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Whitewater: What's it all about?

Hillary Rodham Clinton might be the most hurt by Whitewater. She handled the couple's investments, and the lawyers involved are her friends.

By ELLEN DEBENPORT
Times Political Editor

All anyone knows for sure about Whitewater is that Bill and Hillary Clinton bought some land with a friend in 1978 and say they lost money.

The deal became complicated because their friend, James McDougal, owned a savings and loan that collapsed, like so many in the 1980s.

Investigators have plenty of suspicions about the way McDougal handled S&L money. And they want to know whether Clinton benefited somehow.

That's the simple part.

What has made Whitewater seem so sinister is the furious outcry from the White House, the right-ous indignation and whining whenever questions are asked, the mysterious files and secret meetings, as if the Clintons had something awful to hide.

Analysis

- Why should you care about Whitewater? 13A
- Profiles of all the players involved in the scandal. 13A

For months, the president wouldn't release documents and wouldn't agree to a special investigator. Clinton not only refused to explain Whitewater but left his spokespeople clueless, unable to defend him with any facts.

Democrats dared not rush to his side. They didn't know what was under this rock. Still don't.

To date, Clinton has not formally been accused of any criminal act, any ethical breach, any wrongdoing involving Whitewater. And that's what he keeps saying. "I haven't done anything wrong."

Nor has Hillary, he adds.

They talk as if Whitewater were a terrible nuisance that diverts them from saving the world.

But Clinton's character is in doubt again. Americans remember time after time when the truth had to be dragged out of him — about avoiding the Vietnam draft, for example. Clinton is not known for candor when he's cornered. His reflex is to stonewall.

Since Christmas, however, Clinton has turned over files to investigators, making sure they remained sealed from the public, and has agreed to a special counsel.

Last week, he answered some questions about Whitewater and urged

Please see WHITEWATER 13A

President Clinton keeps saying: "I haven't done anything wrong." But if he did break laws back in Little Rock it could damage his presidency.

Whitewater

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eryone at the White House to operate with the special counsel d Congress.

"We're not covering up," Clin said. "We're opening up."

Whitewater

The Whitewater story has two parts, the first in Arkansas and the next in Washington.

Arkansas 1978: The Clintons and the McDougals were fast friends.

Bill Clinton was a 32-year-old whiz kid with hair curling over his ears. He was Arkansas attorney general and a shoo-in to become the nation's youngest governor that November.

His wife was Hillary Rodham, a feminist flower child with frizzy brown hair and enormous glasses. She had just joined the Rose Law Firm in Little Rock, a firm with prestige and political connections.

Clinton had made friends a decade earlier with James McDougal, a man six years older, when they both worked for Arkansas Sen. J. William Fulbright. The buddies lived and breathed politics. McDougal even cocked his long cigarette holder like his hero, FDR.

McDougal's wife, Susan, was a strong feminist and businesswoman like Hillary or a bubble-headed bimbo, depending on which version of the story you hear. The bubble-head version comes mostly from Susan, who paints herself as a wide-eyed kid along for the ride. She was 23 when Whitewater started.

A couple of months before Clinton was elected governor, the four of them bought 230 acres of land in the Ozarks about three hours north of Little Rock. The lots overlooked the junction of Crooked Creek and the White River, a place they thought was ideal for retirees to build homes.

They paid $203,000, borrowing every penny. It wasn't hard. McDougal had some personal money to back it up, and Clinton was about to become governor.

"You bring in one of these politicians just to use their name," Steven Sanders, who was then a bank director, told the *New York Times* last month. "You say, 'Oh, the governor's involved in this deal.' "

McDougal said he was doing his young friends a favor. Clinton would make only $35,000 a year as governor.

"I wanted to make them some money," McDougal told the *Washington Post* in October. "I knew if they were going to build anything, they needed to make some."

They called their four-person corporation Whitewater Development. The lots for sale were Whitewater Estates.

Clinton put McDougal in his t cabinet as director of economic development, but McDougal n left to buy the tiny Bank of ngston in Kingston, Ark. He sn't leaving politics.

In Arkansas, where the populan is only slightly larger than the mpa Bay area, bankers are co- with politi s and wield litical , especially in the small towns.

In 1982, McDougal bought a tiny savings and loan, Madison Guaranty, in rural east Arkansas. The next year he opened a branch in Little Rock, and the boom was on.

McDougal became a high roller, wheeling around town in a baby blue Bentley. Susan McDougal marketed the S&L and developments like Whitewater. She appeared in one TV commercial herself, wearing hotpants and riding a white horse.

Flash and cash. One writer called them the Donald and Ivana Trump of Little Rock.

Awash in cash

Trouble was, Susan McDougal said in an interview last year, neither of them had a head for business. "We were the worst paper organizers in America."

That's exactly what S&L investigators found when they took their first shocked look at Madison Guaranty in 1984. The place was awash in cash. Property was bought without appraisals. Bonuses and commissions were awarded before sales were made. Easy credit was available to politicians and McDougal's friends.

All this time, the governor of Arkansas let James McDougal oversee their investment in the Ozarks. McDougal had occasional assists from Hillary Clinton, who handled the family money. (Arkansas reporters say Clinton's eyes glaze over when talk turns to business.)

Whitewater never flourished. The retirees didn't arrive. Instead, interest rates went up, and a bad recession hit in the early 1980s.

One of the things investigators still want to know is whether McDougal illegally used depositors' money from his S&L to keep Whitewater afloat. He says he didn't.

They also want to know whether McDougal funneled S&L money to his political cronies, including Clinton. To be sure, McDougal helped with fund raising.

For his 1984 campaign, Clinton borrowed $50,000 at another bank. McDougal later hosted a fund-raiser at the S&L to help Clinton pay it . They r $30,000. But McDougal says he never diverted S&L funds to Clinton.

"Why should I 'divert' it when I owned the controlling interest (in Madison Guaranty) and I could merely have walked back and said to one of the bookkeepers to write me a check and mark it 'bonus?' " he told the *Washington Post* last fall.

When the feds finally threw McDougal out of the S&L in 1986, he had a stroke and was hospitalized as a manic depressive. He recovered in time to stand trial for bank fraud in 1990 and was acquitted.

Meantime, the government shut down Madison Guaranty for good in 1989 at a loss to taxpayers of $47 million.

As for Whitewater, no one can say exactly what happened. Records are missing, and memories differ sharply.

When Whitewater was first mentioned by the *New York Times* in 1992, the Clintons hired an auditor who concluded they had lost $68,800. But they have never released any documents to show what they paid or what they lost, and they never took a loss on their income taxes.

The Clintons sold their Whitewater share to McDougal in 1992 for $1,000.

The couples' friendship was long since dead. They had grown distant as the Clintons rose politically and the McDougals' lives fell apart.

Washington

That wasn't the end of the story.

Investigators from the Resolution Trust Corp., which sorts out all the failed S&Ls, said in 1992 that they had found evidence of criminal wrongdoing at Madison Guaranty.

The RTC handles only civil matters, so it asked the Justice Department to explore criminal charges. But in 1992, nobody would touch it. President Bush was still in office, running against Clinton. Too hot politically.

Clinton had been in office six months when his boyhood friend, Vincent Foster, the deputy White House counsel, apparently killed himself in a Virginia park on July 20, 1993.

Two days later, the Clintons' Whitewater file was secretly removed from Foster's office by Bernard Nussba the White H counsel and a friend of Hilla-

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ry's. Nussbaum turned over the file to the Clinton's personal lawyer.

There has been no evidence at Foster's death was related to Whitewater. It wasn't an issue at the time. The U.S. Park Police, who investigated the death, say no one they interviewed mentioned Whitewater.

And yet . . .

The sudden death. The mysterious file. Did Foster foresee the political eruption? His death has become part of the Whitewater mystery.

The RTC came back on Oct. 8, 1993, to ask again for a criminal investigation at Madison Guaranty. The Clintons were named — not accused, but named — as possible beneficiaries of criminal actions. The investigation ended up in the hands of three longtime Justice Department lawyers.

That was fine with Attorney General Janet Reno, and she resisted Republican demands to bring in a special counsel. Her reasoning was this: The Justice lawyers had worked through many administrations of different political parties, whereas a special counsel would be Reno's appointee and could be accused of playing politics.

The Clintons also resisted a special counsel until political pressure overwhelmed them. In January, Reno appointed Robert Fiske, a Republican lawyer from Wall Street.

Among his tasks:

- To learn whether depositors' money from Madison Guaranty illegally benefited Clinton or Whitewater.
- To learn whether Clinton or state regulators did favors for the S&L.
- To learn whether Vincent Foster really killed himself. That's why, after all these months, it has suddenly become an "alleged suicide."

The handling

The most damaging part of Whitewater so far is the White House's handling of it.

Even before the Oct. 8 request for a criminal investigation, the White House was keeping tabs on the RTC's investigation of Madison Guar y. White Ho aides with officials of the Tr y Depart , which oversees RTC, including Roger Altman, who heads RTC.

Now, it is not unusual for lawyers to try to find out what the other side has against their clients. But when such questions come from the White House, it could be construed as tampering.

Nussbaum, the top White House lawyer, was involved in three such meetings. Treasury aides were blabbing about it on the phone and in the hallways, too.

Nussbaum took the fall for it. He lost his job March 5.

Three of 10 people involved in those gabfests — the Whitewater 10 — appeared Thursday before a grand jury in Washington. Others were granted postponements.

No one involved in the meetings has suggested that the White House tried to stop the investigation or to convince the RTC or Justice to back off. Even so, the subject of a criminal investigation isn't supposed to know ahead of time.

It's still not clear what Clinton knew and when he knew it.

Clinton says he didn't know about the meetings between his own staff and the Treasury Department, although Mack McLarty, the chief of staff, says his office arranged one meeting.

Clinton also says he didn't know about the RTC's request for a criminal investigation of Madison Guaranty before it was made Oct. 8, but he did hear about it before it became public.

Then there's the shredding.

At the Rose Law Firm in Little Rock, where Hillary Rodham worked with Vincent Foster and others now in the administration, two couriers say they were ordered to shred a box of Foster's files in January, after the special prosecutor said he would re-investigate Foster's death. They said they didn't see anything about Whitewater.

Apparently the Rose firm has been on a shredding spree since Clinton announced he would run for president. They shred daily to protect clients' privacy, they say. Keeps reporters out of the trash, they say.

Shredding soared after Clinton was elected. Rose shredded boxes of files belonging to Hillary Clinton and the partners she took to Washington — Foster, Webster Hubbell and William H. Kennedy III.

Far from over

Whitewater isn't going away.

Fiske, the special counsel, will be rounding up documents and witnesses for the foreseeable future. He will have grand juries working in Little Rock and Washington.

The Republicans in Congress have found a way to air this, too. Twice a year, the House Banking Committee has a hearing to review the S&L bailout, and Republicans hope to turn the March 24 hearing into a full-blown Whitewater investigation.

They have already named 40 people they want as witnesses, starting with James and Susan McDougal.

Fiske, meanwhile, says he might do what no prosecutor in history c put the president of the Un States under oath start asking questions.

Why should you care?

- Because work in the nation's Capitol will come to a halt until it is settled.
- Because if Clinton broke laws or cut ethical corners back in Little Rock, it could damage his presidency.
- Because Hillary Rodham Clinton might be the most hurt by Whitewater. She handled the couple's investments, and the lawyers involved are her friends.
- Because it's a chance to see top officials in action as they investigate the matter or respond to inquiries. Character is on display. Political reputations could be made or destroyed. Elections are coming up in the fall.
- Because even if Whitewater turns out to be nothing, it's a chance to study the workings of the press and of partisanship in Washington. It has the fascination of a train wreck.

The obvious questions

These are some of the obvious questions facing investigators on Whitewater.

- Did depositors' money from Madison Guaranty — S&L illegally end up in Clinton's campaign accounts? If so, did he know it?
- Was depositors' money from Madison Guaranty illegally diverted to keep the Whitewater Development Corp. afloat? If so, did the Clintons know it?
- Did Madison Guaranty, a state-regulated S&L, receive any special treatment while Clinton was governor?
- Was any money made in the Whitewater Development Corp.? Who paid, who lost?
- What's in the Whitewater files taken from Vincent Foster's office?
- What was in the files shredded at the Rose Law Firm?
- What's in 10 boxes of documents that Clinton turned over to the special counsel?
- Did White House and Treasury staff violate any laws or ethics rules by talking about the Madison Guaranty investigation? Did Clinton know about the talks? Did he secretly order them?
- When did Clinton find out he would be mentioned in a request for a criminal investigation of Madison Guaranty?
- Did Vincent Foster really kill himself? Why? And if . . .

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The GOP needs to restrain itself

The temptation is understandable, but succumbing to it is dangerous.

Republicans in Congress, encouraged by the sight of Bill Clinton in political trouble, would dearly love to hold televised congressional hearings into what has become known as the Whitewater scandal. From their viewpoint, the delicious task of slowly roasting Clinton would be one of the few fringe benefits of having a Democrat in the White House.

The time for that may come. But at the moment it's a bad idea, mainly because it would endanger the ongoing investigation into Whitewater by independent counsel Robert Fiske Jr.

Fiske has pleaded with congressional Republicans to avoid hearings, at least temporarily, warning that they "would pose a severe risk to the integrity of our investigation."

House Republicans so far aren't buying that argument, but they may not have the political clout to demand hearings. Senate Republicans, on the other hand, probably could force hearings if they pushed hard enough, but to their credit they are giving Fiske's pleas considerable weight.

Impressed perhaps by the speed and aggressiveness demonstrated by Fiske, Republican senators have agreed not to push for hearings until at least June 1. By then, Fiske may have concluded his probe into allegedly improper contacts between officials at the White House and officials in the Treasury Department handling the Whitewater probe.

At that point, Fiske has said, he would have no problem with congressional hearings into that part of the scandal.

Those contacts between the Clinton White House and supposedly independent regulatory agencies are probably the most appropriate areas for congressional concern. They involve Clinton's activities after he became president, including allegations that he or his aides misused the power of his office.

However, Fiske has warned that the rest of his investigation, going all the way back to the mid '80s, won't be completed for months. He strongly objects to any congressional interference into that part of his work, and that's understandable. It is probably the most sensitive part of his probe, because of the many witnesses and documents involved. By its nature, it is also the area most likely to produce criminal charges, although at this point such talk is pure conjecture.

If there was illegal activity, if a cover-up has been attempted, there is every reason to expect that Fiske will find it.

At that point, Republicans would be served the feast of roast Clinton that has already set their saliva flowing.

Until then, they need to restrain themselves.

ATLANTA JOURNAL & CONSTITUTION

WHITEWATER CASE

New charges hurled at White House

GOP lawmaker claims S&L investigators were gagged

By Julia Malone
and Andrew Mollison
WASHINGTON BUREAU

Washington — Rep. Jim Leach (R-Iowa) lobbed another Whitewater charge at the Clinton White House on Friday — that officials muzzled the Kansas City regional office of the Resolution Trust Corp. that is probing Whitewater-related matters.

"I'm suggesting the White House very improperly intruded in this process," Leach, the ranking Republican member of the House Banking Committee, told reporters. He has been one of the administration's most persistent critics on the Whitewater affair.

"I am particularly concerned that officials of the Kansas City RTC office are being gagged and possibly coerced by the Washington RTC office," Leach said in a letter to Whitewater independent counsel Robert Fiske, who is conducting a criminal investigation of Whitewater.

Leach said he had sent Fiske a memo that he said gives evidence of coercion. He declined to release the information to reporters.

Stephen Katsanos, spokesman for the Washington RTC office, said, "We don't try to gag any of our people." But he said his agency would look at Leach's c ges.

The RTC is the independent federal savings and loan bailout agency that is conducting its own investigation of whether Madison Guaranty Savings and Loan Association, a failed thrift with ties to President and Mrs. Clinton, illegally diverted funds to both the gubernatorial campaign of then-Gov. Bill Clinton and also to Whitewater Development Corp., a failed real estate venture that was partly owned by the Clintons in the 1980s. The RTC is also investigating whether a federal Small Business Administration loan was used to prop up Madison.

Fiske is investigating many of the same matters.

In other developments:

▶ The Treasury Department turned over about 3,700 pages of documents to Fiske, while seven more administration officials prepared to testify before a federal grand jury next week.

▶ Senate Republican leader Bob Dole said Clinton should suspend two high-ranking officials — Associate Attorney General Webster Hubbell and Deputy Treasury Secretary Roger Altman — because of their statements about the matter.

▶ Senate Majority Leader George Mitchell ackowledged that congressional hearings will be held — something he has resisted — but not until it is clear that they will not undermine Fiske's investigation.

▶ The Chicago Tribune reported that Fiske has subpoenaed records of a second failed real estate deal financed by Whitewater. Whitewater Development Corp.'s involvement in the 810-acre Lorance Heights project ended with lawsuits by angry landowners, foreclosure and a $510,000 judgment against the company and a related firm. Clinton's business associates received $249,000 from land and timber sales at Lorance, but the money was never collected from them in the foreclosure, and it is not known how it was spent.

Fiske has subpoenaed records of the Lorance Heights land deal, according to Carl Gagliardi, a spokesman for International Paper, which sold the property to Whitewater and later took the land back in the foreclosure.

White House aides say the Clintons, Whitewater co-owners from 1978 to 1992, didn't know about the purchase of the Lorance Heights land, 12 miles southeast of Little Rock in a sparsely populated area of pine forest. But Fiske apparently has made the matter part of his investigation.

Our news services contributed to this article.

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EDITORIALS

Risking Yeltsin's wrath

Whatever his other faults, Richard Nixon has unquestioned foreign policy expertise, and his relationship with the former Soviet Union is as extensive as any American's. Nixon shouldn't have been surprised, then, when Russian President Boris Yeltsin reacted angrily to his meeting in Moscow with former Vice President Alexander Rutskoi, the leader of the bloody effort to overthrow Yeltsin's government last October.

Nixon has used past quasi-official visits to Moscow and Beijing to help rehabilitate his post-Watergate image in this country. Now he has a salvage job to do in Russia, too. More seriously, the former president's diplomatic indelicacy points up the much broader and more treacherous task facing President Clinton as he attempts to maintain appropriate relations with Yeltsin and his Russian opponents.

Yeltsin's overreaction to Nixon's misstep was almost comical, but Russia's current political crisis is deadly serious. With Yeltsin's personal power steadily weakening and the future of Russia's democratic and free-market reforms seriously in doubt, our government must maintain a delicate balance. Support for Yeltsin's democratic government should remain steadfast, but we also should make every effort to maintain respectful contact with a broad spectrum of Yeltsin's philosophical adversaries, even at the risk of incurring Yeltsin's wrath.

Our outreach to Russian political factions should have its limits. We shouldn't write off every conservative Russian nationalist whose world view fails to fit precisely with ours, but we need not associate with unstable racists such as Vladimir Zhirinovsky. Similarly, our efforts to build relations with Yeltsin's political opponents need not extend to those, such as Rutskoi, who have attempted to subvert democracy through violence.

There is a point at which broad contact with Russia's political opposition has the effect of eroding the Yeltsin government's authority. Since the Soviet Union began to crumble, though, Washington has tended to err in the opposite direction, placing too much reliance on the fate of an individual leader. It wasn't that long ago, remember, that our government staked all its chips on Mikhail Gorbachev — and caricatured Yeltsin as an intolerable buffoon in the process.

The political imperative of our coexistence with Russia's nuclear superpower transcends the fate of any particular person — or any particular system of government. And because Russia has yet to establish a stable democracy such as ours, the Clinton administration has no choice but to spread its attention accordingly.

That may not always please President Yeltsin — and when President Clinton earns Yeltsin's wrath, the ramifications can be far more serious than the snub Nixon received this week.

In the long run, though, attempting to establish that tricky balance among Russia's competing political forces serves American interests far better than blind faith in Yeltsin's future.

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Attacks on Mrs. Clinton called sexist

By Anne Reifenberg and Kathy Lewis

Washington Bureau of The Dallas Morning News

WASHINGTON — While Hillary Rodham Clinton took her lumps in the Whitewater affair in conspicuous silence this week, her defenders tested a strategy: Suggest her attackers are sexists.

Women's rights leaders, Democratic Party insiders and White House aides questioned the motives of those aiming broadsides at the first lady. Most avoided using the epithet itself, but Democratic consultant Ann Lewis charged flatly that what's behind the criticism is "sexist crap."

"The flood of resentment and finger-pointing I'm seeing goes way beyond 'just politics,'" Ms. Lewis said. "Whitewater, because Hillary Clinton was involved in it, is giving people for whom the idea of a powerful woman is threatening a chance to speak out in ways that weren't practical before. They're tripping over each oth-

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Mrs. Clinton's allies call Whitewater attack sexist

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er to take her on."

Republicans in the forefront of the Whitewater blitzkrieg scoff at the idea that they gleefully focus on Mrs. Clinton because of her gender or her role as a precedent-setting presidential spouse.

Independent analysts also dismiss such claims. Sherry Bebitch Jeffe, a political science professor at the Claremont Graduate School, said some women are too quick to cry "sexism."

"I'd like to think I'm as good a feminist as anyone, but I think we've got to get over that," Ms. Jeffe said.

Mrs. Clinton's attackers and defenders are both entering uncharted territory, according to Ms. Jeffe and other analysts.

"She is a seminal figure in the history of first ladies," said analyst Stephen Hess of the nonpartisan Brookings Institution. "Politics is a pretty cutthroat business. But here your political opponent is a woman and a mother and a wife. ... It's strange this public official also happens to be the president's spouse."

In the Whitewater matter, Mrs. Clinton is as central a figure as her husband.

She was a partner in the Little Rock law firm that defended a failing savings and loan before a state regulator appointed by her husband, the governor. The now-defunct thrift was owned by a man with whom the Clintons had formed the Whitewater Development Corp.

It was her old law firm partner, Deputy White House Counsel Vincent Foster, who committed suicide last summer and left Whitewater documents behind in his office. And it was her good friend and mentor, Bernard Nussbaum, who was forced to resign as White House counsel.

Now, with a special counsel investigating, Whitewater is the political issue of the day.

Rep. Newt Gingrich of Georgia, the House Republican whip, said Mrs. Clinton would find it "demeaning" to be given special treatment because she is first lady.

Her defenders believe she is being set upon with vigor not because of Whitewater, but because of Republicans' resentment of her as a strong woman and their dislike of her health care reform plan.

"She's been personally attacked by the same people committed to killing health-care reform," Sen. Jay Rockefeller, D-W.Va., said on the Senate floor. "When Eleanor Roosevelt was in the White House she was attacked, too — most vociferously when she championed an anti-lynching bill. ... Now a new generation of self-appointed judges wants to tear down this first lady and her work."

None of Mrs. Clinton's predecessors, from Martha Washington on, escaped attack. But no other first lady moved into the White House with a law degree. No other was appointed to head a high-profile domestic policy task force, and no other earned more money than her husband before coming to the capital.

"Welcome to the brave new world of the two-career political family," Ms. Jeffe said. "This is really new territory."

Hillary Rodham Clinton ... Republican critics in the Whitewater controversy scoff at the idea that they gleefully focus on Mrs. Clinton because of her gender

Some of Mrs. Clinton's defenders believe her detractors are using the Whitewater furor to put women in their places, inserting what Harriett Woods, chairman of the National Women's Political Caucus, called "a kind of sly anti-feminism" into the debate.

Mr. Gingrich's press secretary, Tony Blankley, said what Republicans are doing is "just the opposite" — not giving her "special favors just because she is the wife of the president."

Patricia Ireland, president of the National Organization for Women, acknowledged that the first lady's critics in Congress have generally chosen their words carefully.

But some remarks, she said, demonstrate how deeply some resent and fear Mrs. Clinton because "she does not fit the image of the little woman in the White House."

One Republican, Sen. Alfonse D'Amato of New York, quipped on a recent visit to Albany, "Howard Baker, I think, asked the right question during the days of Watergate, and it applies here with a little bit of a twist: What did the president know, and when did Hillary tell him?"

Another GOP figure, former media strategist Roger Ailes, now president of CNBC-TV, mentioned during a radio interview that of three fellow lawyers Mrs. Clinton brought with her to Washington, one is under investigation by a grand jury, one was forced to resign "and one's dead. I wouldn't stand too close to her."

> "The flood of resentment and finger-pointing I'm seeing goes way beyond 'just politics.'"
>
> — Ann Lewis, Democratic consultant

Ms. Ireland cited an *Arizona Republic* political cartoon as an example of the way the media are using Whitewater "as a way of sabotaging health care" and bringing Mrs. Clinton down a peg. The cartoon depicts Mrs. Clinton as Tonya Harding above the caption, "She's tough. She's mean. She conspired with her husband and friends to cripple the competition."

Ms. Ireland and other activists agree that Mrs. Clinton can't hope to escape scrutiny on Whitewater, or on any political matter in which she is involved.

And Nancy Reagan's former press secretary, Sheila Tate, said the first lady is "getting what she asked for — and that is to be taken seriously."

"She has become a political figure. She brought it on herself. So she has to stand up and take it," Mrs. Tate said. "Politics at that level is gender neutral. You can't run away and say, 'I'm just a girl, I'm just a girl, they're being mean to me because I'm a girl.'"

Mrs. Clinton herself has not commented on the question of gender-based criticisms — and has had little to say about Whitewater.

Her only recent remarks came from an interview with the fashion magazine Elle.

In an excerpt released by the magazine, she complained that "people who have a different political agenda or have another personal and financial reason for attacking us" were behind a "well-organized, well-financed attempt to undermine my husband and by extension myself."

The president confronted the criticism issue directly. At a lectern-pounding news conference, he declared that her "moral compass is as strong as anybody's in this country."

Still, even some Democrats and women's leaders have begun questioning Mrs. Clinton's low profile.

Sen. Bob Graham of Florida, who heads the Democratic Senatorial Campaign Committee, called on her to answer questions publicly and not take undue advantage of her status as the president's wife.

"If she were another person unrelated to the president, who had served in the same positions — business, legal representation — she would be a legitimate figure for questioning," he told Knight Ridder Newspapers.

There has been speculation that Mrs. Clinton and her husband will make a joint appearance, perhaps on a television news show, to discuss the Whitewater controversy. But an aide to Mrs. Clinton said he knew of no such plans.

"I don't think she should hold a press conference," Neal Lattimore said. "I don't think it's proper for a first lady of the United States to hold a press conference (on this topic). The president has already answered the questions and he has asked the staff to be forthcoming.

"Is there a reason for her to behave like everyone else, politics as usual? It's ridiculous."

DALLAS MORNING NEWS

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Lawmaker slams RTC on Madison

Agency chief denies investigators 'gagged'

By Richard Whittle
Washington Bureau of The Dallas Morning News

WASHINGTON — A leading House Republican charged Friday that federal regulators investigating an Arkansas thrift involved in the Whitewater affair were "being gagged and possibly coerced" by superiors.

Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, made the accusation about the Resolution Trust Corp., in a letter to special counsel Robert B. Fiske Jr.

RTC Washington office spokesman Mike Fulwider said the letter was "the first. I've heard of Mr. Leach's concerns. If he would bring specific details of his concerns to our attention, we'd be happy to look into it."

The Leach letter took Mr. Fiske to task for opposing Republican demands for congressional hearings on Whitewater

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GOP lawmaker accuses RTC superiors of hindering probe

Continued from Page 1A.

and for saying that the White House was being "very responsive and cooperative" with his investigation.

Taking issue with that statement, Mr Leach wrote "I am particularly concerned that officials of the Kansas City RTC office are being gagged and possibly coerced by the Washington RTC office. (See attached confidential memo.)"

RTC Kansas City spokesman Jane Jankowski said her office would "not have any response."

The Kansas City office of the RTC, the agency created to clean up the savings and loan mess has investigated the failed Madison Guaranty Savings and Loan Association. Madison's owner was a partner of President Clinton and Hillary Rodham Clinton in Whitewater Development Corp, a real estate venture, when Mr. Clinton was governor of Arkansas.

Mr. Leach, who released the letter at a breakfast with reporters, refused to explain his allegation. Nor would he discuss the contents of his confidential memo to Mr. Fiske, though he said: "What's in the memo makes my sentence an understatement, by a significant dimension."

"I am signaling today that people ought to pay a great deal of attention to the city of Kansas City," Mr. Leach said.

"Kansas City is a higher priority than Washington at this time," he added, alluding to Mr. Fiske's efforts to determine whether meetings between Treasury Department and White House officials compromised the federal investigation.

Mr Leach said he had asked Mr. Fiske to subpoena members of the Kansas City RTC office.

"I would not be making a statement this strong unless I felt it was merited and unless I also felt it was important for the special counsel to intervene and protect individuals in the Kansas City office," he said.

Mr. Leach also said Republicans hope to discuss the matter at a hearing on the RTC by the House Banking Committee scheduled for March 24.

Republicans, angered by Democratic refusals to schedule special congressional hearings, have said they would use the congressional oversight hearing to delve into

Jim Leach ... "I am signaling today that people ought to pay a great deal of attention to the city of Kansas City."

Whitewater-related questions.

Their plan has brought them into conflict with the committee chairman, Rep. Henry B. Gonzalez, D-San Antonio.

Mr. Gonzalez has vowed to prevent the GOP from using the hearing to attack the president.

On Friday, Mr. Gonzalez said he had written the RTC and the Office of Thrift Supervision, which regulates healthy savings and loans, to tell them that they need not respond to a request from Mr. Leach for documents relating to Madison Guaranty.

Mr. Gonzalez said he sent the letters because Mr. Leach "trespassed the norms of common sense in his zeal to zap the president and his wife, and he's becoming vindictive, which is something I don't tolerate in anybody."

Madison Guaranty's failure cost taxpayers $47 million. Mr. Fiske is investigating allegations that money from the savings and loan was improperly funneled into Whitewater Development or Mr. Clinton's gubernatorial campaign chest.

Mr. Leach wrote to the RTC and the OTS earlier in the week requesting their documents on Madison, according to the Gonzalez letters to those agencies.

"A hearing does not provide the basis for a member of Congress to obtain documents to which he or she is not otherwise entitled," Mr. Gonzalez told the agencies. "I will request any information needed by the committee ... and will make it available to members of the committee, as appropriate."

Leach spokesman Joe Pinder declined to comment on Mr. Gonzalez's actions.

Mr. Pinder said, however, that Mr. Leach had "been writing letters to the RTC and talking to staff since November seeking copies of all documentation that they have related to the Madison case and we've gotten a paucity."

Asked if Mr. Leach's inability to get documents was the reason for his allegation that RTC officials in Kansas City were being "gagged," Mr Pinder said: "No. Those are two separate issues." He declined to comment further.

Mr. Gonzalez also released a letter he sent to special counsel Fiske on Friday in which he repeated his pledge to block GOP efforts to use the March 24 hearing to investigate Whitewater issues.

"I would never permit our mandated RTC accountability hearings ... to encroach on the Justice Department's ongoing proceedings," he wrote. "One witch hunt is enough."

"Since becoming chairman," he added, "I have constantly reminded each and every member of the committee, all and sundry, that the committee is a legislative body, not a prosecutorial or judicial one. I regret that Mr. Leach, despite his considerable service on the committee, and elements of the partial press, refuse to see this."

At the breakfast with reporters, Mr. Leach declared that he was "Henry Gonzalez's biggest fan in the United States Congress. I think he's a man of great individual judgment and personality. I recognize completely how much I exasperate him."

Mr. Leach said he suspected that Mr. Gonzalez was resisting Republicans' desire to investigate Whitewater in part because "he is under very intense pressure by his (Democratic) caucus and, in all probability, the White House."

Henry B. Gonzalez ... Jim Leach "is becoming vindictive, which is something I don't tolerate in anybody."

"I'm not confident that Mr. Gonzalez has the discretion to hold the hearing," Mr. Leach added. "I suspect a decision is being made higher up than his position."

Mr. Gonzalez replied: "There he goes again. He's suspecting. He's arrogating to himself knowledge of majority side things that I'm not aware of. Nobody's tried to pressure me from any level — except his.

"The oversight hearing is well defined and it's mandated by law and nothing's going to change my mind about that," Mr. Gonzalez said.

Other Whitewater-related developments Friday:

■ The Treasury Department turned over about 3,700 pages of documents to Mr. Fiske, while seven more administration officials prepared to testify before a federal grand jury. Mr. Fiske subpoenaed them after learning that Treasury officials discussed the Whitewater investigation with the White House. A Treasury official said most of the documents were routine, such as drafts of news releases.

■ ABC's World News Tonight showed photographs that appear to support police and medical reports that White House deputy counsel Vincent Foster's death last summer was a suicide. Mr. Fiske agreed to re-examine his death after questions about the suicide ruling were raised. Mr. Foster, a former law partner of Mrs. Clinton, was working on Whitewater matters at the time of his death.

■ Senate Republican Leader Bob Dole, R-Kan., called for Mr. Clinton to suspend deputy Treasury Secretary Roger Altman and associate Attorney General Webster Hubbell because "they're up to their ears in misstatements and deception."

Mr. Altman is interim head of the RTC. Mr. Hubbell worked with Mrs. Clinton at a Little Rock law firm that represented Madison.

The Associated Press contributed to this report.

Wh'te F o se should focus on basics

RICHARD ESTRADA

It is occasionally noted that one of the first acts of the Clinton White House was to bus a group of high-level appointees to Camp David and hold a touchy-feely encounter session. In a brave act that may have augured future divergences, Treasury Secretary Lloyd Bentsen chose to go to bed instead.

The above recollection only reinforces the sense that the current administration suffers from a Big Chill complex — after the 1980s movie about a reunion of near middle-aged friends remembering the good old 1960s.

Indeed, many of the president's key governmental appointments, both inside and outside the White House, have been based on friendships forged or solidified in the era of Woodstock.

Many of the challenges facing Mr. Clinton today are neither in his stars nor in his personnel. They have to do with his own willingness to get to the bottom of the Whitewater situation. But to the extent that personnel problems are an issue, he has done well to bring in an old hand like 76-year-old Lloyd Cutler as his new temporary counsel. But he should also turn to Mr. Bentsen himself for advice. Quite likely, the oldest member of the cabinet might advise the president to at long last say good-bye to the touchy-feeliness of the 1960s.

The Clinton White House is a place that longs to be friendly and secure. In the comments of aides and former aides, the theme of trying to run the place like a cozy little law firm keeps popping up. The problem is, in a place where so much of the public trust reposes, avoiding a sense of formality of *gravitas*, is dangerous for appointees and the nation alike.

This is not to say that outright incompetence is not an issue in some instances. Such is the case with the soon to be departing Bernard Nussbaum, the White House counsel now being replaced by Mr. Cutler. If given the chance, one fears, he might have OK'd Hannibal Lector as head of the Food and Drug Administration.

Then there is the case of Mr. Clinton's one-time roommate at Georgetown University, Roger Altman. In his additional role as acting head of the Resolution Trust Corp., Mr. Altman met with White House senior staffers to brief them on developments pertaining to the RTC's plans in the Whitewater case. The upshot of that is that Mr. Clinton must now contend with the fact that Secretary Bentsen, Mr. Altman's immediate boss, has called for an ethics investigation into the meetings.

Now, it's one thing for Republicans like Bob Dole, Al D'Amato or Newt Gingrich to call for investigations. (PBS commentator Mark Shields warned that if Sen. D'Amato continued to take the high ethical ground in the Whitewater controversy, he could be subject to nose bleeds.) But for the most distinguished member of the president's own cabinet to do so is both embarrassing and politically damaging.

Over at the Department of Justice the presence of Webster Hubbell as the No. 3 person there makes him a direct link to Mr. and Mrs. Clinton, with whom Mr. Hubbell once worked at the Rose Law Firm in Little Rock. Such a relationship can only serve to inhibit the attorney general. Still, when Janet Reno does assert herself, she chooses to be attorney general for social work, or the chief inspector for root causes.

Regardless of the failings of other high-level officials in the administration, the consequences of White House chief of staff Mack McLarty's failure to perform may be the most serious. He has failed to bring discipline to the operation. He has been unable to instill the combination of fear and respect that is so vital to an organization as important as the White House staff, and the cabinet itself.

If the disarray in the White House is to be brought under control, a new message will have to filter down from the top. Administration personnel must at long last grow up and get down to basics. They must focus on pursuing the mission of their particular baillwick. They must understand that they are something less than God's gift to governance. At that point, the administration's standing in the public eye may begin to improve.

Richard Estrada is an associate editor of The Dallas Morning News *editorial*

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The question of character

RENA PEDERSON

Do we really know the real Bill Clinton yet? He surely is one of the most visible of presidents. The president can be seen talking earnestly and knowledgeably just about everywhere you turn. One night he's on *Larry King Live*, one night he's got Ted Koppel on Air Force One with him, another night he's on *Washington Week in Review* saying good-bye to the retiring moderator, Paul Duke. Has Mr. Clinton done a guest spot on Roseanne yet? He sometimes seems more ubiquitous than the Men's Wearhouse salesman.

But for all this exposure, I'm not sure we know what Bill Clinton is really like — yet. If you have seen *The War Room*, the clever documentary about the Clinton presidential campaign, you'll understand better how political spinmasters like James Carville and George Stephanopoulous help control the presidential image. Was what we saw in the 1992 campaign what we got? Yes and no.

The personality and character of the man from Hope are surely germane as the nation is trying to understand what is at the bottom of the Whitewater controversy, if anything. As the temporary White House counsel, Lloyd Cutler, tellingly put it last week as he was brought in to shore up the White House legal front, "Trust is the coin of the realm." The president may get his legal power from the Constitution, but he gets his moral authority from the trust of the American people.

Polls now show a growing number of people believe the president may have done something unethical if not illegal in the Madison Savings and Loan/Whitewater investment. Are there past clues to Mr. Clinton's character that may look different in light of the Whitewater allegations of insider wheeling-and-dealing?

• Certainly Bill Clinton is exceptionally intelligent. Stories abound of his grasp of complicated policy issues and how he gives flawless presentations on material he has only read in a glance. When the new editor of the *New York Times* crossword puzzle, Will Shortz, found out that Mr. Clinton likes to do crossword puzzles, he prepared a special puzzle challenge. Mr. Clinton completed it perfectly in six minutes, 54 seconds, while taking an urgent phone call.

Yet could it be that someone with such a facile intellect may feel that he can finesse his way out of difficulties with his brains and charm?

• Bill Clinton is a man of great appetites. When he invited network TV anchors correspondents in for a lunch chat, they came away astounded that he ate all three of the meat choices offered rather than selecting one. "He ate everything but the drapes," said NBC's Tom Brokaw.

Among the fascinating details in the accounts of four Arkansas state troopers was that while governor, Mr. Clinton would gulp down an apple core and all, and swallow a baked potato in three big bites.

Could it be that this is a man who literally feeds his appetites himself?

• President Clinton is an emotionally labile man. According to a *Wall Street Journal* account, even seasoned political handler David Gergen was shocked when he witnessed a Clinton temper tantrum on Air Force One. Last June, *Time* magazine noted that when the president cried at the introduction of Supreme Court nominee Ruth Bader Ginsburg, it wasn't the first time. The magazine listed 11 news accounts when Mr. Clinton cried visibly at public events, such as when listening to hymns, introducing friends or hugging a crime victim. The *Houston Chronicle* reported Jan. 17, 1993, "...the president-elect described the last days in his home state as an emotional roller-coaster ride. At times, he said, he was overcome with tears for no apparent reason..."

Of course, there is nothing wrong with venting steam and being emotionally open. One of the things many people like about Mr. Clinton is that he seems human. He is a man of large emotions, but perhaps in need of self-control.

• Bill Clinton often cites former President John F. Kennedy as a role model. He met with author Richard Reeves last year to discuss his new book, *President Kennedy*. When asked what the president said about the study in presidential power Mr. Reeves recalled that Mr. Clinton seemed fascinated with Mr. Kennedy's ability to conceal his serious physical problems from the public and asked several questions about it. Mr. Reeves said he was struck by Mr. Clinton's interest since Mr. Clinton refused during the presidential campaign to release his own medical records.

The Clinton campaign did finally release a statement from his physician that he was in good health. But that leaves the public to wonder about his reluctance to release details about his past health.

• Bill Clinton got the nickname "Slick Willie" while in Arkansas for his ability to maneuver out of difficulties. Mr. Clinton labeled Gennifer Flowers' claim that they had an affair as "trash for cash." But he did not deny that a tape recording of their cozy telephone conversation was genuine and indeed, had to apologize to Gov. Mario Cuomo for unflattering remarks on the tape. Transcripts of the tape show Mr. Clinton wondering if he will be "blown out of the water" by stories about their relationship. He asks Ms. Flowers how she likes holding his future in his hands. He says that if the women who are named deny it, "you've got no problem." He also says that if anyone asks her if she talked to him about getting a state job that she "can say no."

When four state troopers offered new details about extramarital affairs in interviews with the *American Spectator*, Mr. Clinton declined to discuss the claims last December and an aide said they were "ridiculous." But the *Los Angeles Times* corroborated some of the president-elect's contacts with women through phone records. And in February a former Arkansas state employe named Paula Jones corroborated the troopers' story that while governor, Mr. Clinton had troopers invite her to a hotel room where the governor made sexual advances. The White House said her story was "just not true."

• Justice Department nominee Lani Guinier recalled recently in a *New York Times Magazine* article that when Mr. Clinton greeted several new nominees at the White House, he reminisced fondly about an old friend from Arkansas by saying, "That was when I had a real life." When speaking in February to an audience of auto workers, he evoked the same nostalgia when he said, "When I was a younger man and had a life, I owned an El Camino pickup. It was a real sort of Southern deal. I had Astroturf in the back. You don't want to know why, but I did."

Is this a mature person who understands that his role as leader of the most powerful country is his "real life" — and that public allusions to youthful promiscuity are unbecoming the dignity of the office?

Which brings us back to the issues of judgment and character. While these examples are admittedly selective, they were selected precisely because they raise questions of maturity and credibility. As *The Economist* pointed out, back in 1992 Americans forgave Mr. Clinton his weaknesses of character because he represented vigor and change. Will they be as forgiving now that they are learning more about him? Let me borrow from the British magazine's analysis in January of Mr. Clinton's ethical problems:

"There is a point, though possibly a hard one to define, at which private behavior begins to make a difference to the effectiveness of the office. Abuse of power and privilege brings Americans up short: a man in a special position should behave with care and integrity. Deceiving, covering up, even refusing to talk, have a long history of undermining presidents. A stream of titillating stories with some substance behind them can, in the end, leave a sense of unsettling discrepancy between the gravity of the office and the man who holds it.

"Each of these instances, in itself, may be apparently harmless: as harmless, in some eyes, as a quick fling in a parked car, or an unwise investment. But a pattern or habit of bad behavior erodes respect for an office for which Americans, after the modern fashion, have somewhat less respect in any case. It damages the bond of trust between president and citizen; cynicism and suspicion set in. These, in turn, will eventually damage a president's capacity to do what he wants to do. To that degree, the practices of bedroom and boardroom still reverberate, and still matter, in the Oval Office."

Rena Pederson is editor of The Dallas Morning News *editorial page.*

EDITORIAL ROUNDUP

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Gonzalez cuts GOP Wh'tewater l's

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — The House Banking Committee chairman said Friday he will block a Republican request to bring Arkansans and White House officials before Congress to testify about the Whitewater Development Corp. affair.

"I'm not going to allow this committee to be degraded by a witch hunt," Chairman Henry Gonzalez, D-Texas, told the *Arkansas Democrat-Gazette*.

Republicans investigating Whitewater and Madison Guaranty Savings and Loan Association have asked Gonzalez to invite 40 witnesses for a March 24 committee hearing.

The GOP list includes Arkansans such as Thomas F. "Mack" McLarty, White House chief of staff; presidential adviser Bruce Lindsey; Little Rock businessman Dan Lasater; and Little Rock attorney Sheffield Nelson.

Gonzalez said he sees no need for the witnesses to appear. He said the hearing deals with reviewing the Resolution Trust Corp. oversight board — not politically generated Whitewater issues.

"This is a legislative committee, not a prosecuting committee," Gonzalez said.

House rules allow Republicans to invite witnesses to voluntarily testify before such hearings. But committee chairmen have wide leeway over how to run the hearings.

Gonzalez's decision apparently stymies an effort by Iowa Rep. Jim Leach, the committee's ranking Republican. Leach asked Gonzalez on Tuesday to invite the witnesses.

The witnesses would include several investigators from the RTC's Kansas City office that Leach wants to testify about their Whitewater research.

"I am particularly concerned that officials of the Kansas City RTC office are being gagged and possibly coerced by the Washington RTC office," Leach said in a letter to special counsel Robert Fiske Jr.

Leach is spearheading the House GOP's Whitewater review.

At the heart of the controversy is Whitewater, a 230-acre Marion County real estate development along the White River. President Clinton and first lady Hillary Rodham Clinton once were partners with James and Susan McDougal in the de-

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Hearings

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velopment.

James McDougal also owned Madison Guaranty, which failed in 1989 at a cost to taxpayers of at least $47 million.

Allegations that money was illegally transferred between Madison Guaranty and Whitewater are among the issues being investigated by Fiske. His investigation is based in Little Rock.

Fiske has said he fears that special congressional hearings requested by Republicans would interfere with his independent criminal investigation. Democrats echo Fiske's sentiment and oppose any special Whitewater hearings.

Leach said Friday he was willing to delay the Banking Committee hearing by up to two weeks if it would help Fiske's investigation. Leach and House GOP leaders plan to meet with Fiske next week.

"We're giving him plenty of opportunities to interview witnesses," Leach said.

Before Gonzalez made his comments about the 40 witnesses, Leach said Republicans had little control over how the Democrats handle the March 24 committee meeting. Leach predicted it "will be a very limited hearing" under Gonzalez' control.

Republicans want to raise Whitewater issues during the hearing. But Gonzalez promised to keep a tight rein.

He said Leach and the Republicans have been exploiting Whitewater "in hopes of winning an election they lost in '92."

"It's nothing but crap," Gonzalez said of GOP efforts. "It's no excuse for assassinating the president's character.

Gonzalez noted that the committee hearing will be a routine review of the Thrift Depositor Protection Oversight Board, which oversees the Resolution Trust Corp. The RTC oversees the disposition of assets from failed savings and loans such as Madison.

Gonzalez added that Leach "had exceeded his bounds" in his request for 40 witnesses.

"None of the witnesses I saw listed have anything to do with the oversight board," Gonzalez said.

Actually, two of the 40 people on Leach's list would routinely appear at the committee's RTC hearing. They are Roger Altman, the deputy Treasury Department secretary who has served as interim RTC head, and Jonathan Fiechter, acting director of the Office of Thrift Supervision.

Altman and Fiechter appeared at a similar Senate Banking Committee hearing last month.

Gonzalez added that the witnesses requested by Leach could still come to the committee hearing — but only as spectators.

"If they want to come forward to witness the hearing, they can — along with the rest of the public," Gonzalez said.

In other congressional developments Friday on Whitewater:

• Senate Minority Leader Bob Dole, R-Kan., continued his calls for Associate Attorney General Webb Hubbell to step aside.

Repeating comments from earlier in the week, Dole said Hubbell should temporarily remove himself from the Justice Department post until Whitewater questions are resolved.

Hubbell is a former partner of Hillary Clinton at Little Rock's Rose Law Firm. Both worked on Rose cases relating to Madison.

Attorney General Janet Reno has rejected GOP calls for removing Hubbell.

Dole also called for Altman to be suspended. Altman participated in a Whitewater meeting between Treasury Department and White House officials.

Dole continued to hammer at the need for special congressional hearings. He said they are needed to stop the "daily drip, drip, drip" of Whitewater allegations.

"Hearings are the only way to put the Whitewater episode behind us so that we can move ahead to the vital issues facing our country," Dole said.

• Senate Majority Leader George Mitchell, D-Maine, indicated that congressional Whitewater hearings would eventually be held — but only at a time when they would not endanger Fiske's investigation.

Mitchell said Republicans are only interested in "instant publicity" on Whitewater. "This is an effort to embarrass the president in any way possible," he said.

• House Speaker Tom Foley, D-Wash., criticized the media for engaging in "wild speculation" about Whitewater.

"This is getting to be a sort of thing that you read on the checkout counter — '225-pound baby born to Amazon woman,'" Foley said.

Foley said Whitewater "would not even be a matter of remote interest, I don't think even in Arkansas, if it were not for the fact that there is an attempt to connect the president and the first lady to it."

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The Des Moines Register
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GIVES NO DETAILS

Leach alleges meddling in probe

Investigators of a failed Arkansas S&L with ties to the Clintons 'are being gagged and possibly coerced,' he charges.

By JANE NORMAN
Of The Register's Washington Bureau

Washington, D.C. — Iowa Republican Jim Leach charged Friday that Whitewater investigators in the Kansas City, Mo., office of the Resolution Trust Corp. "are being gagged and possibly coerced" by the Washington office of the agency — although Leach offered no details on his allegation.

He urged the special counsel investigating Whitewater to move quickly to "protect a small group of very courageous people" in the Kansas City regional office of the RTC, which has been investigating the failure of an Arkansas savings and loan at the center of the Whitewater affair.

INSIDE
Documents turned over to special prosecutor.
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Leach also issued a strong defense of the right of Republican members of Congress — who are in the minority in both houses — to demand hearings probing Whitewater. "The Democratic Party of the United States of America is on trial," he said at a breakfast with reporters.

"In a great historical context, the Democratic Party has been a party of open government. Whether or not it can have the courage to allow criticism of its own is a great question."

Fireworks at Hearing?

Leach said the alleged coercion of Resolution Trust investigators is "one of the significant stories" that [illegible]

House Banking Committee on March 24. Leach, the senior Republican on the panel, has included four Resolution Trust investigators from Kansas City on the list of witnesses he has requested for the hearing: Lee Ausen, L. Richard Iorio, Jean Lewis and Mike Caron.

The four could not be reached for comment Friday.

Leach had said earlier this week there could be disclosures of "blockbuster proportions" about Whitewater at the hearing.

The Resolution Trust Corp. is the government agency that disposes of failed savings and loans, and the Kansas City regional office has been investigating the failed Madison Guaranty Savings and Loan of Little Rock. James McDougal, the owner of Madison, was partners in the Whitewater real estate venture with then-Gov. Bill Clinton and his wife, Hillary.

Leach said he outlined the basis of

LEACH *Please turn to Page 8A*

Leach hints at meddling in S&L probe

LEACH

Continued from Page 1A

his allegations in a memo to Robert Fiske, the special counsel appointed to investigate Whitewater. Leach did not give reporters a copy of the memo, but he did release a separate four-page letter he has sent Fiske, in which Leach made a one-sentence reference to gagging and coercion.

No Knowledge

Anne Freeman, a Washington spokeswoman for the Resolution Trust Corp., said she had no knowledge of any constraints placed on Kansas City investigators. "That would be an unusual practice for the RTC," she said. "We're not a political agency. We're an agency of civil servants."

Freeman said she had not seen Leach's memo and was not familiar with his allegations. "I can speak for the integrity of the agency," she

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what Leach was talking about.

Leach told reporters he didn't want to make details of the Kansas City situation immediately public because he wants Fiske to have time to interview the investigators before they are asked to testify at the March 24 hearing.

"If he refuses within that adequate time, I can't be held accountable for it," Leach said. "It happens that he's got an overwhelmed office. If I were to make some suggestions, Kansas City is a higher priority than Washington at this time."

In an interview later Friday, Leach said Fiske is "obligated" to move quickly on the confidential memo. "I have no doubt" he will, Leach said. "I would be shocked if he hasn't today."

Defends Request

In his public letter to Fiske, Leach defended his request that the March 24 committee hearing, actually on the progress of the savings-and-loan bailout, also be used to examine Resolution Trust Corp. action on Whitewater. Leach said he is willing to wait a week or two beyond March 24 for the hearing, so that Fiske will have time to interview the witnesses on a list submitted by Leach.

But Leach said that "given the manner in which the majority party has failed for over four months to accede to a restrained request for a hearing," Republicans have "no choice" but to insist on an oversight hearing on the Resolution Trust Corp. within the next four weeks. While Democrats wield all control over the hearing schedule, a twice-a-year hearing on the bailout is required under the law.

Leach rebutted Fiske's concerns about any congressional hearing conducted while the special counsel's investigation is continuing. Leach said Fiske's "public lobbying" of Congress to halt hearings "has the effect of sending a chilling precedent for congressional oversight and a fatuous pretext for the majority party, which controls the machinery of Congress, to delay, defer or avoid its constitutional responsibilities.

Rules, Limits

Banking Committee Chairman Henry Gonzalez, D-Texas, who has declined to conduct a bipartisan Whitewater investigation, told the Dow Jones news service Thursday that he will hold the March 24 hearing. But he also said he would keep a tight rein on questions that are asked. "I know the rules, I know the limits and by God on the appointed hour of the appointed day, I will rule," Gonzalez said.

Gonzalez did not indicate which, if any, of Leach's suggested witnesses he will call.

In a letter Friday to Fiske, released by the committee, Gonzalez also told the special counsel he would not allow the hearing to encroach on Whitewater investigations because "one witch hunt is enough."

Gonzalez added: "Since becoming chairman, I have constantly reminded each and every member of the committee . . . that the committee is a legislative body, not a prosecutorial or judicial one. I regret that Mr. Leach, despite his considerable service on the committee, and elements of the jackal press refuse to see this."

Gonzalez sent a letter to Leach earlier this week noting that he had read of Leach's highly critical comments on the floor about Whitewater earlier this week.

"Now, Jim, I saw your sermon in the Washington Times . . . 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 wrote Leach. Leach said he is preparing a response.

In two more letters, Gonzalez has written officials at the Resolution Trust Corp. and the Office of Thrift Supervision about a request by Leach for documents for the March 24 hearing. Gonzalez said that the committee is not conducting an investigation and that Leach's request does not constitute an investigation under House rules.

Leach said he was preparing a formal, legal response to these statements by Gonzalez because they were so damaging.

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MARTIN SCHRAM

Muddled responses

Mr. President, we don't believe every Johnny (W. Dean III)-Come-Lately who is now racing to be the first Republican on his block to sound a Whitewatergate warning that there's a cancer growing on your presidency.

It's no cancer — but let's be candid: It's more than a mere staff infection.

And that's become clear to every ordinary American. All of those White House mistakes, misdeeds and perhaps misconduct in the unraveling probe of your and Hillary's investment in the Arkansas land deal called Whitewater cannot be sloughed off as acts of well-meaning staff members, for which you are not accountable.

That is why the old intransitive-impersonal "mistakes were made" now emanating from yet another generation of White House spokespersons has not worked, is not working, and will not work. Just look at the latest precarious polls, which show that Americans may support you on various policies — but a majority just don't trust you.

It is imperative that you make a full and complete accounting to the American people of just what happened, and why. So far, absent a clear and unambiguous accounting from you, we have been left to find the truths for ourselves.

As of now, we know — or think we know — that behind the mess of Whitewater there must be some problem you and/or Mrs. Clinton fear could cause you legal damage. That seems the only plausible explanation of why, for months, your White House compounded Whitewater actions taken almost a decade ago (by your associates, your wife, or yourself) with new cover-up-styled actions taken in the White House (by your associates, your wife, or yourself).

We who are not blessed with Yale Law degrees had no trouble sensing that your White House (with counsel Bernard Nussbaum playing the lead) seemed to be acting improperly, if not illegally — in assorted matters dating back to its earliest days in office.

First came that ham-fisted muscling of White House travel office staffers — and the shameless misuse of the FBI to claim evidence of wrongdoing.

Then, the moment your deputy counsel and friend, Vincent Foster, was found shot dead in what has been ruled a suicide, your counsel, Mr. Nussbaum, began acting in your behalf like the heavy in a Perry Mason rerun: initially preventing investigators from questioning staff members; withholding the suicide note evidence, which turned up somehow torn into 27 pieces; slipping Whitewater files out of Mr. Foster's office. Even without Yale Law degrees, we know Whitewater files shouldn't be walking out of the office of a guy who was just shot dead.

Finally, those three briefings Deputy Treasury Secretary Roger Altman, the acting-chief regulator of savings and loans, gave to Mr. Nussbaum and your White House gang. We know it was blatantly wrong. And we remember how Democrats thought it was scandalous when S&L regulators briefed President Bush's son, Neil, on the investigation of his S&L misdeeds in Colorado.

Mr. President, you can never hope to put this matter behind you by being silent. You can't prevent revelations of the whole story from becoming public. But you can control the timing of the revelations. You can have them surface now. Or you can have them surfacing as news bulletins during the campaign of 1996.

You must address the American people. Lay out the facts on Whitewater. Level with us about mistakes, gifts, abuses — whatever. And better yet: Do it with your partner in matrimony and in presidency playing an active role, which, after all, she did in the investment itself.

Mr. Nussbaum, in his resignation letter, insisted he was a victim of "those who do not understand, nor wish to understand, the role and obligations of a lawyer, even one acting as White House counsel." But no! — he wasn't a lawyer hired to find loopholes so a guilty client can beat the rap. He was the lawyer for the American presidency, paid by the American people.

Mr. Nussbaum never did get it. Here's hoping you do.

Martin Schram is a nationally syndicated columnist.

JOSEPH SOBRAN

Human sacrifice phase

Anyone who isn't cackling over the Whitewater scandal must be lacking some ingredient of basic humanity.

This is getting rich. It has already reached the human sacrifice phase.

Out went poor little Bernie Nussbaum, as the administration tried to tell us it has pinpointed the source of the Whitewater trouble: a rogue lawyer in the White House. Apparently he'd been scurrying around hiding documents, like a squirrel hiding acorns, without consulting the Clintons. Once they found out about it, naturally, he had to go.

The Nussbaum firing staved off the press for a few hours. Then The Washington Times reported that Hillary Clinton had ordered the shredding of large quantities of Whitewater-related documents back in 1992. There was no way this could be pinned on Bernie Nussbaum.

Our young president now says there is no parallel between Whitewater and Watergate. "No one has accused me of any abuse of authority in office," he says, carefully defining the issue to his own advantage. "That's what Watergate was about."

True, Whitewater keeps reminding people of Watergate — cover-up, denial, complaints of wallowing, charges that the inquiry is politically motivated — but the parallel isn't exact. After all, the first lady wasn't implicated in Watergate.

Say what you will about Richard Nixon, Pat Nixon was clean. She was a quiet woman who preferred to stay in the background. She didn't have moral pretensions, a political agenda or a fawning press corps. She never got into shredding documents before the prosecutors could get to them.

The delicious part of this one is that Hillary Clinton, one of the starlets of the most morally pampered generation in history, should be the center of the scandal. Hillary Rodham was a leading young voice of protest at Wellesley, awing her elders with her moral passion. She went on to Yale Law School, then joined the staff of the Rodino Committee in 1974 as it hunted down the evil Mr. Nixon. Ambitious though she was, she never dreamed she'd one day be the quarry in a similar hunt.

"I do not believe for moment that she has done anything wrong," says her husband, sounding faintly distant even as he defends her. "If everybody in this country had a character half as strong as hers, we wouldn't have half the problems we've got."

Yes, Hillary has always stood for Virtue. No sense of her own frailty or fallibility has inhibited her as she denounced the greed of the Reagan years, of corporations, of whole industries. The Hillarists in the press have covered her worshipfully, with no sense of irony, as she asserted her claim to be our moral empress, making sure we don't reap excessive profits, abuse our children or smoke.

It's fitting, somehow, that she has been a "spokesperson" for children's rights — a cause that reeks of moral arrogance. Its champions always imply that they care more about your kids than you do.

In one respect, you have to feel a little sorry for Bill Clinton. When other presidents got into trouble, they could retreat into the comforts of domesticity with their wives. He can't. He and Hillary are both up to their necks in public life, and his interests and hers may diverge sharply. How can he confide in her, when anything he says may be used against him? Anyway, the things he'd really like to confide to someone would probably blister her ears.

In fairness to Hillary, Bill isn't exactly a model spouse either. His lifestyle may be no worse than that of a lot of French politicians, but then sophisticated Parisians don't usually do it in a pickup truck.

But here is one of the unexpected fruits of feminism: a first lady landing her husband in the soup. Imagine Eleanor, Bess, Mamie or Lady Bird embarrassing their husbands.

By all reports, Hillary Rodham Clinton doesn't blame herself. Her inner circle is afraid to criticize her. She complains that "our friends" (presumably in the press) aren't defending her. She tells Elle magazine that she and Bill are the victims of a "well-organized and well-financed" campaign.

She is a very able woman. But she has yet to acquire one important skill: self-criticism.

Joseph Sobran is a nationally syndicated columnist.

Foreign aid redirected for post-Cold War goals

By Shu-Ching Jean Chen
THE WASHINGTON TIMES

Unveiling a new approach toward foreign aid, the Clinton administration is asking Congress to authorize spending of almost $7.5 billion to further help countries establish democracy, promote human rights and embark on sustainable development.

"There is a difference between the way we had portrayed the number," said an official from the U.S. Agency for International Development (AID) during a briefing yesterday.

"We have attempted . . . to show how those resources actually benefit individual countries, we do not try to do the same thing for the '93. Therefore it will appear that there are increases from '93 and '94, when in fact it's just a different way of distributing the same resources."

According to AID figures, about half of the total $7.5 billion budget is going to four countries — Russia, Israel, Egypt and Turkey.

As usual, Israel and Egypt together take more than $2 billion of the agency's budget, in addition to $3 million in military assistance budgeted elsewhere.

The newly independent states that were formerly a part of the Soviet Union together account for $900 million, roughly half of which is planned for Russia.

The new thing is not where the money goes but what it now aims to accomplish. The goals themselves are a new approach to the international community in a post-Cold War world.

Under the proposed 1994 Peace, Prosperity and Democracy Act, new aid categories would be created to reflect the new policy objectives.

The remaining budget funds are earmarked for sustainable development, humanitarian assistance and advancing democracy.

The programs themselves are the more traditional ones of helping international relief efforts and emergency feeding and development programs. Together the budget maintains the same level of funding for these programs as was spent the year before.

Small cutbacks actually will allow spending for such things as population and environmental programs.

Although there is no new money in the latest AID budget, the administration drew praise yesterday for seeking to redirect aid to serve post-Cold War goals.

AID's official said that in comparison with the past request, the new way of appropriating the budget will see a shorter list, more focused on objectives.

AID officials described the overall modifications in the bill as "charter" legislation.

Democrats want Hillary to speak up

CLEVELAND (AP) — Fellow Democrats are looking to President Clinton to put the Whitewater-Madison affair to rest before it takes hold as an election-year issue. Some suggest he start by having his wife answer questions about her role.

A tip sheet for discussing the controversy assures Democratic National Committee members that they need not worry, that the brouhaha is little more than "a concerted partisan effort" by Republicans to smear Mr. Clinton.

As loyal soldiers, party leaders meeting here scornfully take aim at Republicans when the subject comes up. But their indignation doesn't hide Whitewater jitters: Nearly every assertion that the Whitewater-Madison affair isn't a big issue ends with the same word — yet.

Eager to make health care, welfare reform and crime the party's central issues in the fall campaigns, many Democrats are increasingly worried that the controversy could prove more than just a distraction.

"I just think we need to keep our eye on the ball and deliver the change" promised by Mr. Clinton, Democratic National Chairman David Wilhelm said.

But as they bludgeon Republicans for suggesting Mr. Clinton has done something wrong — and insist Whitewater-Madison isn't a big issue back home — many party leaders are anxious for the White House to defuse the issue. And some aren't shy about offering advice.

"People are not going to be voting about Whitewater when they are voting for the U.S. Senate and U.S. Congress," Texas Democratic Chairman Bob Slagle said.

But he added, "I'd haul all you press guys in and hand you every piece of paper I had on Whitewater."

Others go further.

Roaming the halls of the Democratic meeting, where Whitewater-Madison is a frequent subject, longtime party activist Lynn Cutler handed out "Don't pillory Hillary" stickers.

But while accusing Republicans of taking cheap shots at the first lady, Ms. Cutler also said Hillary Rodham Clinton could play a big role in calming the controversy.

"It is time for her to find the right venue in which to talk to the American people about a lot of this stuff," Ms. Cutler said. She said Mrs. Clinton and the Democratic Party have much more at stake than just convincing people she did nothing wrong in handling the family's investments or in representing a Little Rock savings and loan involved in the controversy.

"Her integrity and effectiveness are at stake," Ms. Cutler said. "They are peeling away her ability to be what she is, which is our leader on the health care reform issue."

There is widespread agreement here that Mrs. Clinton needs some forum to answer Whitewater-Madison questions, although the party leaders stress that the venue must be "very limited and dignified," to use Mr. Slagle's words.

"If you spend too much time prattling about your innocence, people start asking why an innocent person would be so worked up," Mr. Slagle said.

Also, many of the Democrats here want the issue of whether there will be a congressional investigation resolved quickly. Most in this group say hearings are inevitable.

A handful of Republicans are using the issue against Democrats in House and Senate races, equating opposition to a congressional investigation with acquiescence in a cover-up.

Larry Speakes named postal spokesman

Larry M. Speakes, who was White House press secretary under President Reagan, has been named to the top public information job at the U.S. Postal Service.

Mr. Speakes, who will be vice president for corporate relations at the post office, most recently was a vice president of Northern Telecom Ltd., which has offices in Washington and Toronto.

Mr. Speakes became Mr. Reagan's chief spokesman after Press Secretary James Brady was wounded in the 1981 assassination attempt on Mr. Reagan.

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MORTON KON)RACKE

The imperative for hearings

Decision time

Congressional Democrats may as well face the fact: Unless they want to be branded as the party of shredding and cover-up, they have to agree to hold hearings on the Whitewater scandal, preferably in the House and Senate banking committees.

The appointment of Lloyd Cutler as White House counsel presumably will halt the pattern of stonewalling that's characterized the Clinton entourage's response to Whitewater dating as far back as March 1992, but damage to its ethical standing can only increase as reports come out about prior cases of concealment and document destruction.

Congress has to decide whether it wants to share the administration's reputation for cover-ups, and decision-time is now. A House banking committee hearing is already scheduled for March 24, and ranking Republican Jim Leach of Iowa has submitted a tantalizing list of witnesses. This hearing was agreed to by Banking Committee Chairman Henry Gonzalez, Texas Democrat, after Republicans reminded him that federal law requires savings and loan bailout officials to testify annually on their activities.

To stifle Mr. Leach's inquiry — either by canceling the hearing or refusing to allow him to call his witnesses — would open Mr. Gonzalez, House Democratic leaders and the Clinton White House to a storm of abuse. That could well lead to demands for a select committee with a circuslike atmosphere.

Democrats are trying to forestall congressional inquires by charging Republicans with playing raw politics and by hiding behind Special Counsel Robert Fiske's requests that Congress not interfere with his criminal probe.

But as both Mr. Leach and Sen. Alphonse D'Amato, New York Republican, have pointed out, there's a long history of Congress conducting hearings parallel with criminal investigations without undermining prosecutions — as long as witnesses were not granted immunity.

As to Republicans' playing politics, of course they are — just as Democrats did during the Reagan and Bush years by holding hearings on matters ranging in seriousness from United Staes Information Agency Director Charles Wick's taping of telephone calls to the Iran-Contra affair.

Senate Minority leader Bob Dole, Kansas Republican, recently put into the Congressional Record a Congressional Research Service intern's summary of 30 congressional investigations that Democrats conducted into alleged Republican wrongdoing.

As Mr. Leach laid out in a Chicago speech on March 4, Whitewater could involve payment of illegal gratuities from Arkansas S&L owner James McDougal to Bill and Hillary Clinton in the 1970s and 1980s, failure to report such receipts on their income taxes and conflicts of interest involving state supervision of the S&L industry.

Mr. Leach believes he can show — contrary to the version of events put out by the White House — that the Whitewater investment the Clintons were involved in contributed to the demise of the Madison Guaranty Savings and Loan, linking the first family to the nationwide S&L debacle of the 1980s.

Mr. Leach apparently also knows the contents of the Resolution Trust Corp.'s criminal referral of the Madison case to the Justice Department, which mentions the Clintons, and some of the witnesses he's called for the March 24 hearing are RTC investigators from Kansas City who prepared the referral.

Numerous documents connected to Whitewater have been lost — some, allegedly, shredded on orders of Hillary Rodham Clinton. It's practically certain that Mr. Fiske eventually will have to subpoena Mrs. Clinton to get to the bottom of such charges, causing a bigger embarrassment to the Clintons than last week's subpoena of White House aides.

Democrats are trying to forestall congressional inquires by charging Republicans with playing raw politics and by hiding behind Special Counsel Robert Fiske's requests that Congress not interfere with his criminal probe.

As of the moment the subpoenas arrived last Friday, the White House ordered all documents to be protected and all witnesses to cooperate. However, for two years, from March 1992 — when the Whitewater story was first broken by the New York Times — until last week, the Clinton response to Whitewater has been concealment, not disclosure.

When Times reporter Jeff Gerth first asked the Clinton campaign about Whitewater, a special legal team was created to handle the case — headed by New York attorney Susan Thomases, a close friend of Mrs. Clinton's, and including Arkansas lawyer James Lyons — and official campaign lawyers were cut out. Campaign workers who urged openness were pilloried.

Embarrassing and politically damaging as this mess is, nothing in it yet rises to the level of Watergate or amounts to the kind of high crime and misdemeanor that could end the Clinton presidency.

Nor do Whitewater hearings necessarily preclude Congress from being able to pass health reform, crime legislation and other items on Mr. Clinton's agenda. These are initiatives that members of Congress presumably will want to enact all the more urgently if it appears that President Clinton is in political trouble.

Morton Kondracke is a senior editor for Roll Call and is a nationally syndicated columnist.

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White House aides lash out at media on coverage

Clintons seek prime-time TV slot to explain Whitewater

By Paul Bedard
THE WASHINGTON TIMES

The White House bashed the media for its coverage of the Whitewater-Madison affair yesterday as reports indicated President Clinton and his wife, Hillary, were seeking a prime-time television slot to explain their involvement.

The Treasury Department also turned over about 3,700 documents to Whitewater-Madison special counsel Robert B. Fiske Jr. — far more than the White House has provided under subpoena.

Treasury Secretary Lloyd Bentsen told reporters the number of documents did not mean his department was more deeply involved in the case than the White House, which a day earlier gave prosecutors just 1,000 pages of documents detailing the secret White House talks with Treasury officials on Whitewater-Madison.

Ousted White House Counsel Bernard W. Nussbaum and presidential spokeswoman Dee Dee Myers both blasted the intensive media coverage surrounding Whitewater-Madison yesterday and demanded restraint.

Mr. Nussbaum, ousted effective April 5 for hosting the secret Treasury meetings to discuss a criminal probe of Madison Guaranty Savings and Loan Association and its links to Whitewater Development Corp., told a black-tie crowd in New York that the media is more focused on the scandal than administration initiatives.

"I have learned that most of the pundits and press in Washington and around the country consider the possibility of scandal, however remote, to be far more newsworthy than the reality of accomplishment or the potential for positive change," he said late Thursday night.

"We in the administration have had better luck making history than making headlines," he said.

A search of headlines in The Washington Times and its sister publication Insight, however, showed that Mr. Clinton has received more headlines than former President Bush in his first 15 months. So far, Mr. Clinton has been named in 11,434 headlines.

Miss Myers, echoing comments made by Mr. Clinton in New York on Thursday, charged that Americans are confused over the Whitewater-Madison affair because it "is complicated and it's gotten buried in an avalanche of political posture and people trying to use this for partisan gain."

She slammed wire services and newspapers for excerpting a story in an expensive financial newsletter published Thursday that said former White House Deputy Counsel Vincent W. Foster Jr. died in a Northern Virginia apartment and was then dumped at Fort Marcy Park, where his body was found July 20. Police have said it was a suicide at the park.

The report played a role in the plunge of the Dow Jones industrial average and other market indexes.

"The report was completely irresponsible and unsubstantiated; not a shred of credible evidence suggests that is true," said Miss Myers. "I didn't see anybody rushing to knock that story down yesterday in the nation's news media."

Miss Myers added that "it's more of a question of how do these stories get any credibility? I think that's the issue here. Why are these unsubstantiated allegations taken seriously? Why are they repeated? It's an outrage."

Miss Myers called the Johnson Smick International Report, which originated the article, a "second rate" publication. However, it is co-published by a former vice chairman of the Federal Reserve, Manuel H. Johnson. His company also has been hired by the State Department to set up G-7 meetings with members of the world's seven largest industrial countries.

A spokesman said the newsletter stands by its report.

Christopher Callahan, assistant dean of journalism at the University of Maryland, said it is common for politicians in trouble to hit press coverage.

"It's a good litmus test to see how much pressure the administration is feeling," Mr. Callahan said yesterday.

"To blame the press is an old card that politicians play when they are really in bad shape," he said.

Stephen Hess of the Brookings Institution suggested that the White House feels under attack.

"You do get this siege mentality and that the enemy is beating at the door," he said.

While Mr. Callahan said it is unlikely that a small newsletter would beat the mass media to a story as explosive as the moving of Mr. Foster's body, he defended news agencies such as Reuters for reporting that the stock markets were jittery over the report.

"You have to report it. You just can't say stocks are dropping and then not say why," he said.

Over the weekend, the White House communications department hopes to settle on a strategy to fight the escalation of Whitewater-Madison coverage. New White House Counsel Lloyd Cutler, for example, plans to appear on "Meet the Press" to explain the White House's actions so far.

It was not certain if the Clintons were going to appear on a newsmagazine show such as "60 Minutes" to explain their role in Whitewater-Madison. The Clintons used a "60 Minutes" interview to help rescue the Clinton presidential campaign in 1992 after a former Arkansas state employee said she had a 12-year affair with then-Gov. Clinton.

"Everyone has a request in. Right now there is not something locked down and I don't know that there will be," said Neel Lattimore, spokesman for Mrs. Clinton.

Leach accuses White House of gagging regulators

By Michael Hedges
THE WASHINGTON TIMES

Rep. Jim Leach says the Clinton White House has "gagged" federal regulators who reported possible criminal impropriety to the Justice Department in the Whitewater-Madison affair.

What's more, the Iowa Republican said Whitewater-Madison special counsel Robert B. Fiske Jr.'s efforts this week to delay congressional hearings into the affair are having a "chilling effect" on the congressional process.

Mr. Leach's comments, made in a letter to Mr. Fiske released yesterday, were immediately denounced by the White House as a Republican attempt to score points against the Democratic administration.

In his letter to Mr. Fiske, Mr. Leach said he was "particularly concerned that officials at the Kansas City RTC [Resolution Trust Corp.] office are being gagged and possibly coerced by the RTC office in Washington."

The RTC, which manages the savings and loan cleanup, is investigating the failure of an Arkansas thrift linked to President Clinton and first lady Hillary Rodham Clinton.

Steve Katsanos, spokesman for the Washington RTC office, said: "I have no idea what Mr. Leach is talking about."

Jane Jankowski, spokeswoman for the RTC's office in Kansas City, Mo., headquarters for the region that includes Little Rock, Ark., said: "We have no comment on the Leach letter."

Asked about the letter at a press breakfast yesterday, Mr. Leach said: "I'm suggesting the White House very improperly intruded in this process."

He added that there was a "distinct possibility" that Mr. Clinton has interfered in proceedings against himself, referring to meetings between top White House aides and the RTC's acting director, Deputy Treasury Secretary Roger C. Altman.

In his letter, Mr. Leach also said he is concerned that Mr. Fiske's "public lobbying of Congress has had the effect of sending a chilling precedent ... for the majority party which controls the machinery of Congress to delay, defer or avoid its constitutional responsibilities."

The moderate Republican noted that congressional hearings during Watergate helped uncover new facts and that a recent Senate hearing prompted Mr. Altman to admit for the first time that he and other Treasury officials had briefed the White House on the RTC's probe of Madison Guaranty Savings and Loan.

Madison was owned by a former business partner of the Clintons', and its failure cost taxpayers more than $50 million.

Mr. Leach, ranking GOP member of the House Banking Committee, added that he would readily delay hearings for "a week or two" to let Mr. Fiske interview some 40 witnesses the Republican wants to question in a March 24 Banking Committee oversight hearing on the RTC.

The RTC has declined to give Mr. Leach documents he said he needs to examine the Whitewater-Madison matter.

"Mr. Leach is an individual member of Congress. He does not have the authority of the [Banking] committee," said Mr. Katsanos, RTC spokesman. "As an individual member of Congress, he does not have the authority to look into any RTC file he wants to."

The White House quickly accused Mr. Leach of seeking to make political capital out of Whitewater-Madison. "It's pretty clear that there's a very organized effort on the Hill among the Republicans [to make] a political issue out of this," said Clinton spokeswoman Dee Dee Myers.

A simmering feud between Mr. Leach and Rep. Henry B. Gonzalez, Texas Democrat and Banking Committee chairman, erupted after Mr. Leach sent his letter to Mr. Fiske.

Mr. Gonzalez sent a letter to the RTC, saying, "The Banking Committee is not conducting an investigation of Madison Guaranty Savings and Loan at this time." He added that Mr. Leach's request for RTC documents wasn't supported by House rules.

The Gonzalez letter prompted Mr. Leach to say it was "unprecedented" for one member of Congress to tell a federal agency to deny another member information.

• *Paul Bedard contributed to this report.*

Can this operation be saved?

By Rod Dreher
THE WASHINGTON TIMES

Is the Rose Law Firm's reputation being shredded by the continuing Whitewater-Madison affair?

Here's the word from Little Rock:

"Everybody's talking about the allegations put forward. People are kind of wondering if it's going to survive as a firm," says Daryl Glascot, a lawyer. "Street talk is . . . wondering if there's not going to be a bust-up in the firm."

Columnist John Brummett, writing in Tuesday's editions of the Arkansas Democrat-Gazette, says Rose is being unfairly attacked for shredding legal papers. Nevertheless, writes Mr. Brummett, the latest barrage of press reports on the firm gives reason to suspect that lawyers there are at odds with one another.

"A house divided against itself cannot stand," he writes. "One divided against itself while under front-page external attack might spontaneously combust."

Dick Hatfield, a lawyer, says he takes press reports about misdeeds at the Rose firm, where first lady Hillary Rodham Clinton and Associate Attorney General Webster L. Hubbell were partners, "with a very large grain of salt." Still, "it wouldn't sound good to me if the FBI was looking into what I was doing."

That's about as forthcoming as Little Rock lawyers get these days on the subject of Rose. Aside from expressions of shock and dismay at what is happening to the firm, most prefer to withhold comment.

Controversies like those buffeting the Rose firm are a source of worry and distraction to lawyers within a firm, making daily work difficult, according to lawyers in both Little Rock and Washington.

"Even though it may be unfair, this kind of publicity probably chills some people as they are looking at who they want to go to for counsel," says Washington lawyer Bob McConnell.

Ronald M. Clark, Rose's managing partner, did not respond to a telephone inquiry.

Founded in 1820, the Rose Law Firm has long enjoyed a reputation for legal skill and integrity.

The legal corporation has been dragged into the Whitewater-Madison tempest because of reports that it destroyed documents that may have shed light on the Clintons' involvement with Madison Guaranty Savings and Loan Association and Whitewater Development Corp.

The firm's reputation took another hit recently when it was revealed that it was conducting an internal review of Mr. Hubbell's billing practices. Rose is trying to determine whether Mr. Hubbell overbilled clients, including the Federal Deposit Insurance Corp., during a 1989 case involving Madison. Mr. Hubbell has denied this.

The crisis at the Rose firm appears to be deepening. Citing a source inside the firm, The Washington Times reported yesterday that Mr. Hubbell's former Rose partners are considering filing ethics charges against him after an internal probe found that Mr. Hubbell failed to document hundreds of thousands of dollars in expenses billed to clients.

The Clinton presidency should have been a boon to Rose's reputation. Four of its senior partners — including Mrs. Clinton, Mr. Hubbell, Vincent W. Foster Jr. and William Kennedy III — moved to Washington to take prominent roles in the new administration.

With influence like that, Rose — whose business quadrupled in the go-go 1980s — had reason to expect it to increase even more.

Instead, the firm has suffered devastating setbacks, including the July 20 death of Mr. Foster, then White House deputy counsel. Mr. Foster's body was found in a Virginia park in what U.S. Park Police have said was a suicide.

There also have been accusations of ethics violations dating from Mrs. Clinton's days as senior partner — when she represented Madison before state banking regulators — as well as the reports of overbilling and document shredding.

Robert B. Fiske Jr., special counsel in the Whitewater-Madison affair, has said he will investigate the Rose firm's role in the matter.

The firm's Washington office, which senior partner Allen Bird II opened in October, has had trouble scaring up business, a source close to the operation says.

"The office is developing, perhaps not at the pace I expected, but I feel very welcomed," Mr. Bird told USA Today this week. He did not return a phone call yesterday for comment.

Clearly, having White House-Little Rock connections in the current political climate is no advantage.

"The problem is not that the Rose Law Firm is being investigated. The issue is that this is a firm that absolutely flourished on their reputation for political savvy. It certainly doesn't look like there was much savvy there," says a top Washington lawyer with political experience.

Merrie Spaeth, a Dallas-based communications consultant who has counseled lawyers on improving their public image, says the Rose firm faces problems "of enormous magnitude" concerning relationships with clients.

"The question you [as a client] ask yourself is 'What happened to their judgment?' They may be great for Little Rock, but they are out of their league in the big city."

How should the Rose firm protect its reputation for the duration of the Whitewater-Madison investigation? A seasoned Washington lawyer with experience in managing crises offers the following advice:

"Stick to your work. Don't do anything underhanded. Don't destroy any files, for heaven's sake. Don't do anything that adds a caboose to the existing scandal train. . . . Work hard at representing your clients."

Mr. McConnell agrees, to a point. "The problem is that, to some extent, [Rose] doesn't have control over the situation anymore. They have the ability to do their work and respond as is appropriate to inquiries. On the other hand, there are stories coming from all locations, founded or unfounded, and that makes it a difficult environment for them to deal in."

Without commenting specifically on Rose, Harris Weinstein — who successfully prosecuted the government's 1992 S&L-related case against the New York firm Kaye, Scholer — says it is vital for a law firm to maintain collegiality and internal trust among its partners in the face of criminal investigations.

He doesn't think a public relations counteroffensive is possible.

"Lawyers are at an inherent disadvantage in defending themselves because of lawyer-client confidentiality," he says. "The information needed for a full public defense just can't be revealed."

Ms. Spaeth disagrees. She gives the Rose firm low marks for sounding "very defensive" in the press and for being "way behind the curve in understanding strategic communication."

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White House fails to buck Whitewater off its back

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — The Clinton administration made a few attempts in vain to get the national spotlight off the Whitewater affair last week but was overwhelmed by developments.

Three administration officials — White House Communications Director Mark Gearan; Margaret Williams, first lady Hillary Rodham Clinton's chief of staff; and Lisa Caputo, the first lady's press secretary — all testified Thursday before a federal grand jury in Washington.

White House week in review

That grand jury, at the direction of the Whitewater special counsel, Robert Fiske Jr., is investigating contacts between administration officials and the Treasury Department while Treasury was investigating Madison Guaranty Savings & Loan Association. The now-failed Arkansas S&L has ties to Whitewater Development Corp., a Northwest Arkansas land development firm the president and first lady entered into in the late 1970s.

Three more administration officials, as well as three current and one former official of Treasury, received permission from Fiske to delay their appearances. That delay was allowed to give them more time to consult with newly hired attorneys.

The grand jury appearances were among many Whitewater developments during the week, virtually all of which placed the administration in an unfavorable light.

President Clinton answered questions about the controversy at two news conferences last week, including an unusually lengthy one Tuesday.

Again and again, Clinton said he had instructed his subpoenaed aides to "tell the truth" and said the administration's actions on Whitewater would be openly disclosed to investigators.

Many major actions at the White House last week had at least a tie to the Whitewater investigation.

Clinton named Lloyd Cutler, a respected Washington lawyer, as his new counsel after the resignation March 5 of Bernard Nussbaum. Cutler's appointment is temporary, but he is expected to help the president and his staff deal with Whitewater fallout.

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

Republicans in both chambers of Congress increased the pressure for Capitol hearings despite Fiske's requests that they wait.

Rep. James Leach, R-Iowa, the senior minority member of the House Banking Committee, announced he wanted to bring 40 witnesses with potential Whitewater ties to a committee hearing later this month.

In the meantime, administration officials waited for further subpoenas from Fiske's office, but those subpoenas had not been issued by late in the week.

Clinton announced developments on several items on his domestic agenda last week, including reform of the federal unemployment insurance system and the announcement of an economic summit in Miami.

Meanwhile, Secretary of State Warren Christopher traveled to Asia, where he consulted on economic issues with Japan and China.

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WHITEWATER: WHAT'S NEXT

Just the facts, says D'Amato

New York Republican Sen. Alfonse D'Amato is the GOP's Senate point man on Whitewater. He got the job because, as ranking Republican on the Senate Banking Committee, he was in a position to force the Democrat-controlled panel to hold at least one public hearing on Whitewater. He was interviewed Friday by the Daily News in his Senate office in Washington, D.C. Here are some excerpts:

Q Sen. D'Amato, how do you persuade the American public that the GOP call for congressional hearings is nothing more than a partisan attack on a Democratic President?

A It's absolutely our constitutional responsibility. What do we have? We have a well-organized attack by the spin doctors at the White House. Hey, all we want are the facts.

Q What is the public's advantage in having congressional hearings rather than just have Whitewater special counsel Robert Fiske conduct his probe?

A You would have no special counsel were it not for the Congress asking for information that the people are entitled to know. No. 2, you wouldn't have people such as Maggie Williams, Mrs. Clinton's chief of staff, being called into the Whitewater grand jury. [illegible] you wouldn't have (Deputy Treasury Secretary) Roger Altman being called in were it not for the hearing that I was able to have reviewing the Resolution Trust Corp. (and its probe into) Whitewater. You wouldn't have learned of the three meetings. [illegible] I guess, too, during Watergate you learned about the secret tapes due to those hearings.

Q What, in the end, do you expect to find?

A I make no assumption as to what we are going to find. When we started out initially, I just wanted to know how they (Treasury's RTC investigators) were pursuing this matter.

Q What will be the target of your hearings?

A Our initial thrust will be to ascertain whether any of the agencies (probing Whitewater) or their independence have been compromised.

Q In its handling of the controversy, do you suspect the White House has been unethical or just inept?

A I think they have handled it ineptly [illegible] the manner in which they have handled the secret meetings, etc. But let me say this: I think it would be naive to think that this wasn't being done for the President and that the President didn't know that this was taking place.

Q Do you suspect that the Clintons have committed any crimes in this affair?

A I certainly don't have any knowledge of any, but there are certainly questions and allegations as to money being routed through Whitewater (the Clintons' real estate partnership) and that's something that we have to find out. There are allegations of shredding (at) Hillary Rodham Clinton's former law firm: Who knows on whose orders that took place?

Q Could the Whitewater controversy bring down the Clinton presidency?

A I just simply don't know. [illegible] At one time I felt that this was nothing. And it may come out to be nothing. And if we find nothing, I'll be the first person to say that. I'd be delighted to say that.

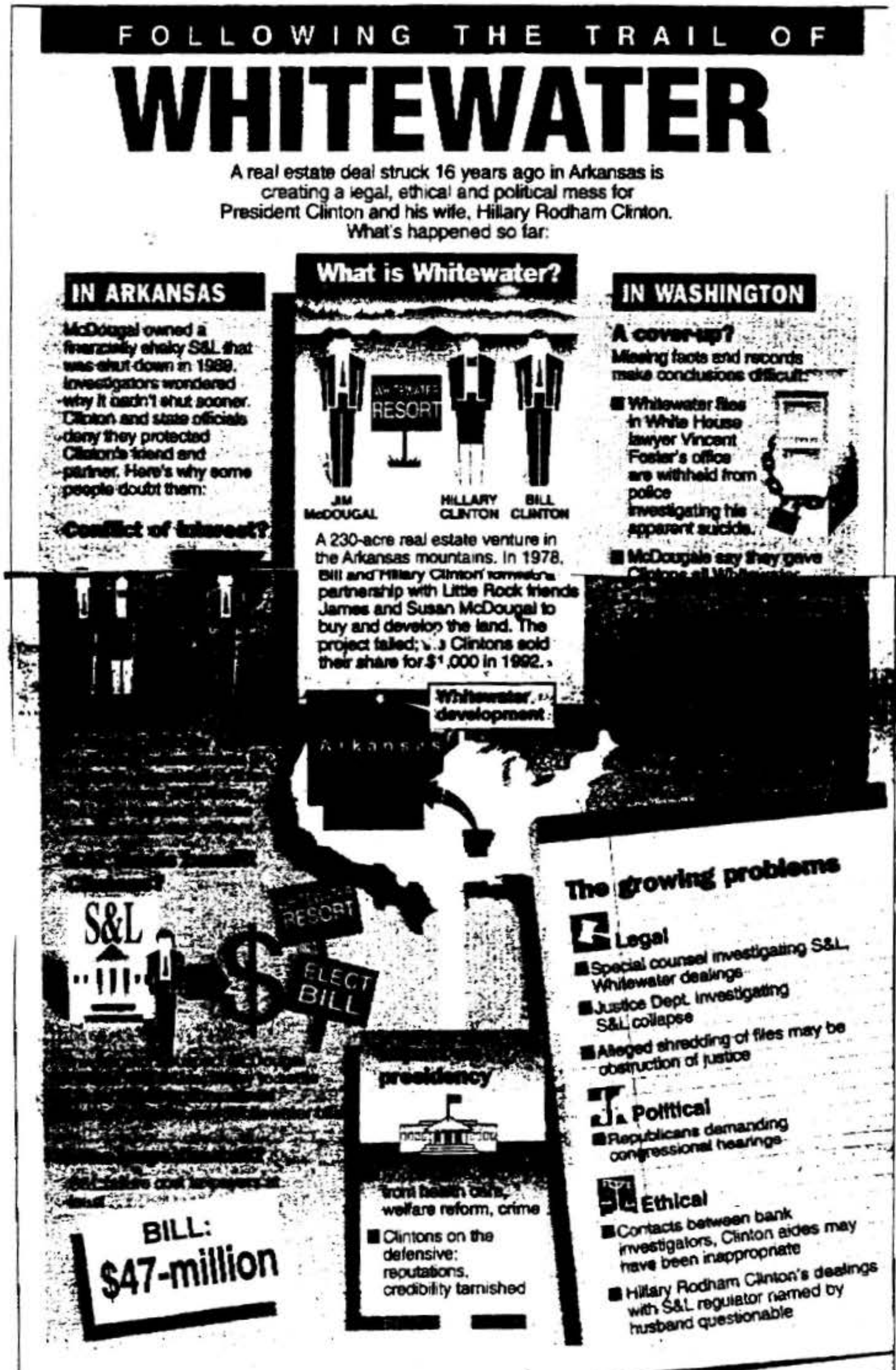
Q If you could ask Hillary Rodham Clinton two questions, what would they be?

A I think I'd want to know, first of all, the papers as they relate to Whitewater have been turned over. Are all (or any) of them [illegible] And if there were any papers that were shredded or destroyed that she knows of, what were they? And secondly, how was it that her chief of staff was in Foster's room after he died. What papers, if any, did she see removed? And where are those papers now?

Q Having had your own integrity come under attack, do you feel any sympathy for the Clintons?

A I am sympathetic as it relates to the plight that they find themselves in. You know, this business of attacking the messenger isn't going to solve anything. But am I sympathetic? Yes.

New York
Daily News
3/13



Sources: Knight-Ridder Washington correspondent Frank Greve, news reports.

Knight-Ridder Tribune/JEFF DIONISE and JUDY TREIBLE

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What is Madison Guaranty?

By ELLEN DEBENPORT
Times Political Editor

Madison Guaranty was a mom-and-pop thrift bought in 1982 by James McDougal, a political wheeler-dealer and friend of then-Gov. Bill Clinton's.

By 1984, federal regulators began to question loans made to McDougal's friends, plus other risky ventures. In 1986, the feds threw out McDougal, and in 1989, they shut down the S&L at a $47-million loss to taxpayers.

Bill and Hillary Clinton became involved in different ways.

Had Madison's books been adjusted to show real profits instead of inflated profits, federal examiners said, the S&L would have been insolvent as early as 1984. Under state law, the securities commissioner was supposed to shut down any insolvent institution.

Clinton, who knew Madison was in trouble, appointed a new securities commissioner in January 1985. Beverly Bassett Schaffer, whose law firm had been representing Madison, said she didn't think the feds' findings were proof of insolvency and kept Madison open.

About the same time, Clinton stopped by Madison Guaranty on one of his jogs through Little Rock and complained to McDougal about being broke.

McDougal says he immediately put Hillary Rodham Clinton's firm, the Rose Law Firm in Little Rock, on retainer for $2,000 a month to help out.

Hillary Rodham Clinton prepared plans to keep Madison open, plans that were approved by Schaffer, the new securities commissioner.

Schaffer and Clinton say Madison received no special treatment. Hillary says her involvement was minimal. Schaffer eventually approved the shutdown of the S&L.

Federal regulators, trying to recover what they could for taxpayers in 1989, hired the Rose Law Firm to help them. Investigators will decide whether that was a conflict of interest for Rose.

But mainly, investigators are checking to see whether depositors' money from the S&L was diverted into Clinton's campaign accounts or into the Whitewater Development Corp.

There's evidence that $12,000 from Madison Guaranty ended up with Clinton's 1984 campaign, but that alone doesn't prove wrongdoing. Investigators also want to know whether state-regulated Madison Guaranty got special treatment while Clinton was governor.

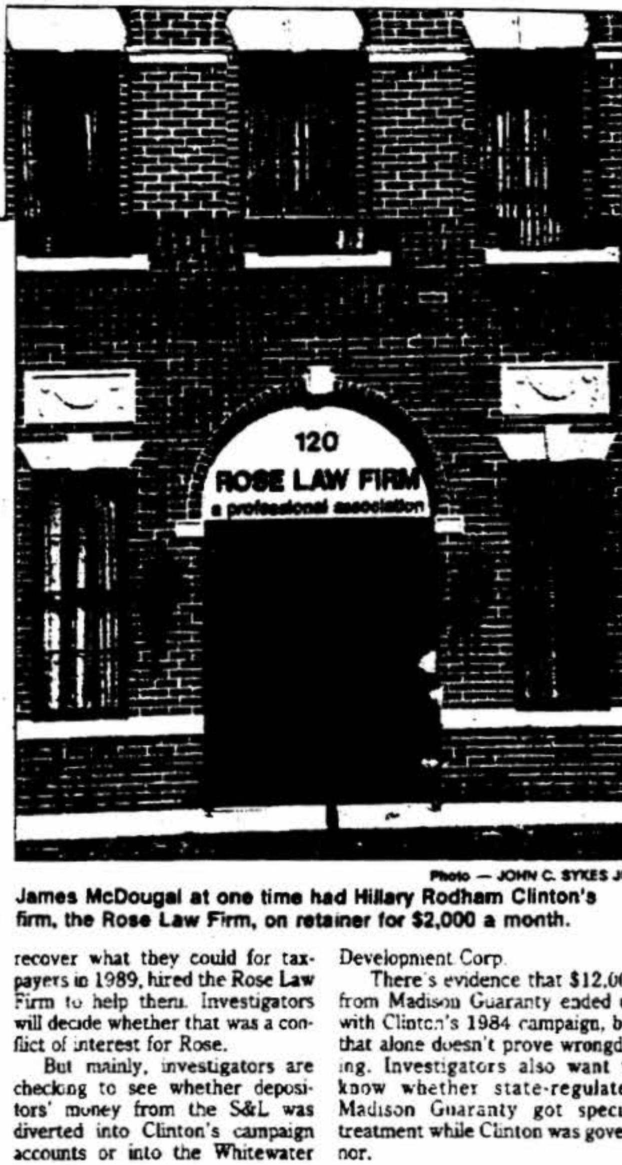

Photo — JOHN C. SYKES JR.

James McDougal at one time had Hillary Rodham Clinton's firm, the Rose Law Firm, on retainer for $2,000 a month.

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What is Whitewater?

By ELLEN DEBENPORT
Times Political Editor

It started as a deal among friends. Bill and Hillary Rodham Clinton got together in 1978 with James and Susan McDougal to buy 230 acres in the gorgeous Arkansas Ozarks. The idea was to sell parcels to retirees who were then flooding Arkansas.

The foursome borrowed all $203,000 to buy the land.

In 1979, during Clinton's first term as governor, the couples formed the Whitewater Development Co. and transferred the land to it. The Clintons were responsible for half the debt and entitled to half the profits.

The land sold slowly — only a few houses are up there now — because interest rates were high and recession hit in the early '80s, Clinton says.

Details are difficult to pin down. Some records are missing, and the Clintons have refused to make others public.

McDougal's lawyer says McDougal invested another $46,000 in roads, surveying and subdividing the land.

White House aide Bruce Lindsey says the Clintons paid $22,000 on the bank loan in 1978 and 1979. They have not released documents to show this.

To try to spur sales in 1981, Hillary Rodham Clinton bought a model house to put on one of the lots. She borrowed $30,000 for it from Kingston Bank and Trust, a little bank owned by McDougal. The loan was in her name, but Whitewater made the payments. The Clintons have acknowledged that they improperly deducted the interest on that loan from their income taxes.

No land was sold in 1983 and 1984. As debts piled up, McDougal, who by this time owned Madison Guaranty S&L in Little Rock, began shuffling money from his other ventures to pay for Whitewater. He denies using any S&L depositors' money, however.

Whitewater overdrew its account at Madison Guaranty, one of many companies to do so. The *Washington Post* quoted unnamed sources saying the Whitewater overdrafts amounted to $60,000 in one six-month period. The money went to McDougal and to pay off loans at a bank where Whitewater and the Clinton campaign had borrowed money.

In 1985, Whitewater traded its unsold land in the Ozarks to a real estate agent, Chris Wade, in return for a $35,000 airplane. Wade agreed to repay $35,000 of the $100,000 that Whitewater still owed for the land.

When Whitewater first came up during the 1992 campaign, Clinton said he and Hillary had lost about $25,000. Then they hired a Denver accounting firm that concluded the McDougals lost $92,200 and the Clintons $68,800.

No supporting documents have been released. McDougal says the Clintons lost far less.

The Clintons sold their Whitewater share to McDougal in 1992 for $1,000. Vincent Foster was the Clintons' lawyer for the sale.

■ ■ ■

Two other items of note:

■ In 1986 when Madison Guaranty was in trouble, Susan McDougal's marketing firm was granted a $300,000 small business loan — backed by federal tax money — from a man named David Hale, a former municipal judge in Little Rock. Hale could finance loans for disadvantaged entrepreneurs and justified Mrs. McDougal's loan because she was female. Now Hale says he was pressured by Clinton and McDougal to grant the loan to "clean up" Madison Guaranty's books before regulators saw them. Clinton and McDougal deny it. The loan was never repaid. Hale has been charged with defrauding the Small Business Administration.

■ Later in 1986, Whitewater bought a $550,000 parcel of land from the International Paper Co. McDougal says the Clintons knew nothing about it. Apparently the $110,000 down payment came out of that $300,000 loan to Susan McDougal. Two months later, the land was transferred to another McDougal-related entity, which defaulted. International Paper sued to get the land back.

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The grand jury convened. Congress wrestled over whether to hold hearings. The Clintons planned to take their case to TV. And the president blew up at the media's frenzy. Last week, Whitewater hit the boiling point.

Clintons to defend themselves on TV

From staff and wire reports

WASHINGTON — Amid mounting calls for first lady Hillary Rodham Clinton to speak out on Whitewater, the White House is making plans for her and President Clinton to appear on at least one prime-time television news magazine show.

Until now, Hillary Clinton has been consistently silent on the Whitewater issue. But she gave interviews to several weekly news magazines Saturday, and White House press secretary Dee Dee Myers confirmed that the Clintons probably will give a joint network TV interview this week.

Myers told that to two Knight-Ridder News Service reporters after President Clinton angrily cut short an Oval Office interview with them.

The news service reported hat Clinton sat calmly and alked quietly for 15 minutes about an international jobs conference he is sponsoring today in Detroit but that there was a sharp change in his bearing at the first Whitewater question.

Shifting to the edge of his seat, the president, visibly agitated, wagged his finger in admonishment. The news media are in a "frenzy" over Whitewater, making unreasonable

Associated Press

IN PURSUIT — Reporters swarm special counsel Robert Fiske Jr. Thursday.

Title's the same, but job's different

Lawrence Walsh, the Iran-Contra prosecutor, held the same title Robert Fiske Jr. does now: special counsel.

But Walsh's post was a creation of Congress, under a law since expired, and he reported to a special three-judge panel of the U.S. Court of Appeals in Washington.

Fiske, conversely, serves as an arm of the executive branch, under Attorney General Janet Reno, but he has extracted from Reno a charter that gives him as much latitude as Walsh had.

Walsh spent more than $40 million and seven years on the Iran-Contra case but got no convictions of major Bush administration figures implicated in the scandal.

Fiske

• Continued from Page 1A

demands, distorting the truth and fomenting dangerous public cynicism about government, he complained.

As he stood to end the interview, Clinton was asked whether he would make public his tax returns from 1978 and 1979, which could reveal information about his investment in the Arkansas real estate deal at the root of the Whitewater controversy.

His face reddening, Clinton said he has given all relevant financial records to special counsel Robert Fiske Jr., and that legal procedure now prohibits him from releasing the records to the public.

He argued that there is no evidence that he did anything wrong, "not one credible charge. The burden is always on us, and I have discharged that burden. I have a special counsel, and I am trying to let that person do his job. And I wish the American news media would, and let us go back to the work of being president."

"You've set a real precedent now," Clinton fumed. "Every president from now on, every new president, you're going to have to go back 15 years before they ran for president and dig into everything.

"And if somebody just asks a question, then you'll have to ask for a special counsel. Is that what we're going to do? We did it in this case. Now let it happen. That's my answer."

His jaw clenched, Clinton ended the interview, strode past the two reporters without shaking hands and stood behind his Oval Office desk until they were escorted out.

The incident reflects the mood of the White House after a week in which three top administration aides testified before a federal grand jury about Whitewater.

Fiske has made his position clear: The investigation will be an aggressive one, with a rapid series of subpoenas if needed.

Fiske subpoenaed 10 administration officials only days after disclosures of White House meetings with Treasury Department officials investigating Whitewater. Those still to testify include senior adviser Bruce Lindsey, an Arkansan and longtime close friend of the president.

On Friday, the Treasury Department surrendered 3,700 pages of subpoenaed documents describing contacts with the White House and other federal agencies regarding its investigation of Whitewater.

But there was good news for the White House when Hou Banking Committee chairman Henry Gonzalez, D-Texas, id he would block a Republican attempt to raise Whitewater at a March 24 hearing on the oversight of the Resolution Trust Corp.

While President Clinton devoted two lengthy news conferences to Whitewater last week, Hillary Clinton has found herself in an awkward position.

Since the beginning of the administration, she has sought to limit the kind of publicity she receives.

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St Pete Times 3/13

Whitewater: What's it all about?

Hillary Rodham Clinton might be the most hurt by Whitewater. She handled the couple's investments, and the lawyers involved are her friends.

By ELLEN DEBENPORT
Times Political Editor

All anyone knows for sure about Whitewater is that Bill and Hillary Clinton bought some land with a friend in 1978 and say they lost money.

The deal became complicated because their friend, James McDougal, owned a savings and loan that collapsed, like so many in the 1980s.

Investigators have plenty of suspicions about the way McDougal handled S&L money. And they want to know whether Clinton benefited somehow.

That's the simple part.

What has made Whitewater seem so sinister is the furious outcry from the White House, the righteous indignation and whining whenever questions are asked, the mysterious files and secret meetings, as if the Clintons had something awful to hide.

Analysis

■ Why should you care about Whitewater? **13A**

■ Profiles of all the players involved in the scandal. **13A**

For months, the president wouldn't release documents and wouldn't agree to a special investigator. Clinton not only refused to explain Whitewater but left his spokespeople clueless, unable to defend him with any facts.

Democrats dared not rush to his side. They didn't know what was under this rock. Still don't.

To date, Clinton has not formally been accused of any criminal act, any ethical breach, any wrongdoing involving Whitewater. And that's what he keeps saying. "I haven't done anything wrong."

Nor has Hillary, he adds.

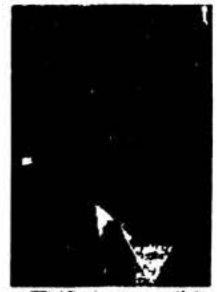
They talk as if Whitewater were a terrible nuisance that diverts them from saving the world.

But Clinton's character is in doubt again. Americans remember time after time when the truth had to be dragged out of him — about avoiding the Vietnam draft, for example. Clinton is not known for candor when he's cornered. His reflex is to stonewall.

Since Christmas, however, Clinton has turned over files to investigators, making sure they remained sealed from the public, and has agreed to a special counsel.

Last week, he answered some questions about Whitewater and urged

Please see **WHITEWATER** 13A



President Clinton keeps saying: "I haven't done anything wrong." But if he did break laws back in Little Rock it could damage his presidency.

Whitewater

from 1A

eryone at the White House to operate with the special counsel and Congress.

"We're not covering up," Clinton said. "We're opening up."

Whitewater

The Whitewater story has two parts, the first in Arkansas and the next in Washington.

Arkansas 1978: The Clintons and the McDougals were fast friends.

Bill Clinton was a 32-year-old whiz kid with hair curling over his ears. He was Arkansas attorney general and a shoo-in to become the nation's youngest governor that November.

His wife was Hillary Rodham, a feminist flower child with frizzy brown hair and enormous glasses. She had just joined the Rose Law Firm in Little Rock, a firm with prestige and political connections.

Clinton had made friends a decade earlier with James McDougal, a man six years older, when they both worked for Arkansas Sen. J. William Fulbright. The buddies lived and breathed politics. McDougal even cocked his long cigarette holder like his hero, FDR.

McDougal's wife, Susan, was a strong feminist and businesswoman like Hillary or a bubble-headed bimbo, depending on which version of the story you hear. The bubblehead version comes mostly from Susan, who paints herself as a wide-eyed kid along for the ride. She was 23 when Whitewater started.

A couple of months before Clinton was elected governor, the four of them bought 230 acres of land in the Ozarks about three hours north of Little Rock. The lots overlooked the junction of Crooked Creek and the White River, a place they thought was ideal for retirees to build homes.

They paid $203,000, borrowing every penny. It wasn't hard. McDougal had some personal money to back it up, and Clinton was about to become governor.

"You bring in one of these politicians just to use their name," Steven Sanders, who was then a bank director, told the *New York Times* last month. "You say, 'Oh, the governor's involved in this deal.' "

McDougal said he was doing his young friends a favor. Clinton would make only $35,000 a year as governor.

"I wanted to make them some money," McDougal told the *Washington Post* in October. "I knew if they were going to build anything, they needed to make some."

They called their four-person corporation Whitewater Development. The lots for sale were Whitewater Estates.

Clinton put McDougal in his first cabinet as director of economic development, but McDougal soon left to buy the tiny Bank of Kingston in Kingston, Ark. He wasn't leaving politics.

In Arkansas, where the population is only slightly larger than the Tampa Bay area, bankers are en- with politi wield , especially in small towns.

In 1982, McDougal bought a tiny savings and loan, Madison Guaranty, in rural east Arkansas. The next year he opened a branch in Little Rock, and the boom was on.

McDougal became a high roller, wheeling around town in a baby blue Bentley. Susan McDougal marketed the S&L and developments like Whitewater. She appeared in one TV commercial herself, wearing hotpants and riding a white horse.

Flash and cash. One writer called them the Donald and Ivana Trump of Little Rock.

Awash in cash

Trouble was, Susan McDougal said in an interview last year, neither of them had a head for business. "We were the worst paper organizers in America."

That's exactly what S&L investigators found when they took their first shocked look at Madison Guaranty in 1984. The place was awash in cash. Property was bought without appraisals. Bonuses and commissions were awarded before sales were made. Easy credit was available to politicians and McDougal's friends.

All this time, the governor of Arkansas let James McDougal oversee their investment in the Ozarks. McDougal had occasional assists from Hillary Clinton, who handled the family money. (Arkansas reporters say Clinton's eyes glaze over when talk turns to business.)

Whitewater never flourished. The retirees didn't arrive. Instead, interest rates went up, and a bad recession hit in the early 1980s.

One of the things investigators still want to know is whether McDougal illegally used depositors' money from his S&L to keep Whitewater afloat. He says he didn't.

They also want to know whether McDougal funneled S&L money to his political cronies, including Clinton. To be sure, McDougal helped with fund raising.

For his 1984 campaign, Clinton borrowed $50,000 at another bank. McDougal later hosted a fund-raiser at the S&L to help Clinton pay it . They r $30,000. But McDougal says never diverted S&L funds to Clinton.

"Why should I 'divert' it when I owned the controlling interest (in Madison Guaranty) and I could merely have walked back and said to one of the bookkeepers to write me a check and mark it 'bonus?' " he told the *Washington Post* last fall.

When the feds finally threw McDougal out of the S&L in 1986, he had a stroke and was hospitalized as a manic depressive. He recovered in time to stand trial for bank fraud in 1990 and was acquitted.

Meantime, the government shut down Madison Guaranty for good in 1989 at a loss to taxpayers of $47 million.

As for Whitewater, no one can say exactly what happened. Records are missing, and memories differ sharply.

When Whitewater was first mentioned by the *New York Times* in 1992, the Clintons hired an auditor who concluded they had lost $68,800. But they have never released any documents to show what they paid or what they lost, and they never took a loss on their income taxes.

The Clintons sold their Whitewater share to McDougal in 1992 for $1,000.

The couples' friendship was long since dead. They had grown distant as the Clintons rose politically and the McDougals' lives fell apart.

Washington

That wasn't the end of the story.

Investigators from the Resolution Trust Corp., which sorts out all the failed S&Ls, said in 1992 that they had found evidence of criminal wrongdoing at Madison Guaranty.

The RTC handles only civil matters, so it asked the Justice Department to explore criminal charges. But in 1992, nobody would touch it. President Bush was still in office, running against Clinton. Too hot politically.

Clinton had been in office six months when his boyhood friend, Vincent Foster, the deputy White House counsel, apparently killed himself in a Virginia park on July 20, 1993.

Two days later, the Clintons' Whitewater file was secretly removed from Foster's office by Bernard Nussbaum, the White H counsel and a c f d of Hilla-

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ry's. Nussbaum turned over the file to the Clinton's personal lawyer.

There has been no evidence that Foster's death was related to Whitewater. It wasn't an issue at the time. The U.S. Park Police, who investigated the death, say no one they interviewed mentioned Whitewater.

And yet . . .

The sudden death. The mysterious file. Did Foster foresee the political eruption? His death has become part of the Whitewater mystery.

The RTC came back on Oct. 8, 1993, to ask again for a criminal investigation at Madison Guaranty. The Clintons were named — not accused, but named — as possible beneficiaries of criminal actions. The investigation ended up in the hands of three longtime Justice Department lawyers.

That was fine with Attorney General Janet Reno, and she resisted Republican demands to bring in a special counsel. Her reasoning was this: The Justice lawyers had worked through many administrations of different political parties, whereas a special counsel would be Reno's appointee and could be accused of playing politics.

The Clintons also resisted a special counsel until political pressure overwhelmed them. In January, Reno appointed Robert Fiske, a Republican lawyer from Wall Street.

Among his tasks:

- To learn whether depositors' money from Madison Guaranty illegally benefited Clinton or Whitewater.
- To learn whether Clinton or state regulators did favors for the S&L.
- To learn whether Vincent Foster really killed himself. That's why, after all these months, it has suddenly become an "alleged suicide."

The handling

The most damaging part of Whitewater so far is the White House's handling of it.

Even before the Oct. 8 request for a criminal investigation, the White House was keeping tabs on the RTC's investigation of Madison Guaranty. White House aides met with officials of the Treasury Department, which oversees RTC, including Roger Altman, who heads RTC.

Now, it is not unusual for lawyers to try to find out what the other side has against their clients. But when such questions come from the White House, it could be construed as tampering.

Nussbaum, the top White House lawyer, was involved in three such meetings. Turns out aides were blabbing about it on the phone and in the hallways too.

Nussbaum took the fall for it. He lost his job March 5.

Three of 10 people involved in those gabfests — the Whitewater 10 — appeared Thursday before a grand jury in Washington. Others were granted postponements.

No one involved in the meetings has suggested that the White House tried to stop the investigation or to convince the RTC or Justice to back off. Even so, the subject of a criminal investigation isn't supposed to know ahead of time.

It's still not clear what Clinton knew and when he knew it.

Clinton says he didn't know about the meetings between his own staff and the Treasury Department, although Mack McLarty, the chief of staff, says his office arranged one meeting.

Clinton also says he didn't know about the RTC's request for a criminal investigation of Madison Guaranty before it was made Oct. 8, but he did hear about it before it became public.

Then there's the shredding.

At the Rose Law Firm in Little Rock, where Hillary Rodham worked with Vincent Foster and others now in the administration, two couriers say they were ordered to shred a box of Foster's files in January, after the special prosecutor said he would re-investigate Foster's death. They said they didn't see anything about Whitewater.

Apparently the Rose firm has been on a shredding spree since Clinton announced he would run for president. They shred daily to protect clients' privacy, they say. Keeps reporters out of the trash, they say.

Shredding soared after Clinton was elected. Rose shredded boxes of files belonging to Hillary Clinton and the partners she took to Washington — Foster, Webster Hubbell and William H. Kennedy III.

Far from over

Whitewater isn't going away.

Fiske, the special counsel, will be rounding up documents and witnesses for the foreseeable future. He will have grand juries working in Little Rock and Washington.

The Republicans in Congress have found a way to air this, too. Twice a year, the House Banking Committee has a hearing to review the S&L bailout, and Republicans hope to turn the March 24 hearing into a full-blown Whitewater investigation.

They have already named 40 people they want as witnesses, starting with James and Susan McDougal.

Fiske, meanwhile, says he might do what no prosecutor in history has done: put the president of the United States under oath

start a g questions.

Why should you care?

- Because work in the nation's Capitol will come to a halt until it is settled.
- Because if Clinton broke laws or cut ethical corners back in Little Rock, it could damage his presidency.
- Because Hillary Rodham Clinton might be the most hurt by Whitewater. She handled the couple's investments, and the lawyers involved are her friends.
- Because it's a chance to see top officials in action as they investigate the matter or respond to inquiries. Character is on display. Political reputations could be made or destroyed. Elections are coming up in the fall.
- Because even if Whitewater turns out to be nothing, it's a chance to study the workings of the press and of partisanship in Washington. It has the fascination of a train wreck.

The obvious questions

These are some of the obvious questions facing inves-

on Whitewater:

- Did depositors' money from Madison Guaranty — S&L illegally end up in Clinton's campaign accounts? If so, did he know it?
- Was depositors' money from Madison Guaranty illegally diverted to keep the Whitewater Development Corp. afloat? If so, did the Clintons know it?
- Did Madison Guaranty, a state-regulated S&L, receive any special treatment while Clinton was governor?
- Was any money made in the Whitewater Development Corp.? Who paid, who lost?
- What's in the Whitewater files taken from Vincent Foster's office?
- What was in the files shredded at the Rose Law Firm?
- What's in 10 boxes of documents that Clinton turned over to the special counsel?
- Did White House and Treasury staff violate any laws or ethics rules by talking about the Madison Guaranty investigation? Did Clinton know about the talks? Did he secretly order them?
- When did Clinton find out he would be mentioned in a request for a criminal investigation of Madison Guaranty?
- Did Vincent Foster really kill himself? Why? And if . . .

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MOVIES / Gary Arnold

Haunting lines connect 'Firm' to Whitewater

The People's Choice Awards may need to survive a few more decades to rival the prestige once enjoyed by the annual Photoplay or Look Magazine awards. Nevertheless, I was surprised and intrigued when the movie version of "The Firm" out-polled all comers as the most popular dramatic film of 1993.

Why surprised? Because "The Firm" was the respectable Hollywood picture shortchanged most conspicuously in preliminary balloting for the Academy Awards. With the imposing exception of "Schindler's List," the strongest Hollywood movie of 1993 *was* "The Firm."

It certainly deserved nominations that failed to materialize in several major categories, so I was gratified to see an irksome Oscar oversight corrected from an unexpected, nonpro quarter.

Not that the movie's popularity had ever been in doubt. It was the third biggest blockbuster thriller of the summer, outdrawn by only "Jurassic Park" and "The Fugitive."

Moreover, I had *seen* the movie with three different full houses in three different theaters and could testify to its consis-

see **FIRM**, *page D4*

tently gripping effect.

People in the movie community are often weirdly oblivious to Hollywood professionalism when it stares them in the face; they often prefer polemical pretension and hysteria in some exotic guise, such as the overwrought "In the Name of the Father" from the British Isles.

Why intrigued? Because I'd taken a look at "The Firm" on video recently and noticed something different about the movie. A supplementary topical dimension has emerged to enhance the movie's melodramatic interest. As an unintended consequence of the Clinton administration's Whitewater woes, "The Firm" has acquired fresh fascination.

It now looks like a possibly historic fable about how to elude a compromising and potentially ruinous association with a law firm where, shall we say, skeletons have begun to crowd the closets.

[illegible] don't hear gather- [illegible] footsteps [illegible] sev- [illegible], the [illegible] and [illegible] may now find them- [illegible], indefinitely, by [illegible]ous points of convergence be- [illegible] the fictional plot of "The [illegible]" and the tangled web of sus- [illegible]on and conjecture that link Madison Guaranty Savings, the Whitewater Development Corp., the Rose Law Firm and the tragic death of Rose partner and Clinton intimate Vincent Foster.

The clincher would be evidence of foul play in Foster's death, adding a grisly criminal twist to the real-life mystery.

The first obvious change is the connotation of the title itself. "The Firm" now brings to mind not Bendini, Lambert & Locke, the sinister Memphis law firm that imperiled its youngest associate, Mitch McDeere, portrayed in Sydney Pollack's admirable movie version by Tom Cruise. The term is now synomous with the Rose Law Firm of Little Rock, formerly adorned by Hillary Rodham Clinton.

Let me hasten to explain that I am not equating the infamous and fictitious Bendini — revealed to be a Mafia front by FBI agents who attempt to recruit Mitch as an informant — with the real and legit but now eminently notorious Rose. It has simply happened.

Say "The Firm" now and Rose springs to mind faster than Bendini.

The association would have had no currency outside Little Rock when the John Grisham best seller was new in 1991. It wasn't a foregone conclusion when the movie was in theatrical circulation last summer and fall, even though the Rose Law Firm had become a recognizable name to the public at large. Things are different as of March 1994.

The billings parallel surfaced only a week ago. The publication in The Washington Times of billing records from Webster Hubbell, the third-ranking official at the Justice Department, while apparently toiling on a Madison Guaranty case in his Rose days couldn't help but startle confirmed moviegoers. All those hourly totals adding up to a $20,000 fee. Inevitably, the list resembled some of the documentation invented for the movie.

In tinkering with the plot of the novel, screenwriters Robert Towne and David Rayfiel had introduced the billings issue as a tactical weapon for hero Mitch McDeere. Struggling to extricate himself from the Bendini mess (and escape Bendini execution) without becoming a government snitch, resigned to a lifetime in hiding, Mitch realizes that Bendini has been overbilling clients systematically. He hoards evidence of this cavalier malpractice as part of an elaborate getaway scheme.

The pivotal line of the movie was entrusted to Steven Hill as Voyles, the Justice Department official who puts Mitch's limited options in stark relief: "Your life as you know it is over." In the context of the film that blunt statement meant the following: Agree to cooperate with the feds or go down with the Bendini ship when we torpedo it.

The real-life connotations for anyone at risk of disgrace or prosecution as a result of the Whitewater probes will be just as ominous. The lives they knew will be radically altered.

Power brokers and Bright Young Assistants will need all their ingenuity and tenacity in self-defense. More power to them if they can escape calamity as astutely and honorably as the Mitch in the film, whose line of defense was considerably improved by screenwriters Towne and Rayfiel; the movie Mitch is permitted several heroic alternatives to the mercenary slipperiness of Mr. Grisham's literary Mitch.

I would guess that the trust Tom Cruise's Mitch decides to place in the law, despite finding himself at severe legal risk, might stand some Whitewater principals in good stead. "It's strange," he confides to his superb wife, Abby, played by Jeanne Tripplehorn, "but if we follow the law, it just might save us."

This is one of several lines that register with disarming impact in the movie, and I recommend its wisdom to anyone caught up in serious trouble.

There were certain moments in the movie that evoked something that passed between Hillary and Bill Clinton during the inaugural festivities. I can't remember exactly what the occasion was, but the first lady whispered something in her husband's ear while millions of us were watching.

Assuming you value the marital bond and had no particular reason to wish misfortune on the Clintons, it was satisfying to imagine that her confidence might have anticipated the stirring reconciliation scene at the conclusion of "The Firm," when Abby assures Mitch that he's kept his trust and their marriage is whole again.

Totally presumptuous, of course, but it felt nice to *feel* that way about the first couple. The parallels are spotty, of course. In actuality it's the wife rather than the husband who has a Curse of the Firm to finesse or transcend.

A memorable whisper is ex changed between Mitch Abby in the film, but in this c it's *him* warning *her* that l has bugged their Firm-financ and furnished home. It would creepy if this kind of whisperi had to become commonplace i the White House for the durat of the Whitewater investigatio

However, if you're a movie person, it's difficult to resist th impression that the Clintons' reputation may hinge on whicl McDeeres they end up resembling most when this controve and its mysteries are resolved. Will it be the fundamentally m cenary, self-serving McDeeres imagined by novelist Gr am the fundamentally honest, gall McDeeres portrayed by Tom Cruise and Jeanne Tripplehorn

It's a pretty clear-cut choice ethical and sentimental terms. be interested in seeing how thi plot turns out, but I suspect th "The Firm" can already be reli upon as a suggestive, indispensable blueprint.

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The Washington Times SUNDAY, MARCH 13, 1994

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C ARENCE PAGE

Whitewater rafting

President Clinton sounded properly noble as he came out swinging, thumping his podium, in defense of his wife's ethics.

"I [thump, thump] have never known a person [thump, thump] with a stronger [thump] sense of right [thump] and wrong [thump] in my life — ever [thump!]," he said in a Monday press conference. "I do not believe for a moment [thump] that she has done anything [thump] wrong."

Maybe, maybe not. Unfortunately, it is not just her honesty and integrity that have come under question lately. As Michael Dukakis once famously said, it is her competence. Recent Whitewater developments have put Hillary Rodham Clinton in an awkward position: She either looks remarkably unethical or remarkably ignorant.

Neither position is very flattering to a woman The Washington Post said was "replacing Madonna as our leading cult figure" only a few months ago.

The last president in such a predicament was Ronald Reagan during the Iran-Contra scandal. Given the choice, Mr. Reagan chose to be perceived as ignorant. Amazingly, few people were willing to argue, as if it was somehow unpatriotic or downright disrespectful to hold him accountable for what went on in his own administration.

When Mr. Reagan said, "I don't recall" more than 100 times during the criminal trial of his aide, John Poindexter, it sounded perfectly plausible. Some of us wondered whether he even remembered being president.

But now that the bright young, yuppie Clintons also are showing memory lapses about what they did during the go-go years, and in the White House, it doesn't sound quite as forgivable. After all, the Clintons are supposed to be smart. They're yuppies. They went to *Yale!*

Beltway wisdom has turned against Bill and Hill. Especially Hill. The feeding frenzy is on. "Is She a Political Liability?" asked a headline on a Michael Barone column in last week's U.S.News & World Report. "At Center of Embarrassing Ethical Issues," says the subhead on a Page One Maureen Dowd story in Sunday's New York Times.

TV talk host John McLaughlin speculates as to whether the next White House resignation might be the first lady. "Hillary to the Pillary!" shouts a headline on a Monday story in The Washington Post about the sudden anti-Hillary backlash. Oh, fickle, fickle media. How begrudging we are to talk not of the good news on the Clinton watch: unemployment down, interest rates down, inflation down, consumer confidence up.

Why, ask the Clintonites, don't we report that? The economy is what Americans really care about.

Still, one cannot help but think the Clintons brought this somehow on themselves. Somewhere along the line, the Woodstock children turned into Reagan babies, the very stereotype of yuppie ambition Bill Clinton knocked so vigorously during his election campaign and Hillary Clinton knocked just as vigorously, if a bit less eloquently, in her speeches about the "politics of meaning."

Suddenly, Mrs. Clinton is enmeshed in controversy along with the three lawyers she brought into

the administration — Bernard Nussbaum, who was forced to resign after causing more damage than he controlled; Vince Foster, who committed suicide last summer; and Assistant Attorney General Webster Hubbell, whom Rose is investigating for possibly overbilling clients and misusing money.

It is important to note and perhaps too easy to omit that, last time I checked, the Clintons have not been charged with anything more than penny-ante breaches of ethics, the sort of breaches so complicated that one's eyes quickly glaze over when one tries to sort it all out.

But that's why we have an opposing party. The Clintons have unwittingly opened a big door of opportunity to Republicans who already are peeved that their hottest hot-button issues — crime and welfare reform — have been appropriated by Bill Clinton and that they haven't got a clue as to how to respond in any unified way to the nation's health insurance crisis. Suddenly, the Grand Old Party is having a grand old time riding the Whitewater raft.

Yes, Reaganauts, you, too, can stop worrying and love the special prosecutor law.

But what, the nation wonders, will this mean for health care, Hillary Clinton's pet issue? Nothing good, I'm afraid. Too complicated to please the left or the right, the Clinton plan will be lucky to remain as more than a shadow of its former self, and that's probably just as well. At least they opened up the debate. Now maybe we can get something leaner and cleaner that won't be so difficult for folks to understand.

On top of this, just when Bill Clinton's embarrassing kid brother, Roger, was learning how to lower his profile, Hillary's embarrassing kid brother, Hugh Rodham, jumps up and trades on his family name to run a long-shot bid for the U.S. Senate in Florida.

How appropriate. For reasons no one has been able to explain, embarrassing brothers seem to come with the job of being president. Now that we have a co-president, as Bill once called Hill, we have two embarrassing brothers.

Cheer up. Maybe our next president will be an unmarried only child.

Clarence Page is a nationally syndicated columnist.

SUNDAY, MARCH 13, 1994 The Washington Times

D'Amato urges Clinton to fire 2, denies he's seeking a 'payback'

By Joyce Price
THE WASHINGTON TIMES

Sen. Alfonse M. D'Amato said yesterday that Senate Republicans will block administration appointments if Democrats block congressional hearings into the Whitewater-Madison affair.

Mr. D'Amato, a New York Republican who has often called for hearings, also said two administration officials — Deputy Treasury Secretary Roger C. Altman and Treasury general counsel Jean Hanson — should be fired for briefing White House aides on a Resolution Trust Corp. (RTC) inquiry in which President Clinton was named.

In Senate testimony last month, Mr. Altman, who is also interim head of the RTC, disclosed that he briefed White House officials about the RTC's investigation of Madison Guaranty Savings and Loan Association, the failed thrift linked to the Clintons.

Mr. Altman "absolutely should be fired" because "he was not truthful with us" about the number of contacts he had with White House officials, Mr. D'Amato, New York Republican, said on CNN's "Evans and Novak."

"The fact is that he had previous contacts. He corrected his testimony on two occasions and failed to mention them. Secondly . . . Jean Hanson definitely should be fired. She had numerous contacts. She should know better. She's the counsel," said Mr. D'Amato, ranking Republican on the Senate Banking Committee.

Mr. Altman and Ms. Hanson are among the 10 former and current Clinton administration officials who have been subpoenaed by special counsel Robert B. Fiske Jr. to testify about the briefings.

In a separate appearance on the CNN program, Sen. John B. Breaux, Louisiana Democrat, said there should be congressional

Sen. Alfonse D'Amato pushed harder for hearings.

hearings but not until Mr. Fiske completes his inquiry.

"This is a criminal investigation. Don't let Congress mess it up," Mr. Breaux said.

Congressional Republicans such as Mr. D'Amato and Senate Minority Leader Bob Dole of Kansas have rejected such a delay, arguing that no one knows how long it will take Mr. Fiske to complete his investigation.

Yesterday, Mr. D'Amato dismissed reports that Republicans would filibuster on major legislation, such as the crime bill or health care reform, if they are not allowed to begin hearings into Whitewater by June 1.

"I think we'll do everything we can to try to get those hearings, but we will not hold up necessary legislation," he said. "We will stop appointments, for example, to the agencies in question . . . but not filibusters as it relates to important legislation."

He also made it clear that Republicans will force a vote on holding hearings "if we continue to be stonewalled by the Democrats."

Mr. D'Amato said public opinion supports his calls for congressional inquiries. Constituents are backing his efforts by a margin of 2 to 1, he said.

Moreover, he denied suggestions by some critics that his campaign for hearings on Whitewater-Madison amount to a "payback" for investigations conducted into some of his past activities.

"That's silly," the GOP senator said. "The fact is, what I have attempting to do is to get the facts. . . . It has nothing to do with back."

If the Senate does hold hearings on Whitewater-Madison, Mr. D'Amato said he would not rule out the possibility of calling on first lady Hillary Rodham Clinton to testify.

"I do believe that Mrs. Clinton should be and will be held accountable, as anyone else who exercises great power in government," he said. "And she d exercise great power in this government. Let's not kid ourselves."

But he said the special co should have the opportunity to talk to the Clintons before any congressional panel does.

Both Mr. D'Amato and Mr. Breaux said they believe Mrs. Clinton's popularity has suffered as a result of Whitewater-Madison.

But Mr. Breaux said he does not believe it will affect her ability to continue as the White House leader on health care and that she should not be replaced in that position.

Mr. D'Amato said there has been "some damage" to the first lady's influence, but he refused to say if he believes she may be forced out of her role in health care over Whitewater-Madison. "That's a judgment she and the president have got to make," he said.

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THE NEW YORK TIMES, SUNDAY, MARCH 13, 1994

The Mysterious Chemistry That Turns Whiff to Stench

By DAVID E. ROSENBAUM

WASHINGTON

AFTER lingering in a vaporous state for two years, the Whitewater case seemed to begin crystallizing last week.

One indication was the words on the front page: shredding, special prosecutor, subpoenas, grand jury, cover-up, immunity, Congressional hearings. Another was the images on television: President Clinton parrying razor-edged questions from reporters about his and his wife's conduct; officials leaving the Federal Courthouse with their lawyers and climbing into government sedans to be driven back to the White House.

These are the familiar signs of the first stage of Washington fireworks. Sometimes they burst into scandals that capture the imagination and alter the politics of the nation. The obvious example, of course, is Watergate, the Hiroshima of Washington explosions. Other times, the chemical reaction never occurs; the matter simply turns back into vapor, leaving not so much as a smudge in the history books. A case in point is the long-forgotten question of whether Jimmy Carter illegally used proceeds from his family's peanut warehouse to finance his 1976 Presidential election campaign.

The answer to the question "Which scandals will captivate the public, and why?" is mysterious and seemingly unpredictable. Relatively minor transgressions, like those associated with overdrawn accounts at the House bank, may infuriate the people, while wrongdoing that challenges the core of constitutional government (the Iran-contra affair) may anger only columnists and civics teachers.

Into which category will Whitewater fall? The most recent polls suggest it is too early to tell.

"What causes a scandal to take root," said Kathleen Hall Jamieson, dean of the Annenberg School of Communications at the University of Pennsylvania, "is what involves a reader in an Agatha Christie novel: the anticipation that a full-blown plot is going to be revealed that is going to explain something basic to mankind, like human venality, thwarted love or the corrupt use of power."

That is why the suicide of Vincent W. Foster, the White House counsel, is such a central aspect of the Whitewater case, Ms. Jamieson said. It smacks of a mystery novel.

One element seems common to all the incidents that the public comes to think of as political scandals. Suzanne Garment, whose 1991 book, "Scandal," is the most thorough recent exploration of the subject, explained it this way: "Scandals take hold particularly well when they reinforce a pre-existing idea."

Qualms about Richard M. Nixon's trustworthiness and his "Tricky Dick" appellation were embedded in the public consciousness. So people were more willing than they might have been otherwise to accept the view that he had seriously abused the power of the Presidency.

More recently, the flap in 1991 over the members' bank in the House of Representatives caught the fancy of the public and led to the retirement or defeat of dozens of representatives.

The circumstances were mundane. The loosely run bank honored personal checks from representatives even if they did not have sufficient funds in their account and then recovered the money the representatives owed afterward. No public money was involved, and all the representatives paid their debts. But the situation fit the stereotype of politicians as deadbeats who get privileges not available to ordinary citizens.

The Iran-contra affair presented much more serious problems than the House bank. United States policy in Iran and Nicaragua was turned over to and carried out by a secret band of mid-level officials, shady international arms dealers and private operatives outside of scrutiny by Congress and the public. But it never reached the level of public concern that might have been expected from such abuses.

The main reason was that few Americans were prepared to believe that Ronald Reagan was venal. The prevailing view was that trading arms for hostages and giving illicit assistance to the contras may have been a bad idea. But Mr. Reagan was seen as trying, wisely or not, to

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Mysterious Chemistry: From Whiff to Stench

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free the hostages in Lebanon and promote democracy in Central America.

Other elements are also generally present in a full-scale scandal. Big scandals normally can be used for partisan advantage, and they tend to have one central villain. Those aspects were lacking in the collapse of the savings and loan industry, the worst debacle in public finance in American history, which never jelled as a real political scandal. Politicians in both parties were culpable and were happy to have it swept under the rug. Only after the questionable real estate and loan practices of Charles H. Keating Jr. and his ties to five senators made news did the public begin to blame politicians at all for a disaster that cost the Federal Treasury well over $100 billion.

It also helps concentrate the public mind if someone has his hand in the till. And the timing of disclosures can make a big difference. One reason that Mr. Reagan was able to slip the grasp of the Iran-contra allegations was that by the time the case was developed, his eight-year term was almost over.

But these other conditions of a scandal pale compared with the importance of what the public is predisposed to believe. In the case of Whitewater, politicians, pollsters and scholars disagree over whether the perception of Mr. Clinton will help or hurt him. Questions of Mr. Clinton's character have dogged him since he first started his campaign for President. He addressed questions about womanizing, marijuana smoking and draft avoidance in a lawyerly way that left the impression he was withholding something.

The latest New York Times/CBS News poll taken last week showed that the public continues to approve of Mr. Clinton's performance in office by 50 percent to 39 percent, essentially unchanged from last month, and it indicated that many people are withholding judgment about Whitewater because they know too little about it. But when CBS News, trying to measure the President's credibility, asked people in a separate poll last month whether they thought Mr. Clinton generally said what he believed or merely what he thought Americans wanted to hear, they pointed to the latter by a margin of nearly 2 to 1.

"This has all the earmarks of serious problems," said Patrick H. Caddell, who was Jimmy Carter's pollster and strategist and now lives in a sort of political exile in California. "You've got a guy here the public still doesn't basically trust. A majority of the people do not believe he has the character to be President."

But the counterweight is that the public very much wants Mr. Clinton to succeed as President. Reporters who interviewed people around the country last week were impressed by that sentiment time and again. Trudi Clark, a 42-year-old clerk in a market in Philadelphia, was typical. "Give him some time," Ms. Clark said. "He's only been in office a year. He's got three more years to do something."

Tony Coelho, the former Democratic House whip who left office in 1989 after accusations that he had failed to disclose a $50,000 investment loan, argued that if Mr. Clinton was ever harmed by the public perception of his character, the damage was done long ago. Mr. Coelho explained: "It's like when people say to me, 'I thought Wall Street would really react to this or that,' and I say, 'Wall Street reacted to that weeks ago; it's been discounted.' That's the way it is with Clinton. They didn't elect him with a high credibility quotient. The American people have discounted this already."

The outcome of the process this time is unpredictable. But politicians have become so familiar with it over the last 20 years that they have developed techniques to promote or retard the mysterious chemical reaction that leads to scandal. Last week, Republicans and Democrats alike were trying to find the right switch that would turn the reaction on or off.

An axiom learned from Watergate is that the worst position a President can take under fire is to hunker down and refuse to answer questions. With that in mind, Mr. Clinton held an exhaustive news conference Monday afternoon, answering one question after another until no reporter had anything left to ask.

Another lesson is that it helps a President to have a beacon of propriety at his side. So Mr. Clinton brought in Lloyd N. Cutler as his White House counsel, the same person Jimmy Carter turned to for the same job when his Administration had troubles.

From the Republicans' perspective, they recall how the senators and representatives who investigated the Iran-contra affair came across on television as bombastic bullies. So when Senator Alfonse M. D'Amato of New York met last week with the special prosecutor, Robert B. Fiske Jr., and then went before the cameras for a news conference, he had at his side Senator William S. Cohen of Maine. Senator Cohen has a calm manner, and he is remembered as an impartial investigator who voted to impeach Mr. Nixon over Watergate and to chastise Mr. Reagan over Iran-contra. Mr. Cohen, who had previously shown little interest in the Whitewater case, was, in effect, an antidote to Mr. D'Amato's inherent shrillness.

Cover-up, subpoena, grand jury — such terms alert the public.

The Republicans also remember from past episodes how important it is for the press to keep the story alive. So at a breakfast meeting with reporters Friday morning, Representative Jim Leach of Iowa offered the tantalizing revelation that he had sent Mr. Fiske a "confidential memo" about how officials at the Resolution Trust Corporation office in Kansas City were being "gagged and possibly coerced" by R.T.C. officials in Washington. Mr. Leach provided nary a clue to what he was talking about. But three dozen reporters left the breakfast table ready to scramble all weekend to find out.

What the Whitewater case lacks so far are immediately identifiable words or symbols to conjure an iniquitous image without further explanation. There is no vicuna coat or Tidal Basin or 18½-minute gap.

What the case does *not* lack is a shredder. News that files had been shredded at the Rose Law Firm in Little Rock added a nefarious twist, even without knowing what was in the files. Outside of gardening and cooking, the word shredder scarcely appears in conversational English unless it relates to a political scandal.

"You'd think they'd have more sense," said Stephen Hess, a senior fellow at the Brookings Institution who has seen countless scandals rise and fall over the years. "I mean, don't they have fireplaces or flush toilets in Little Rock?"

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Nussbaum for the Defense

The Legal Life and Times of the President's Former Counsel

By Rita Henley Jensen

JUST FOR for the heck of it let's say that departing White House counsel Bernard W. Nussbaum is not stupid, clumsy or even politically tone deaf. After all, those who know him well say that in fact he is brilliant, ethical and savvy.

What then could he have been thinking as he searched the office of Vincent Foster on the weekend of his violent death with no law enforcement authorities present? Or when he was sitting in on interviews between Whitewater investigators and White House staff? Or when he was being briefed about the progress of the Whitewater investigation?

Nussbaum says he was only being a good lawyer, vigorously representing his client. Now, I am a fan of good, even zealous, lawyering. Why then did his actions seem, well . . . wrong to me? I called several leading New York and Washington attorneys but they were of little help—they said they would have done just what Nussbaum did. They agreed, even the Republicans among them, that Nussbaum's only mistake was one of ignoring appearances in his aggressive attempt to do an excellent job.

I know that in many cases, the essence of good lawyering is maintaining your client's confidences. During the Foster office search, Nussbaum could have been simply checking to see that the Clintons' personal files were properly transferred to the Clintons' new lawyer. Another hallmark of excellent lawsmithing is finding out as soon as possible what problems could be facing your client. Hence, Nussbaum may have wanted to see for himself if there was a Whitewater smoking gun in Foster's briefcase and then inform his client. Maybe it would have been wiser for the Park Police to have been present and at least make notes of which files were in the office and which ones were removed, but was it strictly required?

And maybe during the interviews and the briefings, Nussbaum was earnestly seeking information about who was saying what to the investigators so that his client might better cooperate—sort of a time-saving device.

Put another way, Nussbaum seized the moment.

I would buy all of that—except that Nussbaum's explanation sounds exactly like those arguments advanced on behalf of one of his previous clients, a law firm with connections to a failed savings and loan.

Rita Jensen, a former senior writer at the National Law Journal, is an Alicia Patterson fellow.

BY DAN YACCARINO FOR THE WASHINGTON POST

In March 1992, Nussbaum signed on to defend Kaye, Scholer, Fierman, Hays & Handler—a large, prosperous and well-regarded law firm based in New York—against charges brought by federal banking authorities. Kaye Scholer had done $10 million in work in the late 1980s for either Charles Keating Jr. or the thrift he owned, Lincoln Savings & Loan, or both (depending on whom you asked and when you asked it). The work had been supervised by Kaye Scholer's then-managing partner Peter M. Fishbein and had come back to haunt Fishbein and the firm: regulators were demanding a payback.

From 1987 until Lincoln was taken over by federal banking authorities in 1989, Fishbein and others in the firm, master litigators by all accounts, had stiff-armed the government bank examiners. They told the regulators that all requests for information about Lincoln's operations had to go through the firm. But Kaye Scholer attorneys did more than that—according to federal regulators' allegations. They sent one memo in 1987 to federal banking regulators that went so far as to say this:

"In making real estate loans, Lincoln has always undertaken very careful and thorough procedures to analyze the collateral and the borrower. What is unusual about Lincoln's underwriting is its particular emphasis on, and the thoroughness of, its underwriting of the collateral . . . although, at times, its 'paper trail' has been incomplete."

This was said even though the firm had information quite to the contrary, according to the government's later allegations. In fact, the banking agency's notice of charges quoted what it said was a 1986 Kaye Scholer memo that said the thrift's loan files "ran the spectrum from disaster to non-existent."

The firm did not lie to the government, Nussbaum would argue later in an American Lawyer roundtable discussion of the case. "It did nothing wrong," he was quoted as saying, "and acted properly as any lawyer would have acted under the circumstances." In other words, the memo and its other actions on behalf of Keating were nothing more than Kaye Scholer's modest attempt to provide its client the type of zealous advocacy required by ethics rules. Not everyone thought so. Nussbaum persuaded Fishbein and the firm to settle for $41 million in restitution and to agree that Fishbein be barred from practicing before federal banking regulators.

However, as time passed, supporters of Fishbein and the firm would come to argue that for Kaye Scholer to have done anything other than what it did would be tantamount to its becoming a government stool pigeon. And the vast majority of the organized bar seemed to agree. In fact, the New York Bar Association this year, in an extremely rare move, officially vindicated Fishbein's position.

No one has suggested that any shenanigans—if in fact there were any—at Madison Guaranty Savings and Loan or Whitewater Development Co. even remotely approach what was going on at Lincoln. And Nussbaum's connection to Whitewater appears to be long after the fact. Yet it is discomfiting that Nussbaum is taking a position similar to that of Kaye Scholer by writing to President Clinton that his unhappy departure is being caused by those who "do not understand, nor wish to understand the role and obligation of a lawyer."

Perhaps it is true that those of us outside the profession just don't know good lawyering when we see it. We know the essence of zealous advocacy is the use of boldness and knowledge to head off problems. We also know, however, that too often members of the bar believe that their license to practice law is a permit to throw their weight around, to obfuscate, to push the envelope of what they and their clients can get by with, and the difference between the two is not always a bright line.

We also might wish that Kaye Scholer had thought part of its obligation was to protect investors from the likes of Keating before the losses mounted to $2.5 billion. And we might hope that Nussbaum, with the nation watching, might have acted as if he had an obligation to his client's constituency to act as a paragon of fair play: to step back, to second-guess his take-no-prisoners litigation instincts and to serve the interests of justice. For that, in the end, is in the best interests of his client.

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The Washington Post Sunday, March 13, 1994 H5 1

HOBART ROWEN

Cutler Offers a Steady Hand For a Wavering White House

Although he won't officially take up his duties at the White House until April 1, President Clinton's new special counsel, Lloyd N. Cutler, a Washington icon, already has begun the process of damage control, reassuring the public through TV and newspaper interviews that an experienced old hand has control of the rudder.

Clinton named Democrat Cutler last week to succeed Bernard Nussbaum in a desperate effort to restore trust and dignity to the White House.

The 76-year-old corporate lawyer knows full well that uncertainty over what is happening to the Clinton administration threatens economic recovery and markets worldwide. The nation can ill-afford another failed presidency.

No one can be sure whether Cutler can help Clinton—and, by extension, the country—out of the present jam, but we can be sure that Cutler will do Clinton no harm. At his age, he deserves great credit for responding to Clinton's emergency call, even if he felt the need to limit his service to 130 days.

In a telephone interview, Cutler stressed to me that the White House credo from here on will be "openness and cooperation" with the Whitewater investigator and with the public.

"My conception [of the job] is that you are counsel to the incumbent president and to the institution, and while you rarely need to distinguish between those two responsibilities, the president's private affairs ought to be handled by a private lawyer," he said.

The key thing to remember about the Cutler appointment is less that he is a skilled attorney than the fact that he knows the Washington political scene like the back of his hand. In Cutler, the

See ROWEN, H5, Col. 1

ROWEN, From H1

[pr]esident has latched onto a [ve]teran who not only knows his [w]ay around Washington and [fo]reign capitals, but who has good [ju]dgment and a special feel for [co]nstitutional issues.

Much of Clinton's difficulty over [th]e past year, running from the [fla]wed Zoe Baird appointment as [at]torney general, to the [m]ishandling of the Whitewater [si]tuation, can be traced to the fact [th]at he has drawn most of his key [ad]visers from a small group of [fo]rmer Arkansas buddies, and to [th]ose who fought the 1992 [ca]mpaign with him.

Other presidents also have [su]rrounded themselves with [cr]onies. That's only natural. But [th]e danger is that close friends [m]ay instinctively put personal [lo]yalty ahead of common-sense [re]gard for propriety and [re]sponsibility.

Ironically, this subject came up [a]t a small private lunch Cutler [g]ave last month at Washington's [e]xclusive Metropolitan Club for [v]isiting German politician Count [O]tto Lambsdorff. Cutler had three [o]ther guests, including former [U].S. ambassador to Moscow [R]obert S. Strauss, himself a [W]ashington fixture, and former [U].S. ambassador to Bonn Richard [R]. Burt.

The conversation was off the [r]ecord, but Cutler sees no harm in [m]y observing here that it covered [t]he same inside-the-Beltway

BY LARRY MORRIS—THE WASHINGTON POST

Lloyd Cutler with the besieged client who sought his political wisdom.

topics that any Washington business lunch would include at a time when the White House was in a political jam and struggling to evolve a foreign policy.

The Whitewater affair in February had not reached its current point of frenzy, complete with appointment of a special counsel, Nussbaum's resignation and then subpoenas to key members of the White House staff to appear before a grand jury.

But Whitewater had begun to intrude seriously on the Washington scene, and at the Cutler lunch, different opinions were expressed on how well the president was doing his job. Two themes emerged. First, doubt of the wisdom of Clinton's aggressive trade stance toward Japan. And second, concern that Clinton had hurt himself by failing to draw on the large pool of experienced people available to him.

Now, deep in the trauma of self-inflicted wounds, Clinton has dipped into that pool for Cutler, who served President Jimmy Carter in a similar capacity more than a decade ago. Like his friend Strauss, Cutler has the respect of top Republican as well as Democratic politicians.

When Carter in 1980 was faced with the need of selecting a nominee to succeed World Bank President Robert S. McNamara, whose term would expire just before incoming President Ronald Reagan could select a new bank official, he turned to Cutler. Cutler then negotiated the appointment of A.W. "Tom" Clausen, head of the Bank of America, with representatives of the Reagan team.

Cutler is widely experienced in foreign policy and foreign economic affairs. But he doesn't figure to be a general adviser on such issues: He must be concerned primarily with image-building, especially for the institution of the White House.

But Cutler told me he will join in the debate, during his four-month stint, on some substantive policy matters. "There are issues where I will be involved," he said. He specified the crime bill, and certain aspects of foreign policy—intelligence affairs is one area—in which he has had a long-standing interest.

But because he and his law firm had been counsel for major automotive companies, he will disqualify himself from involvement in many trade issues. That's too bad, because Cutler is a strong free-trade advocate, and the administration is in need of a powerful inside voice to dilute the influence of the "managed trade" bloc on the economic team.

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Democratic Party Chief Questions Ethics of Clintons' GOP Critics

By Dan Balz
Washington Post Staff Writer

CLEVELAND, March 12—The chairman of the Democratic Party today escalated the partisan warfare over Whitewater with a pointed and personal attack on Republican critics of President Clinton and Hillary Rodham Clinton and charged that the GOP "would rather see the country fail than Bill Clinton succeed."

In a sharply worded speech to the spring meeting of the Democratic National Committee, David Wilhelm accused Senate Minority Leader Robert J. Dole (R-Kan.), Sen. Phil Gramm (R-Tex.) and Sen. Alfonse M. D'Amato (R-N.Y.) of having past ethics problems of their own that he said deserved greater public attention.

Wilhelm mocked D'Amato, Gramm and Dole as "experts on ethical misbehavior" and said: "Being attacked on ethics by Al D'Amato is like being called ugly by a frog. "Being accused of ethics violations by Phil Gramm is like being called low by a snake. Being attacked on ethics by Bob Dole is like being called a tax cheat by Leona Helmsley."

GOP attacks on Whitewater, Wilhelm said, reveal the "true colors" of Republicans "wallowing in whatever sleaze and mud they can create."

The DNC members here clearly supported Wilhelm's partisan attacks. But privately some said the White House must do more to satisfy public concern that the Clintons have not yet told the full story of their involvement in the Whitewater land development and its connections to the failed Madison Savings & Loan Association, which was owned by their Whitewater business partner, James B. McDougal.

With Republicans pressuring the White House for more disclosure on Whitewater and demanding congressional hearings, Wilhelm's tough speech today represented a Democratic strategy to take some of the heat off the president and force Republicans into a debate with the national party leader.

Wilhelm's caustic oratory had another purpose as well, which was to help set the tone for a midterm campaign in which Democrats are seeking to hold down the losses typically suffered by the party in power.

Saying the rising economy takes away a key issue from the Republicans, Wilhelm charged that "their only political strategy [is to] destroy the president, run him into the ground."

Wilhelm also accused Republicans of targeting Hillary Clinton because "she is a symbol of what is great about the Democratic Party" and is leading the fight to reform the nation's health care system.

"They can't stand her success, and that's why they're on the attack," he said.

Wilhelm ridiculed the Republicans for attempting to obstruct the Democratic agenda in Congress and said they had become, in the words of former vice president Spiro T. Agnew, "the new nattering nabobs of negativism of the '90s."

He characterized the Republicans as divided and devoid of fresh ideas, saying the GOP is "a party whose intellectual leader is a radio talk show host, Rush Limbaugh."

The successes of the Clinton administration, Wilhelm asserted, have put Democrats in the driver's seat heading into the midterm elections, "and it's driving the Republicans crazy." In reaction, he said, Republicans have put their partisan interests ahead of the country's.

In attacking the Republicans personally, Wilhelm said more questions should be raised about old ethics charges leveled at D'Amato and Gramm and about Dole's connections with a former campaign treasurer who was charged with tax fraud related to political campaign contributions.

Wilhelm and D'Amato have tangled already on Whitewater. Frank Coleman, a D'Amato spokesman, said today, "We've already been through these ridiculous charges from the president's political hatchet man, which certainly do nothing to respond to the numerous allegations that have arisen around the Whitewater scandal."

He said D'Amato has said such an "ill-conceived attempt to silence him . . . would only make him that much more tenacious in pursuing his oversight responsibilities as senior Repu lican on the Senate Banking Comm tee."

Wilhelm said Gramm should expla the subsidy he received from the Te as owner of a failed savings and lo for a vacation house Gramm built.

At the time of the initial disclosu of the matter, Gramm said he h agreed to pay up to a fixed amount the work on the house. He later co tacted federal regulators in behalf the savings and loan owner, but call the referral routine.

Wilhelm also raised questions ab news reports of testimony in a t fraud trial involving a former Do aide. The testimony said Dole had pressured the aide, David C. Owen, to make certain contributions that are part of the case. No accusation of wrongdoing by Dole has been made.

Gramm and Dole could not be reached for comment.

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HOW OFFICIALS RESPONDED TO WHITEWATER

The Whitewater Development Corp. first became an issue for Bill and Hillary Clinton during the 1992 presidential campaign but soon evaporated as a major concern. It reemerged last October with a report in The Washington Post that Resolution Trust Corp. investigators had asked for a criminal investigation of the failed Madison Guaranty Savings & Loan, formerly owned by the Clintons' Whitewater business partner, James McDougal. In two sets of criminal referrals, the last forwarded to the Justice Department in October, the RTC has cited the Clintons and the Clinton gubernatorial campaign as possible beneficiaries of Madison's illegal activities.

▶QUESTIONS ARISE

March 8, 1992: New York Times reports **James McDougal,** owner of defunct Madison Guaranty Savings & Loan, provided more money in initial Whitewater land development than **Bill** and **Hillary Rodham Clinton,** and questions whether regulatory treatment of McDougal was lax in Clinton administration.

March 23: Denver lawyer **James Lyons**, chosen by Clinton campaign, releases report on Whitewater, saying Clintons lost $68,900 in the deal. No backup documentation is released. The findings would later be questioned by some tax experts.

▶CLINTONS NAMED BY RESOLUTION TRUST

October: Resolution Trust Corp. (RTC), agency responsible for overseeing disposition of failed thrifts, refers the Madison case for possible criminal investigation to U.S. Attorney's Office in Little Rock, Ark., naming the Clintons as potential beneficiaries of possible diversion of funds from Madison to the Whitewater Development Corp., which had an account at Madison. RTC's referral is forwarded to the Justice Department.

Nov. 3: Clinton elected president.

▶CLINTONS SELL WHITEWATER

Dec. 24: Clintons sell Whitewater interest back to McDougal for $1,000. **Vincent Foster,** Rose law firm partner with Hillary Clinton, handles sale.

June 1993: Three years of delinquent corporate tax forms for Whitewater—prepared under the direction of Foster, then deputy White House counsel—are filed.

June: Justice sends RTC request for criminal investigation back to U.S. attorney in Little Rock, instructing prosecutors to proceed as they see fit.

July 20: A U.S. magistrate signs an FBI warrant to search the offices of **David Hale,** owner of federally subsidized company, Capital Management Services, that provided $300,000 loan in 1986 to the Clintons' Whitewater partner, **Susan McDougal** (former wife of James McDougal). Part of the loan went to help Whitewater buy land from International Paper Co. near Little Rock.

▶FOSTER FOUND DEAD

July 20: Foster dies in what is ruled a suicide. One of his last phone calls was from attorney Lyons. Lyons denies they discussed Whitewater.

July 22: Whitewater documents removed from Foster's office by White House counsel **Bernard Nussbaum** and later given to Clinton's personal lawyer. This does not become public knowledge until December.

August: Randy Coleman, Hale's lawyer, calls associate White House counsel and former Rose partner **William Kennedy** to tell him that Hale intends to say Clinton pressured him to make Small Business Administration-backed loan to Susan McDougal. Kennedy alerts Nussbaum but declines Coleman's offer to discuss the matter.

September: Then senior vice president of the Resolution Trust Corp., **Bill Roelle**, briefs Deputy Treasury Secretary **Roger C. Altman** and **Jean Hanson**, general counsel at Treasury, about additional requests for criminal investigation naming the Clintons, which RTC is preparing to send to Justice.

▶WHITE HOUSE/TREASURY COMMUNICATIONS

Sept. 29: At White House meeting, Hanson tells Nussbaum about the additional referrals naming the Clintons.

Oct. 8: Second set of referrals sent to U.S. attorney in Little Rock.

Oct. 14: Prompted by press inquiry about requests for criminal investigation, six persons attend second White House meeting:
■ *From the White House:* **Nussbaum; Mark Gearan,** communications director; and **Bruce Lindsey,** assistant to the president.
■ *From the Treasury Department:* **Jean Hanson,** general counsel; **Jack DeVore,** press secretary; and **Josh Steiner**, chief of staff. Participants say they discussed only how to respond to the press, not the substance of the requests for investigation.

Oct. 27: RTC's first referral for criminal investigation rejected by **Paula Casey,** Little Rock U.S. attorney and former law student of Bill Clinton, who later recuses herself from case.

Oct. 30: Lindsey says he knows nothing about RTC criminal referrals beyond what reporters have told him.

Oct. 31: The Washington Post reports that RTC is investigating Madison and that Clintons are mentioned in requests for criminal investigation.

Nov. 3: Associate Attorney General **Webster L. Hubbell,** a former partner of Rose law firm, recuses himself from anything to do with Whitewater.

Nov. 9: Special Justice Department team sent to Little Rock to investigate second set of referrals.

Dec. 24: Clinton instructs his personal lawyer to turn over to the Justice Department all Whitewater documents, as cries for a special counsel rise after disclosure Nussbaum took Foster files.

▶SPECIAL COUNSEL APPOINTED

Jan. 20, 1994: After White House yields to political pressure, **Robert B. Fiske Jr.** is appointed by Attorney General **Janet Reno** as special counsel to investigate Whitewater and Foster death.

Feb. 2: Altman, Hanson and Steiner meet at White House with Nussbaum, **Margaret Williams,** chief of staff to Hillary Clinton, and **Harold Ickes,** White House deputy chief of staff. Meeting described as "procedural brief" on RTC investigation at Madison.

Feb. 24: Altman attends congressional hearing, at which he reveals that he initiated and attended Feb. 2 meeting between Treasury and White House officials.

Feb. 25: Altman recuses himself from further Madison-Whitewater investigation and announces he will step down as interim head of RTC at the end of March.

March 3: The Washington Post discloses Sept. 29 and Oct. 14 meetings between Treasury and White House staff to discuss Whitewater.

March 5: Fiske subpoenas Nussbaum, Ickes, Lindsey, Williams, Gearan, Altman, three current and former Treasury aides and **Lisa Caputo,** press secretary to Hillary Clinton.

March 5: Nussbaum resigns, effective April 5.

March 8: Clinton names **Lloyd Cutler** counsel to the office of the president.

—Compiled by the National and Investigative staffs of The Washington Post

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Conspiracy Theorists Find Foster Case Hard to Resist

Rumors Abound Despite Lack of Supporting Evidence

By Michael Isikoff
Washington Post Staff Writer

Sherman Skolnick, self-styled "citizens" investigator and conspiracy expert, once devoted his energies to uncovering the mysteries of the Kennedy assassination and Watergate. But these days, Skolnick is hard at work unraveling a more recent conundrum: the death of deputy White House counsel Vincent Foster.

Based on information he says he learned from an unidentified Secret Service "consultant" with "underworld ties," Skolnick claims that Foster actually was murdered by a three-man hit squad from Germany. "They snuck Foster out of the lower level of the White House, then they had a Foster double leave his office and go somewhere else," said Skolnick, who links the death to an aborted coup against Iraqi President Saddam Hussein and the firing of FBI Director William S. Sessions.

Skolnick's theories may be wholly lacking in supporting evidence. But he recently has been airing them on a public access cable television show in Chicago. He is one more volunteer in a burgeoning army of conspiracy theorists who are springing up around the Foster case and confounding the Clinton White House.

In recent weeks, the events surrounding the July 20 suicide of President Clinton's boyhood friend have been the subject of a seeming avalanche of speculative news reports, rumors and gossip that is fast turning Foster's death scene at Fort Marcy Park in Northern Virginia into a 1990s version of Dealy Plaza. One widely circulated theory has Foster driven to suicide by news of an imminent FBI raid in Little Rock, Ark., linked to the Whitewater affair. Another, actively being probed by Republican investigators, connects Foster's death with the unsolved execution-style murder of a former Clinton campaign security official in Little Rock last September.

Yet a third theory, reported last week by a financial newsletter, has Foster dying in a Northern Virginia safe house used by senior White House aides—a report that caused the stock market to plunge and prompted a vehement White House denial.

"How is it acceptable that completely unsubstantiated rumors become the fodder for legitimate news organizations?" said White House press secretary Dee Dee Myers when asked about the report. "Since when are we in the position of having to prove a negative?"

David Smick, a former top aide to Republican presidential hopeful Jack Kemp, is co-owner of the newsletter that published the unsubstantiated story.

Then there is conservative political activist Floyd Brown. As chairman of Citizens United, Brown has employed two full-time investigators probing Foster's death and circulated his "findings" in regular faxes to news organizations.

Perhaps the most persistent of the Foster stories suggests that, contrary to the official findings of the U.S. Park Police, the White House aide was murdered. This view gained circulation in January when the New York Post quoted George Gonzalez, a Fairfax County paramedic who was the first medically trained person to reach Foster's body.

Gonzalez said the scene was unlike other suicides he had observed, describing how Foster's body was lying neatly on a gentle incline with a .38-caliber revolver in one hand. "Usually a suicide by gunshot is a mess," Gonzalez said. Yet Gonzalez said there was only a "thin trickle of blood" in the corner of Foster's mouth. He said Foster's body was laid out neatly "as if ready for a coffin."

Gonzalez's observations quickly were pounced upon by conspiracy buffs in part because the official park police report, including the Fairfax County coroner's autopsy, never had been released by the Justice Department. Now, the release has been blocked pending further investigation by special counsel Robert B. Fiske Jr.

But federal law enforcement officials say that some of Gonzalez's recollections are directly contradicted by police photographs taken at the scene as well as a statement filed that evening by park police investigator John Rolla, who arrived about 20 minutes after Gonzalez.

Rolla, whose written observations are part of the park police report, reported seeing blood in Foster's nose and on his mouth, right shoulder and underneath his head—an observation further bolstered by photographs, one of which was shown by ABC on its Friday night news program.

Rolla also reported that "blood on the ground and on his shirt was still wet"—a finding consistent with the conclusion that the death took place several hours earlier at the park and not somewhere else.

Law enforcement officials said other forensic evidence in the park police report supports the suicide finding: the black powder burns on Foster's hand and mouth, the absence of defensive wounds and the position of Foster's right hand, with his thumb trapped in the trigger of an antique Colt revolver owned by his family.

"There's absolutely nothing to lead the police or the medical examiner to believe that anything happened other than a suicide," said one federal law enforcement official who has reviewed the evidence. "The guy was no more killed in an apartment in Northern Virginia than there is a man in the moon."

Fiske has pledged to conduct a "thorough and complete" investigation of Foster's death. In court papers filed in New York, Fiske said he will retain outside forensic experts and pathologists and will ask Russell Hardin Jr., a Houston homicide prosecutor to review the findings.

While comfortable with the suicide conclusion, many federal law enforcement officials said there are other unsettling aspects of the Foster case that have already piqued the interest of Fiske's investigators.

Park police found ample reason to conclude that Foster was despondent about his life in Washington and had sought the names of psychiatrists. But their efforts to discover if there were any particular work-related concerns that caused him to take his life were repeatedly blocked by White House counsel Bernard Nussbaum. Nussbaum recently resigned the counsel's job, in part because of criticism over his handling of the Foster suicide investigation.

Invoking "executive privilege," he refused to permit park police investigators to enter Foster's office the day after his death. The next day, Nussbaum agreed to conduct his own "search" in the presence of Justice Department lawyers, FBI agents and park police investigators but refused to let them inspect any of Foster's papers, rapidly identifying them in a way the investigators found incomprehensible.

It was during this search—not, as some have reported, during a late night visit to Foster's office the night of his death—that Nussbaum removed Whitewater-related documents that later were transferred to President Clinton's personal attorney, David Kendall. Foster had been handling the preparation of Whitewater's overdue corporate tax returns.

Federal law enforcement officials say they have no evidence that Foster was concerned or worried about Whitewater, an issue that at that point had largely sunk from public view. But they say there are other reasons to be concerned about the thoroughness of the park police investigation: A torn-up, undated note written by Foster suggesting his job despair was not turned over to the park police until more than a week after his death, and no finger or palm prints were ever identified.

The park police never reviewed entries in Foster's office computer nor did they interview potentially key witnesses, such as Brantley Buck, the Rose Law Firm partner who placed one of the last known phone calls to Foster the morning of his death. Park police investigators established that Foster tried to return the call but never got through. He placed the call shortly before he left his office at 1 p.m., the last time he was seen alive.

Later news reports revealed that Buck was handling an internal law firm inquiry into the billing practices of former partner Webster L. Hubbell, Foster's close friend who now serves as associate attorney general.

The park police also never interviewed Clinton, who spoke to Foster for about 20 minutes by phone the night before Foster's death. Clinton has never explained all the matters the two discussed that evening.

Asked recently about the suicide on CNN's "Larry King Live," Clinton said curtly: "I don't think we know any more than in the beginning because I just really don't believe there is any more to know. You know, he left a note; he was profoundly depresse

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Campaign Cowboys Still Learning to Tread Whitewater

By Ann Devroy
Washington Post Staff Writer

A1

A month after President Clinton took office, White House counsel Bernard Nussbaum set out in a memo to the staff severe restrictions on contacts they could have with government regulators. "Violations," the memo noted, "may result . . . in significant embarrassment to the individual involved and the White House."

Five months later, contacts between White House officials and the FBI over the firing of the White House travel office staff were deemed "improper and insensitive to the appearance of White House influence" by an internal management review.

Now, three such contacts between Treasury Department officials and Clinton aides, including Nussbaum, involving the federal investigation of the president's and Hillary Rodham Clinton's ties to a failed Arkansas savings and loan have ensnared the White House in serious legal and political trouble.

Asked why this keeps happening, administration officials and political observers pointed once again to a Clinton White House culture still more attuned to the operating methods of a political campaign than to the rules of governing. The White House remains populated by few government veterans and many former campaign workers most comfortable with the campaign war room style of rapid and aggressive response to political threats.

Clinton campaign war room veteran George Stephanopoulos, now a senior adviser to the president, acknowledged last week that White House damage control efforts in response to inquiries about the Clintons' Whitewater land deal have caused more political and legal damage than they have controlled.

"A campaign is a campaign," said newly named White House counsel Lloyd Cutler in an inter-

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view. "Those are private people who are not part of the government set in a particular, peculiar situation.

"But now, you are the government of the United States. In a campaign, [strategist] James Carville could answer a question in a manner that was 75 percent correct and 25 percent incorrect and that would be fine. The next day in a campaign, you are on to something else. Now, you are the government, and the government got it wrong."

Another administration official put it more succinctly. "In a campaign, you can afford to be a cowboy, you're even expected to be a cowboy. In the White House, you have to keep your gun in the holster a lot of the time."

White House counselor David R. Gergen, like Cutler a veteran of previous administrations, said the grand jury subpoenas of White House and Treasury aides, the elaborate search for documents and Cutler's appointment last week served as a "wake up call" to a traumatized White House staff.

Many others make the case that the seriousness of the week's action has focused the White House the way no string of memos could. In an effort to convince the public that new rules are in place and will be taken seriously, Cutler will speak for the administration on today's Sunday news interview shows. Hillary Clinton, who remained mostly out of sight the past week, will reemerge this week in a business-as-usual schedule.

"We are still going to be explaining the past," said one official, referring to the Clintons' role in Whitewater, "but we are confident that this sort of thing in the White House won't happen again."

Others are not so sure. Said one administration official, "The campaign cowboy analogy goes only part way. This remains a building that lacks discipline. There is a sloppiness. A lack of seriousness. A group-grope quality where everyone rushes to one problem and gropes around for a solution while other problems pop up everywhere else."

White House officials contend that two of the three meetings between White House and Treasury officials now being investigated by Whitewater special counsel Robert B. Fiske Jr. were motivated by damage control. The other, they say, comes close.

In two separate criminal referrals, the last of which was forwarded on Oct. 8, the Resolution Trust Corp., an independent government agency that handles failed savings and loans, asked the Justice Department to conduct a criminal investigation into the collapse of Madison Guaranty Savings & Loan, a failure that cost taxpayers an estimated $60 million. The Arkansas thrift was owned during the mid-1980s by James McDougal, who was a business partner with the Clintons in the Whitewater Development Corp.

Without accusing them of any wrongdoing, the RTC named the Clintons as possible beneficiaries of Madison's illegal activities. Part of the investigation focused on checks written from and deposited in a Whitewater account at Madison. RTC investigators also found irregularities in a series of Madison cashier's checks written to the Clinton gubernatorial campaign.

The White House knew that the story of the RTC investigation was about to break when Jack DeVore, the Treasury Department's press secretary, arranged an Oct. 14 White House meeting. DeVore along with Treasury's chief of staff and general counsel met with White House communications director Mark Gearan, Nussbaum and Bruce Lindsey, a White House adviser whose long-time ties to Clinton made him the person most knowledgeable about the Clintons' personal finances.

Participants who have described that session say it was devoted almost entirely to devising a White House response for reporters

"In a campaign, you can afford to be a cowboy, you're even expected to be a cowboy. In the White House, you have to keep your gun in the holster a lot of the time."

— Clinton administration official

and deciding that Lindsey would be the spokesman on the matter.

When the story broke Oct. 31 in The Washington Post, the White House denied knowing of the RTC action and said it would have no comment.

White House spokesman Jeff Eller's statement to that effect was widely quoted. Lindsey had told The Post that weekend, as reporters were preparing the story, that he was aware of the referral only through press inquiries.

But the White House later acknowledged that the first of the three meetings Fiske is looking into occurred on Sept. 29, when Treasury general counsel Jean Hanson told Nussbaum of a criminal referral mentioning the Clintons. Nussbaum told Lindsey. RTC criminal referrals are secret, and White House officials now view that contact as the most serious breach of their internal rules. At the time it was revealed, a senior administration official described that Hanson-Nussbaum conversation as "the first Treasury heads-up," a tip-off from Treasury to the White House that a potentially damaging story was bearing down.

The final meeting, in February, was called by Deputy Treasury Secretary Roger C. Altman, who is heading the RTC on a temporary basis because Clinton has not nominated a permanent chairman. Altman has said he was giving the White House a "heads-up" on the process the RTC follows in civil, not criminal, cases.

Altman vehemently denies that the session was meant to warn the White House of a schedule that might potentially affect Hillary Clinton and her former law firm, whose representation of Madison is being reviewed by the RTC. Altman said the meeting showed poor judgment and was a terrible mistake but was intended only to keep the White House informed of potential trouble spots.

"Have a little heart here," said one adviser to the White House, who said his comments are based on "the theory that there is nothing further to these meetings."

"You got a bunch of people trying to protect the president and the White House. It is what all White Houses do or they don't survive."

But critics of the Clinton team say that the Whitewater defense operation fits a pattern of actions, large and small, that suggest inattention to the responsibilities of those who serve in government.

They point to reports of White House aides failing to perform required paperwork to get their passes and security clearances; of State Department aides last year retrieving personal files of Bush administration officials and leaking information about them to the press; of White House procedures in the days following the suicide of deputy White House counsel Vincent Foster that have led to questions about the integrity and thoroughness of the police investigation.

White House Chief of Staff Thomas F. "Mack" McLarty attributed many of the difficulties to the daily rush of problems that engulf the White House. "We had procedures put in place to ensure that White House people maintain the highest ethical standards," he said.

Added Cutler: "They just tended to get ignored in the pressure of time."

"There is a special thing about the White House," said Cutler. "It is not like a new team at a business. . . . Everything, everybody changes when a new administration comes in. . . . People have no history of all working with one another. It takes awhile to learn to work together, to learn the rules and to learn the lessons of not following them."

How long should the Clinton team be given to make the transition from the campaign to the government? Cutler answered: "It ought to by the end of the first year." Now, with Clinton two months into his second year, Cutler said, "Certainly, certainly, we have room for improvement."

The Nation

Untangling the Threads Of the Whitewater Affair

By STEPHEN ENGELBERG

WASHINGTON

WHITEWATER DEVELOPMENT COMPANY began in 1979 as a small investment between the Clintons and an Arkansas businessman. But in recent weeks, the name Whitewater has come to stand for a host of tangentially related issues, from the 1993 suicide of Deputy White House Counsel Vincent W. Foster to the propriety of the White House's contacts with regulatory agencies whose inquiries touched the Clintons.

As Robert B. Fiske Jr., the special counsel looking into the matter, took his first grand jury testimony from White Hour officials last week, nearly every aspect of the case remained shrouded in uncertainty.

This mu h is known for sure. In 1978, the Clintons bought 230 acres of land with James B. McDougal, an Arkansas businessman whose failing savings and loan, Madison Guaranty, later sought lenient treatment from state regulators. The parties believed they would earn quick profits. That didn't happen. And by 1985, as Whitewater was struggling to sell off its remaining lots, Hillary Rodham Clinton appeared before state officials on behalf of Madison Guaranty. Mrs. Clinton, a lawyer retained by the savings and loan, was asking regulators appointed by her husband to make a favorable ruling for her client, who was also the couple's business partner.

No evidence has emerged that the governor intervened to help Mr. McDougal, a longtime friend and former gubernatorial aide. But Madison remained in business despite considerable evidence of its shaky finances. Several years later, the institution collapsed with losses to taxpayers of more than $60 million.

Who knew what about whom — and when? We don't know yet.

Mr. Fiske, in his inquiry, is painstakingly reconstructing the savings and loan's tangled finances and is looking at a range of deals in Arkansas and beyond. One set of transactions that has already drawn atten stem from a fundraiser Mr. McDougal held in 1985 to help pay off a $50,000 bank loan taken out by the Clint to finance Mr. Clinton's 1984 re-election bid. Even bef Mr. Fiske's appointment, the Resolution Trust Corporation, the Federal agency that disposes of savings loans, had obtained evidence that some of the appr mately $35,000 raised by Mr. McDougal had been diverted from Madison. But present and former ai to Mr. Clinton vehemently insist the President had no role or knowledge of how Mr. McDougal raised the money.

The inquiry by R.T.C. investigators is itself the focal point of considerable confusion. Last fall, the ag prepared a detailed request for an investigation of possible criminal activity at Madison. The document, called a "criminal referral," suggested that the Clintons had been beneficiaries of possibly illegal transact involving the campaign fundraising.

Even before the referral was sent to the Justice Department, the White House learned of its existence. In a news conference last week, Mr. Clinton acknowledg as much, saying he heard of the referral at some unspecified point last October. "It was just something I absorbed," Mr. Clinton said.

Conflicting Stories

In responding to Mr. Fiske's subpoena for documents about three White House sessions in which the R.T.C. action was discussed, the Administration came up with nearly 1,000 pages of material and a list of 30 to 40 contacts. Lloyd Cutler, the newly appointed special White House counsel, said the conversations would be shown to be inconsequential.

There are conflicting accounts about whether the Rose law firm, which once numbered among its partners Hillary Rodham Clinton, Associate Attorney General Webster Hubbell, and Mr. Foster, destroyed evidence possibly relevant to Mr. Fiske's inquiry. Two couriers at the firm said they shredded a box of documents from Mr. Foster's files, clearly identified with such labels as "VWF: Correspondence." But the firm's spokesman said that two lawyers and two clerks were prepared to testify that it was all a misunderstanding, that the box contained miscellaneous papers collected when a lawyer changed offices.

With subpoena power and two grand juries on call, Mr. Fiske has the means to resolve this and other conflicts. But he must operate as a prosecutor — that is, in secret — and so it is unclear when or how fully the public will share in the fruits of his investigation.

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Critics Question Ethics of U.S.-Sponsored Vaccine Tests in Italy and Sweden

By WARREN E. LEARY

WASHINGTON, March 12 — Tests of a new type of whooping cough vaccine being conducted in Italy and Sweden under United States sponsorship may be unethical, critics say, because the trials deny thousands of infants vaccines that would protect against the disease.

The studies, sponsored by a unit of the National Institutes of Health, involve more than 25,000 babies, with more than 4,000 of them receiving vaccinations that do not include protection against pertussis, or whooping cough. Smaller trials suggested that the vaccines being tested may not only be effective but have fewer side effects than the whooping cough vaccine currently in use in the United States.

"It is unethical to do this trial," said a leading critic, Dr. Michele Grandolfo, a senior epidemiologist with the Istituto Superiore di Sanita in Rome. The instituto, the Italian equivalent to the National Institutes of Health, is conducting the study in Italy under a $11.5 million contract from the N.I.H.

"I think ethics requires us to break into the trial and vaccinate all the children who did not get the pertussis vaccination," Dr. Grandolfo said in a recent telephone interview. "It is incorrect to use children in this manner."

Defense by U.S. Officials

United States health officials say the studies comply with international standards on testing with human subjects and adhere to traditional standards of medical ethics because the rates of vaccination for pertussis in Italy and Sweden are so low that infants are not being denied care they would normally receive.

The officials said that such studies could not be done in the United States because almost all infants are vaccinated against whooping cough. Beyond the constraint of a limited pool of unvaccinated infants, conducting such a trial in the United States would not be permitted because of ethical prohibitions on large-scale experiments that deny participants an effective available treatment. Pertussis vaccination is recommended by Federal health agencies and the American Academy of Pediatrics and is mandatory in almost all states for admission to school.

"The concerns of people are understandable when you have trials involving children," said Dr. Anthony S. Fauci, director of the National Institute of Allergy and Infectious Diseases, which is sponsoring the studies. "But we have taken extraordinary care to assure that these studies are scientifically and ethically valid."

Whooping cough is a highly contagious respiratory disease caused by the bacterium Bordetella pertussis. It is responsible for a half million deaths annually worldwide, primarily among infants, according to estimates by the World Health Organization.

There were about 5,500 cases of the disease and about a dozen deaths reported in the United States in 1993, compared with a peak of 265,000 cases and almost 7,000 deaths annually in the 1930's, before use of the first vaccines became widespread in the 1940's.

Looking for More Safety

The vaccine, made from whole killed pertussis organisms, is usually combined with vaccines for diphtheria and tetanus into what is known as the D.P.T. inoculation. Children typically get four inoculations between the ages of 2 months and 18 months and a booster shot at the age of 5 or 6.

Reports in the 1970's that the vaccine had been linked to seizures, brain damage and death in a tiny percentage of children led to concern among some parents and health professionals. Responding to calls for a better vaccine, drug companies developed vaccines made from parts of the pertussis bacterium's outer coat and detoxified chemicals from the organism. Some of these so-called acellular vaccines, which appear to cause fewer adverse effects than the old vaccine, have been available for several years for use in older children, but not infants.

In 1 , the health institutes conducted a study of 2,350 infants in the United States to look at 13 second-generation acellular pertussis vaccines that had proved promising in earlier tests. All of the American infants in the trials received one of the vaccines.

Approval in Both Countries

After comparing the vaccines' safety and ability to raise an immune response, the agency solicited proposals from scientists worldwide to test four of the vaccines in larger trials. Sweden and Italy were selected because pertussis vaccination was not compulsory in those counties and both nations had large numbers of unimmunized children at risk, officials said.

In both countries, the design for the vaccination trials, including the control groups whose members did not get a whooping cough vaccine, were approved by the national health ministries and ethical review boards.

In each country, participants were divided into four groups: Two received one of two acellular pertussis vaccines combined with the diphtheria-tetanus vaccines; one received the conventional D.P.T vaccine licensed in the United States, and the last, the control group, received a diphtheria-tetanus vaccine without a pertussis component.

The inoculations in Sweden were administered from March 1992 to April 1993 and involved 9,829 infants, with 2,600 of them in the control group. In the Italian trials, in which 15,550 infants received shots from September 1992 through September 1993, the control group consisted of 10 percent of the participants.

All subjects are to be followed for two years after they received the third inoculation in the series, to see if they later contract any diseases, including whooping cough.

Critics of the studies, particularly the one in Italy, contend that the National Institutes of Health took advantage of researchers in both country by tying the contracts to provisions for control groups. The European scientists initially opposed this requirement.

The N.I.H. insisted that such control groups were statistically essential for evaluating the effectiveness of the new vaccines.

Dr. Fauci denied that American officials "steam rolled" the Italians into conducting a trial they did not want. Both sides compromised, he said, agreeing on a smaller control group than originally proposed.

"A 10 percent group was the smallest you could have to get statistically meaningful results," Dr. Fauci said. "These considerations were mulled over extensively and we came away with a trial that almost everyone could agree with," he said, "But there will always be some people who will disagree with the design of a trial."

Disagreement about the ethics of the vaccine trials were disclosed earlier this year in Science & Government Report, a science policy publication whose editor, Daniel S. Greenberg, obtained records on the Italian project through the Freedom of Information Act.

The World Health Organization, as well as the national health agencies of Sweden and Italy, recommend pertussis vaccination. Critics say the national health institutes should not have ignored these recommendations by insisting upon having some unvaccinated subjects.

The leading Italian critic, Dr. Grandolfo, said other ways to test the efficacy of vaccines without denying participants pertussis shots could have been explored. For example, he said, researchers could have inoc[illegible] all the children in a small area with one of the vaccines and observed [illegible] of pertussis in that area [illegible] similar areas where the [illegible] not used.

Dr. Fauci and other [illegible] experts said the children [illegible] did not get pertussis [illegible] not unduly at risk compared [illegible] because fewer than 40 [illegible] of the children in Italy and fewer than 10 percent in Sweden currently get whooping cough inoculations.

Risks of Vaccine Cited

The experts said the majority of the people and many doctors in the two countries countries believe the risks of the vaccine now used worldwide outweigh benefits, and so do not strongly advocate its use. As a result, pertussis is common among children in these countries. In Italy, for example, the rate is at least 5 percent annually, an average of about 40,000 cases each year.

The America experts argue that if the new vaccines, which appear to have fewer and milder side effects, prove effective in the trials, it could lead to a resurgence of interest in having all children worldwide immunized against pertussis.

The low level of vaccination in the two countries is an important factor in designing an ethically acceptable trial, said Dr. Mark Siegler, director of the Center for Clinical Medical Ethics at the University of Chicago. "Since only 4 in 10 Italian children are immunized, it seems that any trial that assured 9 out of 10 participants were likely to receive a safe and effective pertussis immunization is an ethically appropriate trial," he said.

But Dr. Siegler said to avoid all criticism, the best approach would be to offer all parents interviewed for the study a chance to get the recommended vaccinations first, and then try to enroll those who declined.

Officials at the N.I.H. said they were sensitive about the ethical aspects of the overseas vaccine trials and had their plans approved by ethics panels at the infectious diseases institute, which is paying for the trials, the N.I.H., and by the Food and Drug Administration.

Review by Special Panel

In addition, the institute established a special study group of vaccine experts, headed by Dr. Frederick C. Robbins of Case Western Reserve University in Cleveland, to monitor all aspects of the trials.

"We reviewed the protocols, discussed them with the Italians and Swedes, and were satisfied that the programs had been cleared through the proper channels in each country," said Dr. Robbins, a Nobel laureate and former president of the Institute of Medicine, in an interview. "We felt that with the large number of people in Italy not getting the pertussis vaccine anyway, there were no ethical problems with having a placebo group during the course of this trial."

Dr. Daniel Wikler, professor of medical ethics at the University of Wisconsin in Madison, said the issues raised are not uncommon in research involving populations that are not getting health care that is as good as it should be. "There is no clear answer for me," he said, "because both sides have ar ethical argument. You as a researcher can't be responsible for the condition in which you find your subjects, but you can't be exploitive."

Dr. Fauci said there are two major ethical questions to ask about conducting foreign trials: Are you withholding something beneficial in the trial that the subjects would normally get? Are you giving something you would not give to subjects in the United States?

"If the answers are 'no' then you're usually okay," he said.

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PARTY ATTACKING CLINTONS' CRITICS

Party Chairman Revisits Old Allegations to Try to Dull Republicans' Attacks

By RICHARD L. BERKE
Special to The New York Times

CLEVELAND, March 12 — Trying to deflect the glare of the Whitewater affair from the White House, the chairman of the Democratic Party harshly attacked three Republican Senators today, calling them unfit to criticize President Clinton because of questions about their own behavior.

The chairman, David C. Wilhelm, asserted at the close of the party's spring meeting here that it was "most bizarre" for the Republicans to turn to leaders like Senators Alfonse M. D'Amato of New York, Phil Gramm of Texas and Bob Dole of Kansas in "an obsession with Whitewater." He said, "Their true colors have been showing in the past week as they grope for their mother's milk, wallowing in whatever sleaze and mud they can create from the Whitewater investigation."

Dusting off old allegations about the Senators, Mr. Wilhelm engaged in the sort of name-calling that he had said was standard fare for Republicans. "Being attacked on ethics by Al D'Amato is like being called ugly by a frog," he said. "Being accused of ethics violations by Phil Gramm is like being called low by a snake. Being attacked on ethics by Bob Dole is like being called a tax cheat by Leona Helmsley."

The strategy of counterattacking is a gamble for Mr. Wilhelm because it could make the party appear besieged and could also invite even tougher reaction from the Republicans.

"This is a great way to pump up your base," said Terry Michael, a former spokesman for the Democratic National Committee who was at the meeting as a spectator, "but it risks sounding defensive to the increasing number of people who pollsters say have questions about Whitewater. When you sound defensive, people wonder if you have something to hide."

Mr. D'Amato lost no time in retorting that Mr. Wilhelm's remarks about allegations of kickbacks when Mr. D'Amato was a county executive in New York were "a desperate attempt by political spin doctors to divert attention from the real issue." Larry Neal, a spokesman for Senator Gramm, said, "The problem that we see is that the President and Wilhelm are reluctant to let the facts out." Mr. Wilhelm had also raised allegations about a vacation home of Mr. Gramm's and campaign contributions to Mr. Dole.

As much as party leaders argued that the mid-term elections would not be affected by the Clintons' involvement in Whitewater, a failed real estate deal in Arkansas years ago, they repeatedly raised the affair during a three-day meeting that ended today. And though they said President Clinton and his wife, Hillary, would ultimately be vindicated, some party leaders acknowledged privately that they were worried about how the case might play out.

Vice President Al Gore, who addressed the gathering on Friday evening, took a more cautious approach than Mr. Wilhelm and other speakers here, never mentioning Whitewater except indirectly, when he criticized "the politics of negativism."

White House Informed

Party members were particularly protective this weekend of Mrs. Clinton, and some urged her to be more aggressive in speaking out about her role in Whitewater. Today, Mr. Wilhelm's biggest applause came not when he took on the Senators but when he defended the First Lady.

"Hillary Clinton, in particular, is a huge threat to the Republican Party," he said. "She is a symbol of what is great about our party. They can't stand her success, and that's why they're on the attack."

Indeed, the most popular handouts here were stickers declaring, "Don't Pillory Hillary," stickers passed out by Lynn Cutler, who has long been prominent in Democratic Party circles. Saying that Mrs. Clinton had unfairly taken the brunt of criticism for Whitewater, Ms. Cutler spoke of the First Lady's background and said, "It's not like she was a matzo ball before she became First Lady." She said it was time for Mrs. Clinton to go public in defending herself.

White House officials said they were exploring ways to have the Clintons explain their side of the Whitewater case. They considered having both of them appear on a network broadcast this week but decided instead to have Mrs. Clinton grant interviews today to the major news magazines.

For now, Mr. Wilhelm is the principal defender of the Clintons, and he repeatedly accused Republicans of being consumed by Whitewater. But it was Mr. Wilhelm who talked about the affair all weekend.

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