever, he says, an independent counsel has been called in when there were no charges.

Well, that's not exactly true.

What we know is that Madison Guaranty was plundered at a cost of $50 million to taxpayers, and part of the loot went for the benefit of Bill Clinton. What we know is that an agency set up to provide loans to minorities and women gave $300,000 to Bill and Hillary's friend and partner, Susan McDougal, that $110,000 of that went into their Whitewater joint venture, that none of it was ever paid back. David Hale, now indicted, says he made the illicit loan, because Gov. Clinton put the arm on him. That's what we know.

What Mr. Fiske is to find out is whether Bill and Hillary were ignorant of the thievery done for their benefit, or complicit. To be blunt, the independent counsel is charged with finding out whether Bill and Hillary Clinton were incompetents — or worse.

That's what Whitewatergate is all about. By now, however, it is about something else, too: the character of our national press.

Most journalists, even those who concede serial infidelity to be a mark of low character, believe there is a "zone of privacy" for political figures that ought to be respected. Most journalists still believe that the tom-catting of our Lords Temporal is not a legitimate subject of news coverage.

This has been an unwritten rule of Washington journalism.

What has changed is that the peccadillos of perceived enemies have become fair game, while even the scarlet sins of press favorites remain out of bounds.

Clarence Thomas is near ruined because of a harassment charge less egregious than that lodged against Bill Clinton a month ago. Wayne Hayes is driven from office, almost to suicide, for putting Elizabeth Ray on his congressional payroll, but no one holds Mr. Clinton accountable for hiring Gennifer Flowers. And what did the late John Tower do, to be driven from this city, that Bill Clinton has not?

Poor Bob Packwood. Considering what Bill Clinton is getting away with, he should have grounded his defense in the "equal protection" clause of the 14th Amendment.

If the media wish to understand the minimum high regard in which they are held by their countrymen, they might reflect upon the double standard by which they judge public men.

Anyone believe, for example, the Big Media would have sloughed it off as unworthy of follow-up if Maine state troopers claimed President Bush had called them and bartered jobs for silence?

What's going on here? Simple. The Big Media have a vested interest in the Clinton presidency, having tossed aside any pretense of neutrality to get him elected. Since they arrived, Bill and Hillary Clinton have been cut slack never cut for Ronald and Nancy Reagan.

Mickey Kaus, of the New Republic, boldly admits it: "Clinton is the best president we've had in a long time. That is the unspoken reason the sex charges haven't received as much play as you might expect. Reporters are patriots, too. . . . Few journalists want to see the president crippled now that he is making some progress cracking large, intractable domestic problems."

Bill Clinton's their boy, and Hillary's their gal. That's why we don't see any of the old tally-ho spirit of the chase that Ben Bradlee so beautifully exemplified when, as Iran-Contra crashed on Ronald Reagan's head, he exulted, "We haven't had this much fun since Watergate!"

Not much fun this time, is it, fellas?

*Patrick Buchanan is a nationally syndicated columnist.*

The Washington Times TUESDAY, MARCH 8, 1994

# The three steps to gun confiscation

With the Brady Act's five-day waiting period for buying a handgun now in force throughout the country, the gun gestapo is loading up for passage of even more restrictive gun control measures. Last week, the gestapo's congressional friends introduced more bills in the House and Senate. As they did with the Brady bill when it was merely a gleam in their mental crosshairs, the gestapo claimed they had no plans to go any further.

"What we're saying to the average gun owner," intoned gun control gauleiter Rep. Charles Schumer, "is that you're going to have to undergo some inconvenience in the future, but we're not going to take your gun away." The "inconvenience" Mr. Schumer is talking about consists of his plan to require handgun buyers to carry a national license (including a photograph) that would be issued only after a background check, tougher regulation of gun dealers, restricting gun purchases to one a month and a seven- (instead of the Brady Act's five) day waiting period before purchase of a gun.

*Samuel Francis, a columnist for The Washington Times, is nationally syndicated. His column appears here Tuesday and Friday.*

How many times does the gestapo expect to get away with the claim that each new gun control law is the last one it wants? Mr. Schumer's "inconvenience" bill is no more the last demand of the gun gestapo than seizure of the Sudetenland was the last demand of Adolf Hitler.



**Samuel Francis**

The truth is that the "inconvenience" is the prelude to outright confiscation of guns. The model for the movement from "inconvenience" to confiscation comes from Mr. Schumer's own New York City, long famous for the peace and tranquility that gun control creates. In last October's issue of American Hunter magazine, Dr. David Caplan provided the details on how the model works.

In 1967, the New York City Council enacted an ordinance requiring owners of shotguns and rifles to register their guns by make, model and serial number and obtain a permit to possess such weapons. It passed with little controversy because, after all, it was only an "inconvenience."

But in 1991, the Council went rather further than anyone in 1967 had suggested. At the initiative of Mayor David Dinkins, it simply outlawed the private possession of certain semi-automatic rifles and shotguns. Since the New York police already had records from the licenses of who owned such weapons, the cops were in position to confiscate the guns from their owners or prosecute those who failed to surrender them.

As Dr. Caplan writes, "The New York City Police Department . . . had notified the 2,340 New Yorkers, who had been licensed earlier to possess the semi-automatic rifles and shotguns, that those firearms covered by the ban had to be surrendered, rendered inoperable or taken out of the city. The recipients were instructed to send back a sworn statement as to what had been done about those firearms."

The NYPD took at their word those who reported back that they were not then violating the law, but, said one NYPD gun commissar, "spot checks are planned." And you wonder why I call it the gun gestapo.

Dr. Caplan wrote his article well before the Brady bill even passed Congress, but the model, or "plan" as he calls it, for the eventual confiscation of guns was clear to him even then. "The plan," he wrote, "is now obvious to all who would see: First Step, enact a nationwide firearms waiting period law. Second Step, when the waiting period doesn't reduce crime, and it won't, then enact a nationwide registration law; Final Step, confiscate all these registered firearms."

Step One, in the form of the Brady law, has already been taken, and no sooner was it enacted than the whine went up that it just didn't go far enough. Mr. Schumer's new bill is pretty close to the nationwide gun registration law that constitutes Step Two in the plan, since the license it requires gun owners to obtain would provide a public record to the Bureau of Alcohol, Tobacco and Firearms and similar agencies of who has guns, what kind and how many.

But Step Two-and-a-Half in the plan is for its sponsors to protest, as they did with the Brady Bill and as they do now, that of course they don't plan to go any further, what they're proposing is just a little "inconvenience" and only a gun nut would object to it. That's more or less what Mr. Schumer said last week.

We can now do one of two things. We can wait and see if Step Three, outright confiscation, follows the enactment of Mr. Schumer's bill, which will no more reduce violent crime than the Brady law. Or, we can stop the Mr. Schumer's plan right now before it bears any more predictable fruit in the loss of our freedom and safety.