FROM PAGE 1

Gonzalez stands like stone wall after open career

By Rod Dreher
THE WASHINGTON TIMES

What is it with Henry Gonzalez these days? A lot of people, including the eccentric House Banking Committee chairman's admirers, would like to know.

The Texas Democrat, whose reputation in recent years was built on a damn-the-torpedoes attitude favoring governmental openness and public accountability, has become one of the strongest dams holding back congressional inquiry into Whitewater-Madison shenanigans.

On Monday, Mr. Gonzalez's resolve began to crack under pressure. In a letter to Speaker Thomas S. Foley, he called for a House resolution authorizing Whitewater-Madison hearings.

But in what appeared to be a face saving gesture, the chairman fired off a harsh letter to Rep. Jim Leach of Iowa, the ranking Republican on the Banking Committee, in which he postponed a Thursday oversight hearing at which Republicans had hoped to raise Whitewater-Madison questions. The tone of the letter was so venomous that Mr. Foley called Mr. Leach to apologize on the House's behalf.

"Nobody on the Hill has proclaimed the public's right to know more often or more energetically than Henry Gonzalez in the 10 years I've been here," said Rep. Dick Armey, Texas Republican. "I guess there's been a recent Lenten conversion on his part. . . . How do you account for that? I don't know."

Influential columnist William Safire wrote a more-in-sorrow-than-in-anger piece in Monday's New York Times, calling Mr. Gonzalez a "hero" for taking on the banking industry and the executive branch during the Bush years and wondering why the congressman has shown "unprecedented partisanship" in "stonewalling" for President Clinton.

Mr. Safire warned that a televised hearing in which the Democratic chairman gaveled down every Republican question related to the Whitewater Development Corp. and Madison Guaranty Savings and Loan Association would be a political embarrassment for Democrats. Congressional Democrats agreed and squeezed the feisty Texan until they got him to do something he rarely does: back down.

Mr. Gonzalez, who did not return phone calls for comment, may look like Zorba the Greek, but to many people the wily populist behaves like Don Quixote. A biography in "Politics in America" says: "For years, few members of Congress had a reputation on Capitol Hill so contrary to their image back home as Gonzalez, who was revered in San Antonio while being dismissed by most House colleagues as a flake."

Mr. Gonzalez, 77, has earned his gonzo credentials in a long, and long-winded, 17-term career in Congress. In 1963, still new to the chamber, he threatened to horsewhip a Republican member on the House floor for calling him a communist. In 1986, he punched out a man half his age in a San Antonio restaurant for making the same mistake.

He has a reputation for taking personal crusades to the House floor and talking for hours, sometimes when nobody's there to listen. Journalist Mark Shields remembers Mr. Gonzalez standing in the chamber making speech after speech in the 1970s accusing organized crime of the murder of a Texas judge — hardly the usual business of Congress.



AP

Rep. Henry Gonzalez

"Four years later, the FBI indicted five people in the judge's murder and publicly thanked Gonzalez for keeping the story alive," Mr. Shields said.

The son of Mexican immigrants, Mr. Gonzalez was the first Mexican-American elected to Congress. He grew up poor, the victim of racial discrimination, and dedicated his political career to being a champion of the disenfranchised and the victims of discrimination. Mr. Gonzalez is a hero to his largely Hispanic constituents, who call him "Henry B." to distinguish him from that other high-profile San Antonio politician, Housing and Urban Development Secretary Henry Cisneros.

An avowed liberal and no stranger to the extravagant gesture, he called twice for the impeachment of President Reagan — for the Grenada invasion and Iran-Contra — and once for the removal of President Bush — for the Persian Gulf war.

After nearly three decades in loopy obscurity, Mr. Gonzalez began his rehabilitation when he became chairman of the Banking Committee after the upset defeat of Rep. Fernand St. Germain, Rhode Island Democrat, in 1988.

Heedless of the embarrassment to his party, Mr. Gonzalez led a pit-bull charge against S&L kingpin Charles Keating and five senators — four of them Democrats — who took campaign contributions from Keating and his associates. He also tore into Democratic Party eminence grise Clark Clifford before the committee in 1991 for his part in the Bank of Credit and Commerce International scandal.

When Mr. Leach began his personal investigation of President Clinton's involvement in Whitewater-Madison, the two iconoclasts — the soft-spoken Iowan and the garrulous Texan — would have seemed like natural allies.

But in postponing the Banking Committee hearing, Mr. Gonzalez delivered a figurative uppercut to the chin of Mr. Leach, denying the Republican a forum to release new, damaging information about the Clintons.

Altman admits another meeting

D'Amato says he has lost credibility

FROM COMBINED DISPATCHES

Deputy Treasury Secretary Roger C. Altman has disclosed yet another secret contact with the White House on the Whitewater-Madison affair.

In a letter released yesterday, Mr. Altman, who is also acting head of the Resolution Trust Corp. (RTC), for the third time told the Senate Banking Committee a new version of his communications with White House official on Whitewater-Madison.

According to the latest letter, released by the Treasury Department, the talks occurred at a previously disclosed Feb. 2 meeting with White House aides.

A few days later, Mr. Altman also spoke by phone with White House Chief of Staff Thomas F. "Mack" McLarty about disqualifying himself from the RTC probe into Madison Guaranty Savings and Loan Association of Little Rock, the failed thrift with financial ties to Whitewater Development Corp., President Clinton and Hillary Rodham Clinton.

The letter to the Senate Banking Committee on March 21 also shows that Mr. Altman informed Mr. Clinton's deputy chief of staff, Harold Ickes, about his plans to step down as acting head of the RTC. That occurred Feb. 23, the night before Mr. Altman announced the decision.

About the same time, Mr. Altman said, "I literally bumped into" White House Counsel Bernard W. Nussbaum, who told Mr. Altman about the administration's plans to soon nominate a permanent head of the RTC.

"I have done my best to recall every communication with White House staff on anything which could be connected to this matter," said Mr. Altman, who disqualified himself from involvement in the Madison case Feb. 25.

Sen. Alfonse M. D'Amato, the ranking Republican on the Banking Committee, said that as a result of the constant revisions, Mr. Altman has lost his credibility.

"Who knows how many more times he's going to call us and tell us about more meetings he's had with the White House staff?" the New York Republican said.

"I don't believe him. I think now what he is doing is trying to get into conformity with the facts as they come out," said Mr. D'Amato, who has been a leading critic of the Clinton administration on Whitewater-Madison.

Mr. Altman initially had said he took part in only one meeting with White House officials to discuss the RTC inquiry. He disclosed his participation in that meeting last month during a Senate Banking Committee hearing.

But in a letter released last Friday, Mr. Altman said he also met briefly last month with Mr. Ickes to discuss recusing himself from the RTC inquiry of Whitewater-Madison.

In that letter to Senate Banking Committee Chairman Donald W. Riegle Jr., Michigan Democrat, Mr. Altman diminished the importance of his second White House contact, saying there "was no discussion of the case itself."



Deputy Treasury Secretary Roger C. Altman (left) arrives to testify before the Whitewater grand jury.

That second meeting "lasted five minutes or less and included me and Harold Ickes. . . . The purpose of both meetings was to provide notification. At neither meeting did I seek advice, nor was it given," he said in the letter.

Mr. Altman had sent two previous letters to Mr. Riegle detailing additional information about the Madison case he had learned since testifying before the Banking Committee last month.

Mr. Altman said he recalled his meeting with Mr. Ickes after reviewing his own files.

Mr. Altman and Mr. Ickes are among 11 current or former White House and Treasury Department officials subpoenaed by Whitewater-Madison special counsel Robert B. Fiske Jr. to testify before a grand jury on their secret meetings.

Disclosure of the meetings and the ensuing uproar over them led to the resignation this month of Mr. Nussbaum, who participated in most of the briefings.

Mr. Altman, a longtime Clinton friend, appeared before the grand jury in Washington yesterday.

"I have had an opportunity to provide all the facts for Mr. Fiske's investigation," Mr. Altman told reporters as he left the grand jury room. "I'm ready to do the same any congressional inquiry."

Meanwhile, White H aid Patsy Thomasson declined to di cuss a published report that s scrambled to find the combinati to the late Vincent W. Foster Jr safe the night he died.

The death of Mr. Foster, the deputy White House counsel, an related events that foll ar part of Mr. Fiske's investigation.

While testifying at a Hous hearing yesterday, Ms. Thomasso was asked whether there are safe in the White House.

"The executive office of th president does have safes," she r plied.

"I have no knowledge of an combination of any safes in the e ecutive office of the president Ms. Thomasson said. "I never the combination to any safe in th executive office of the president or access to any materials fron the safes.

Ms. Thomasson acknowledge she had been in Mr. Foster's offic the night he died. "I would like t tell you nothing better than what did that night in that office." Sh declined to do so, however, notin Mr. Fiske's investigation.

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Europe fears Clinton is doomed to waste term in Whitewater fight

By Bernard D. Kaplan
HEARST NEWSPAPERS

PARIS — A British weekly says the Whitewater affair means the Clinton presidency is "finished" because the time and energy the White House will have to spend in fighting misconduct charges will soon make it impossible for the administration to attend to pressing international and domestic issues.

The comment was one of several reflecting mounting alarm in Europe that Whitewater could cripple the U.S. government in coming months and adversely affect a number of global political and economic problems.

Some European commentators foresee a repeat of the Watergate crisis of two decades ago — but without a Henry Kissinger as secretary of state to keep America's foreign policy in reasonable running order amid domestic tumult.

Britain's Spectator, the weekly that pronounced President Clinton "finished," said, "For the next two years, the entire American political machine may well grind to a halt while a gaggle of independent prosecutors, congressional investigators and prize-seeking reporters do their work: running up large hotel bills in Little Rock, reading through thousands of legal documents, chasing rumors and counter-rumors until they are satisfied (and some never will be) that they know the truth."

The French newspaper Le Monde said Mr. Clinton's personal difficulties haven't affected his government's readiness to tackle foreign issues, as shown by stepped-up U.S. diplomatic intervention in Bosnia, Washington's showdown on trade with Japan and the Sino-American confrontation over human rights.

But the paper worried that as Mr. Clinton and his advisers become immersed in fending off accusations in the Whitewater-Madison affair, they're likely to grow increasingly distracted, especially if the fallout from the affair imperils the president's bid for a second term.

Hearst Newspapers

The possibility that Mr. Clinton's re-election will be in jeopardy was also raised by the Economist, another British weekly.

"Mr. Clinton's stock of political capital is now falling fast," the magazine said. "Whitewater ... will make cumbrous baggage for 1996. It is a brush with moral carelessness that Americans may not care to repeat."

Paris-based economist Richard Sterling warned that a deepening U.S. domestic crisis could have a damaging psychological impact on America's economic rebound.

"America's recovery is just about the only positive note in the international economy at present," he said. "If conditions in the United States turn sour as a result of Whitewater, there goes the world."

Comparisons with President Nixon's downfall in the Watergate scandal have become inevitable. Many Europeans never fully grasped that Mr. Nixon was forced to resign because he used the power of his office to cover up the GOP burglary at the Democratic headquarters in the Watergate building. But the root issues in the Whitewater land deal in Arkansas appear less confusing to commentators here.

In a 3,000-word article devoted to the affair, the Paris daily Le Figaro said that while its origins lay in a "banal real estate scandal," the heart of the matter is the power exercised by Hillary Rodham Clinton, who "may be one president too many."

According to Le Figaro, "Hillary possesses exorbitant powers that she utilizes maladroitly. ... Everything [in the Whitewater case] revolves around the Hillary 'network.' "

The French paper added that by dragging their feet over full disclosure of the facts, the president and his wife "seem to have forgotten the lesson of Watergate — that in America, it's worse to circumvent the judicial process than it is to initially violate the law."

War memorial foundation seeks to salvage reputation

By Bob Dart
COX NEWS SERVICE

Denying that it squandered donations to build memorials to World War II veterans in Europe, the Battle of Normandy Foundation sought yesterday to rejuvenate its efforts to commemorate the 50th anniversary of D-Day.

"We've done some things that are dumb but nothing that's illegal, immoral or unethical," said retired Maj. Gen. Patrick Brady, the new president of the foundation.

Gen. Brady, who won the Medal of Honor as a helicopter pilot in Vietnam, was named last month to replace Tony Stout, the foundation's founder.

Mr. Stout resigned after The Washington Times reported that the foundation had spent most of the money it collected from donors on travel, entertainment, fund-raising and other administrative activities.

The foundation is raising funds to build several memorials in France, including the Wall of Liberty, which would list the names of Americans who served in the European theater during World War II.

The group has solicited $40 for each veteran's name to be inscribed on the wall, with the fees often being paid by family and friends of the veterans. So far, only 40,000 names have been sent in — a tiny fraction of the 4 million eligible veterans, the organizers conceded.

Ground-breaking for the wall is scheduled for June 6, exactly half a century after D-Day began the Battle of Normandy.

At a news conference yesterday, Gen. Brady admitted that the foundation has "had some problems" and is behind schedule on some projects. However, he and other organizers denied any wrongdoing.

"We never said there would be a wall" ready for the 50th D-Day anniversary, Gen. Brady explained.

Tom Gantt, the foundation's chief financial officer, denied that funds from donors had been misused. Since the group was founded in 1985, he said, about $13 million has been raised.

"Over the life of the foundation, 37 cents out of each dollar has gone for administration and fund raising," Mr. Gantt said. He said the standard for nonprofit organizations is that no more than 50 cents of each dollar should be used for these functions.

"To the best of our knowledge, they're utilizing the money for the purposes they say they are," said Col. William E. Ryan, director of operations and finances for the American Battle Monuments Commission. That panel was formed after World War I to regulate monuments to America's fighting forces, both public and private, in the United States and on foreign soil.

The foundation said yesterday that on the D-Day anniversary this June, a completed U.S. Armed Forces Memorial Garden will open in the town of Caen in the French province of Normandy.

The foundation's most ambitious project, however, is the Wall of Liberty. Pierre Salinger, a World War II veteran who served as President John F. Kennedy's press secretary, has led the fund raising for this project.

Mr. Salinger was not at the press conference yesterday but appeared via videotape. He said corporations are being solicited for donations so that names of eligible veterans will not be kept off the wall even if they cannot afford the $40 fee.

Gen. Brady said he had "no idea" how much the wall will cost to build. He said it would be an ongoing project.

10C

GOP budget with tax credit for kids, big spending cuts gets Senate scrutiny

By Cheryl Wetzstein
THE WASHINGTON TIMES

A Republican budget proposal that includes a "family friendly" $500-per-child tax credit is scheduled to be debated on the Senate floor today.

The GOP budget, presented as an alternative to a Senate Budget Committee's resolution, offers $88 billion in tax cuts and $357 billion in spending reductions over five years.

The proposal "helps President Clinton achieve two of his most important campaign promises: to cut the deficit in half and provide a middle-class tax cut," said New Mexico Sen. Pete Domenici, ranking Republican on the Budget Committee, as he offered the GOP plan.

While Republicans do not anticipate adoption of the GOP alternative plan — it was defeated in committee last week — it draws "an ideological line in the sand," said Ziad Ojakli, legislative assistant to Mr. Coats.

A roll-call vote may be taken on the issue today..

The $500-per-child tax credit and other aspects of the package were adopted from the Family, Investment, Retirement, Savings and Tax Fairness Act of 1993, or "Family First" bill, authored by Sen. Dan Coats, Indiana Republican, and co-sponsored by nine other senators.

The act draws heavily from a Heritage Foundation plan, "Putting Families First."

A similar bill in the House, introduced by Rep. John Kasich, Ohio Republican, was defeated earlier this month.

The $500-per-child tax credit would allow families to keep more of their income — a family of four, for instance, would pay $1,000 less in federal taxes — thus increasing their buying power.

Nationally, there are some 51 million children eligible for such a credit, said Scott Hodge, federal budget specialist and key author of the Heritage plan.

If the average congressional district has 117,000 children, the district would receive more than $58 million a year via the increased spending power of its families, Mr. Hodge said.

If families were to funnel $50 million or more into a congressional district, he added, "this would make families as politically good [for a district] as any pork-barrel spending plan."

The GOP proposal offers $357 billion in spending cuts to offset the $88 billion over a five-year period the government would "lose" to families.

Other aspects of the GOP alternative include indexing of capital gains taxes to allow for inflation; making it easier for businesses to write off their investments in equipment and other purchases; and changing individual retirement accounts so that taxes are taken in the year IRA contributions are deposited — but not when withdrawn.

Debate on the Senate Budget Committee resolution this week is expected to dwell on where to take $43.2 billion in cuts out of Mr. Clinton's $1.51 trillion budget for fiscal 1995.

Last week, in a surprise rebuff to the committee leadership, four Democrats joined the committee's nine Republicans in the 13-8 vote for the unspecified cuts.

WEDNESDAY, MARCH 23, 1994 The Washington Times

Regional News

Whitewater runs over aisle

Party flow doesn't pull area folks out of tide

By Jim Clardy
THE WASHINGTON TIMES



Constance Morella



Eleanor Holmes Norton



Leslie Byrne

Local Democrats on Capitol Hill still insist Whitewater ranks far below crime, welfare reform or even potholes in the minds of voters.

Republicans already call the growing affair a terrific issue for the fall campaigns.

Whatever their point of view, representatives from Maryland and Virginia voted as one yesterday in favor of congressional hearings into the Whitewater-Madison affair that has ensnared the Clinton White House.

The House adopted the resolution, 408-15. But interviews conducted before the vote show the scandal divides the area's federal lawmakers along party lines — in rhetoric, at least.

"It's an issue only inside the Beltway," said Rep. Steny Hoyer, Prince George's County Democrat.

"Up until three weeks ago, no one had mentioned it," said Rep. Frank Wolf, Northern Virginia Republican. "Now it's starting to pick up in my district and people are anxious to know what the president has done. A lot of questions remain."

Area Democrats insist their constituents rarely bring up President Clinton's Whitewater troubles in meetings, letters or telephone calls.

"I can count the number of telephone calls that I've received on it with one hand. My constituents want us to get on with business and don't believe that Whitewater has anything to do with the president," said Rep. Leslie Byrne, Fairfax County Democrat, who praised Mr. Clinton in announcing for re-election last week.

Rep. Constance Morella, a Republican from Montgomery County, said Whitewater still takes a back seat to "health care, crime and when Congress is going to clean up its act."

But Mrs. Morella said Mr. Clinton's missteps, and now the pending hearings, give the GOP plenty of ammunition.

The president's "reaction is to blame your adversaries," Mrs. Morella said. "He and Hillary need to face the public and have a press conference and answer all the questions."

D.C. Delegate Eleanor Holmes Norton cannot vote on resolutions. But last week, the Democrat said her overwhelmingly Democratic constituents "are far more interested in crime and health care."

Rep. Wayne Gilchrest, Eastern Shore Republican, noted that it took years before another White House scandal sunk into the national consciousness.

"Watergate was something that took a long time to develop. But this administration is quickly becoming irrelevant to governing as far as Congress is concerned," Mr. Gilchrest said.

Even before Whitewater, Virginia Republicans last year successfully exploited the president's growing unpopularity by linking the Democratic gubernatorial candidate, Mary Sue Terry, to the White House after Mrs. Clinton appeared at a private Terry fund-raiser in Washington. Republican George F. Allen trounced Mrs. Terry.

"The Terry campaign openly repudiated the core of Clinton domestic agenda, which is a strong measure of how liability Virginia Democrats consider Clinton to be," Mark Rozell, a political scientist at Mary Washington College.

The state GOP — which distributed signs reading "If you like Hillary, you'll really like Mary Sue Terry" — is expected to make the most of Whitewater.

"There are a lot of questions that remain, and the Democrats have attempted to cover it up," Mr. Wolf said.

Even Democratic strategists acknowledge the ongoing Whitewater ripples mean the party's area lawmakers will stiff-arm Mr. Clinton and discourage him from campaigning on his behalf.

Virginia's top Democrat, Charles S. Robb, is running for re-election while struggling to overcome his own troubles with allegations of personal and political scandal.

Small-business chiefs give views on health

By Karen Riley
THE WASHINGTON TIMES

President Clinton yesterday put on a demonstration of how small-business owners struggle — sometimes against great odds or competitive disadvantage — to provide health insurance for their workers.

Mr. Clinton listened to 13 entrepreneurs, whom he called heroes, tell their stories during a 90-minute round-table discussion staged for the news media in a conference room in the Old Executive Office Building.

"My purpose today is to show that there is a great difference in the rhetorical pronouncements of some organized groups and the real-life experiences of a lot of businesspeople," the president said.

Most of the companies would pay less under his proposal, and some would pay more, he said, even though it includes "strong discounts for small businesses with modest payrolls and modest profit margins."

He added: "But they also know that for the first time their competitors would as well, putting them on a more even

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HEALTH

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footing."

Major business groups including the National Federation of Independent Business, the U.S. Chamber of Commerce, the National Restaurant Association and the National Retail Federation have denounced the administration's health care plan. Their primary objection is the so-called employer mandate — a requirement that all companies pay for at least part of their employees' health insurance.

But that buzzword was never uttered yesterday by the carefully selected businessmen and women, picked off a list from Democratic supporters on Capitol Hill, or because of White House connections or poignant letters to Hillary Rodham Clinton telling of their employees' special problems with health insurance.

Instead, as in a religious revival, all gave witness to why they support Mr. Clinton's health plan.

Brian McCarthy, a florist in Scranton, Pa., told the group that he can't afford the cost of covering all his employees, and "we can't discriminate against the rest of our staff to offer it singly to one."

He pointed out that, especially in his area, "the floral business attracts a great number of unskilled workers," who may be reluctant to leave the welfare rolls for a job with no health benefits.

"We have families where the heads of the household want to come to work for us," Mr. McCarthy said, but "their problem that they're constantly facing is, 'Brian, I can't come to work for you unless I can have full coverage for my children.' "

Judith Wicks, owner of the White Dog Cafe in Philadelphia, said she can afford insurance for only 15 of her 96 employees.

Although she figures that Mr. Clinton's plan would double her health costs, "I'm very happy about that." It would mean a 2 percent increase in her menu prices, but every restaurant's prices should include the cost of "health insurance for every worker," she said.

"When people can sit down and crunch their own numbers . . . they will find, I am sure, what we found: they will see that this is a win-win situation for small business," said Kathleen Piper, owner of the Pied Piper Flower Shop in Yankton, S.D.

Eric Sklar, founder and owner of Burrito Brothers, a chain of three Mexican fast-food restaurants in Washington, said he can pay only about 50 percent of the premiums for his workers who sign up for insurance. Most of the employees don't enroll, he said, because they can't afford their half of the cost.

"The fact is we will pay more [under the president's proposal]. And we're willing to do that because we want our employees insured. But under the plan you're proposing, we'd still be paying half of what it would cost right now to fully insure our employees," he told Mr. Clinton.

Asked about travel expenses for the panel and businesspeople in the audience, the White House said that most paid their own way, while some were supported by trade associations — the American Institute of Architects, for example.

White House is now on a 'slippery slope'

By Donald Lambro
THE WASHINGTON TIMES

The decision by House Democrats to work out an agreement on Whitewater-Madison hearings puts the White House "on a slippery slope" leading to a much wider investigation, political strategists said yesterday.

But House Republicans cautioned that the preliminary decision by House Speaker Thomas S. Foley to try to negotiate an agreement with GOP leaders for full-scale hearings was not the same as a concrete commitment. That remained to be worked out, they said.

NEWS ANALYSIS

"I think we scored a major political victory, but we've got to maintain our vigilance that these hearings will take place," said Rep. Dick Armey of Texas, chairman of the House Republican Conference.

"We're in for a long hot summer," said a House GOP leadership official. "Once they open the door to hearings, it's hard to back away from that without suffering a lot of political damage.

"They're on a slippery slope now. I don't think they can keep the lid on it," he said.

Gary Nordlinger, a Democratic media consultant, agreed that House Democrats were caught in an untenable situation when they were resisting GOP calls for full hearings. Mr. Foley's move yesterday effectively defused that problem, he said.

"Any time you are in a situation where you have to explain why you are blocking hearings, the longer the Republicans could have kept the story going, crying foul," Mr. Nordlinger said. "They [House Democrats] saw the opposition [to hearings] unraveling last week in the Senate, so there was no reason to continue with that."

Continued resistance to a final agreement to hold hearings has the potential to hurt the Democrats "if they appear to be dragging their feet for political reasons," said Stuart Rothenberg, publisher of the Political Report newsletter, which closely tracks congressional elections.

"I think it would be very damaging for congressional Democrats if it looked as if they were stonewalling," Mr. Rothenberg said.

House GOP strategists yesterday vowed to "keep the Democrats' feet to the fire" in the weeks ahead, stressing the need for full hearings as each new disclosure is made.

Still, Mr. Foley and House Democratic Leader Richard Gephardt were reluctant to be pinned down as to when they would agree to the hearings and under what terms.

Mr. Foley "is raising the expectations of the American people that hearings will be held and that is something that at this point has yet to be proved," Mr. Armey said. "This negotiating process could drag out for an awful long time."

GOP strategists said hearings will give them the chance to slowly unravel the complexities of th Whitewater story on television, process that could take months t complete.

"The leadership of the Demo cratic Party in both the House anc the Senate have now called fo comprehensive hearings on the president of their own party on al legations regarding ethical anc criminal content," said Tony Blankley, press secretary to House GOP Whip Newt Gingrich.

"That is an objective descrip tion of fact and an event of some note," he added. "We don't know where it is going to lead."

The prospect of long, drawn out, televised hearings p number of political problems fo the Democrats and the adminis tration, analysts agreed.

"I don't think hearings wide the investigation, but they woul amplify it," Mr. Nordlin er saic "These things hurt you [polit cally] when you're peeling awa layers like an onion [to reves wrongdoing]."

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House approves planning for Whitewater hearings

408-15 vote doesn't ensure inquiry, Foley warns

By J. Jennings Moss
THE WASHINGTON TIMES

A nearly unanimous House voted yesterday to have its Democratic and Republican leaders meet to develop a structure for congressional hearings into the Whitewater-Madison affair.

But Democrats set no date, agreeing only to talk about hearings, and House Speaker Thomas S. Foley suggested there might not be any hearings at all.

By voting 408-15 for the measure, Democrats eased pressure that has been building on Congress to ask questions about the failure of an Arkansas savings and loan that had financial links to a partnership involving President Clinton and Hillary Rodham Clinton, and about secret White House briefings on a related probe.

Leaders of both parties met privately for more than an hour yesterday morning and emerged with what both sides described as a "good-faith" effort to hold hearings. But Mr. Foley raised a caution to those who assume that yesterday's agreement guarantees congressional hearings.

"Now, you know, in the end, we may not be able to agree, and I think that ought to be clear that we're going to make a good-faith effort to find a forum and a timing for this to go forward," the Washington Democrat said, adding that he believes Congress has a constitutional responsibility to hold hearings.

House Minority Leader Robert H. Michel said he was "satisfied for the moment."

"What will come of it, time will tell," the Illinois Republican said.

Also yesterday on Capitol Hill:

- Mr. Foley said a canceled oversight hearing on the Resolution Trust Corp. will take place later, but he would not say when. House Banking Chairman Henry B. Gonzalez, Texas Democrat, abruptly killed the hearing Monday because he said Republicans intended to turn it into a hearing on Whitewater-Madison.
- Senate Minority Leader Bob Dole proposed that Senate leaders create a special committee composed of members of regular committees with jurisdiction in the matter.

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HOUSE

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Senate Majority Leader George Mitchell of Maine would not comment on the proposal, and Mr. Dole, Kansas Republican, said he does not expect the issue to be settled until after the Senate returns April 11 from its Easter recess.

The Senate last week approved 98-0 a resolution nearly identical to that approved by the House yesterday.

Both measures state that Congress has a constitutional right to hold government oversight hearings and that congressional leaders should determine the nature and schedule for appropriate hearings.

In a concession to special counsel Robert B. Fiske Jr., who is conducting a federal criminal probe into Whitewater-Madison, the resolutions said no witness called to testify would be granted immunity from prosecution and the hearings would be structured not to interfere with his investigation.

"From my point of view, we have got a legitimate right of inquiry separate and apart from the special counsel, and I think the two avenues ought to be pursued," Mr. Michel said.

House Democrats — Mr. Foley, Majority Leader Richard A. Gephardt of Missouri and Majority Whip David E. Bonior of Michigan — and Republicans Mr. Michel and Minority Leader Newt Gingrich of Georgia reached the agreement in Mr. Foley's office.

Also there was Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, who has conducted his own independent investigation of Whitewater-Madison and has led the House GOP demands for hearings.

"This, from my perspective, is a positive step," he said.

Mr. Leach, who expects to speak on the House floor, possibly tomorrow, earlier had predicted "bombshells" but has not said what they were.

Mr. Gonzalez, who on Monday strongly criticized Mr. Leach's handling of the issue, was not invited to the meeting.

Mr. Foley said he assumed Republicans invited Mr. Leach, and he said nothing should be read into the fact Mr. Gonzalez was not invited.

During the debate on the resolution, which lasted about 45 minutes, Mr. Gonzalez did not make a statement and remained in the back of the chamber.

After the vote, Mr. Gonzalez, a 33-year House veteran, walked briskly through an area off the House floor reserved for House members and reporters but avoided stopping to talk to reporters and refused to answer questions.

In a statement released later, he said: "The resolution does what it should do — it calls for appropriate hearings at the appropriate time and in the appropriate way, which means comprehensive and fair hearings in which all the issues can be aired. I want the light of truth to shine on all the dark Republican half-truths, old rumors, half-baked conspiracy theories and outright lies about the Clintons."

Only three Democrats participated in the debate on the House floor — with none of the three speaking against the resolution.

"The American people have the right to know the facts. Congress has an obligation to provide the facts but it also has an obligation to make sure our three branches of government do not become a three-ring circus," Mr. Gephardt said.

Republicans — worried about Mr. Foley's lack of a guarantee that hearings would take place — tried to pin the Democrats down, but Mr. Gephardt gave no absolutes.

"We should not complete these hearings until every single question is answered," said Rep. Robert L. Livingston, Louisiana Republican.

The 15 members who voted against the resolution, all Democrats, were Reps. Ron V. Dellums, Robert T. Matsui, George Miller, Nancy Pelosi and Maxine Waters, all of California; Cynthia McKinney of Georgia; Neil Abercrombie of Hawaii; Barbara-Rose Collins, John Conyers Jr., William D. Ford and Bart Stupak of Michigan; Edolphus Towns of New York; Mike Kopetski of Oregon; Thomas M. Foglietta of Pennsylvania; and Craig Washington of Texas.

"We didn't even have Whitewater in the title on the resolution. We're trying to skirt around it," Mr. Abercrombie said.

Mr. Stupak said he thought congressional hearings now would be a waste of money, but he said he expected his "no" vote to bring political problems for him.

"I don't want politicians investigating politicians," Mr. Stupak said.

AGAINST HEARINGS

The House voted 408-15 yesterday to have congressional leadership negotiate a schedule for hearings on the Whitewater-Madison affair. The 15 Democrats who voted no:

Neil Abercrombie of Hawaii
Cardiss Collins of Michigan
John Conyers Jr. of Michigan
Ronald V. Dellums of California
Thomas M. Foglietta of Pennsylvania
William D. Ford of Michigan
Mike Kopetski of Oregon
Robert T. Matsui of California
Cynthia McKinney of Georgia
George Miller of California
Nancy Pelosi of California
Bart Stupak of Michigan
Edolphus Towns of New York
Craig Washington of Texas
Maxine Waters of California

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about your feeling about the death penalty? And in replacing Justice Blackmun, would the candidates' position on the death penalty be something that would be a major factor in who you picked?

A: He just doesn't believe you can fairly administer it. The best evidence of that is based on the race of the victim, not the defendant. ... You get into the race of the victim, it's almost like, "Do two wrongs make a right?" Well, I thought very seriously about this issue over the course of a lifetime and it's an issue that when I was a younger man I did sort of go back and forth on. ... I can say while certain individual cases ... when I was governor gave me concern, as a general position I have not had doubts about my position through the years mostly because of the incredibly violent society in which we live. The depth of the brutality to which Americans are often subjected. I understand the argument well: None of the European countries do it anymore, nobody else does it anymore. Well, none of them have anything like the guns, the gangs, the violence and the problems that we do. And while I don't think that it's the answer to the crime problem, nor do I think that we need to go out and prescribe it as the answer to every difficulty, I think it is a weapon we ought to keep in our arsenal as a society. So I would not be in favor of doing away with it.

Would I take it into consideration in appointing a justice to the Supreme Court? I'm not sure. I think it's something I would take into consideration, but I'm very leery of litmus tests. What I found is you give someone a lifetime job, you really need someone with character and a center, a fine mind and a strong backbone and a good heart because they're liable to change their mind. Harry Blackmun changed his mind. Although I must say he strikes me as incredibly vigorous, I don't know what he's going to do. I think he's a great man.

▶ Cover story, 1A

On Whitewater

In the past several weeks, the media have intensified coverage of the Whitewater controversy stemming from investments made by President Clinton and first lady Hillary Rodham Clinton. The president was asked if he thinks the coverage is fair:

I think we can all admit that there is no previous president who has been asked to undergo this level of scrutiny about something that happened so long before he became president in the absence of any credible evidence that any violation of the law occurred. So it has been a little difficult for us to have the right attitude about it. ... But I think ... that I've got a good attitude about it now. .. We're fully cooperating and trying to help get to the bottom of it, and I certainly intend to keep doing it.

I don't believe it's fair to characterize the press as no more a monolith than anything else, but I have been surprised by the extent to which there seems to be a presumption against the White House in the covering of some of these issues. There's a presumption that ... something is wrong and you have to prove it right, and that's difficult to deal with for someone like me who's been in public life a long time and never had his integrity questioned. ...

When you know a lot of the people behind the attacks on you are extremely politically motivated, at least you want a ... relaxed and open atmosphere in which to carry on the dialogue. So it's not been easy in that sense going through this thing for the last couple of months, but it's not the worst thing that's ever happened to me, either. ...

I do think that there is a tendency to create conspiracies and believe the worst, which ought to be avoided. ... There ought to be an atmosphere in which firm questions can be asked and answered and inquiries can be pursued, but I think there ought to be at least an openness there. And when there's clearly people with ulterior motives that are handling the thing, I think at least the validity of what they're saying ought to be at least as carefully scrutinized as what the president's saying.

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Substance abuse is colorblind; media's coverage critical

Barbara Reynolds was correct in pointing out in her column that, for far too long, the problem of drugs was seen as a black problem ("Black teens are leaders in saying no to drugs, cigarettes," Opinion USA, March 4).

The truth is the use of illicit drugs and tobacco products by our youth crosses all race and color lines.

Substance abuse is a problem this country must address if we are to have a better quality of life for all our children.

The media have a critical role when it comes to this issue. For years, the subject was on every front page, and now it has all but disappeared.

Thanks for helping to bring to light some critical facts and issues few in the public know.

Lee P. Brown, director
Office of National Drug Control Policy, Washington, D.C.

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Caregiver role falls to cancer patients' kin

By Tim Friend
USA TODAY

TUCSON — Shorter hospital stays for cancer patients have shifted the burden of care to family members who are often ill-equipped to handle such demands, research shows.

"Cancer patients are going home from the hospital in shorter periods of time for the same procedures that they used to stay five days for," says Barbara Given, College of Nursing, Michigan State University, East Lansing.

"Patients are going home vomiting as they go out the door and they're going home in pain," says Given, who spoke at the American Cancer Society science writers meeting.

Government reimbursement policies have required shorter hospital stays and moved many cancer patients into outpatient settings. Given cited examples of women having mastectomies and being sent home in 24 hours.

She studied 276 adults undergoing treatment mainly for breast, prostate, lung and colorectal tumors. The patients and their families were followed for 12 months to determine how family members were affected.

The mean age of patients was 59. The mean age of caregivers was 55, and 81% of them were spouses.

Given's study paints a stark portrait of life with a cancer patient — one in which caregivers work many grueling hours, make career sacrifices and receive little or no support from the medical community.

As society ages and as trends toward shorter hospital stays continue, "more and more cancer care will be given in the home," Given says. "This requires hours of care, and knowledge and skill of family members to make decisions and judgments that they are ill-prepared to make."

Given says family members need training to diagnose early complications among patients, to perform needed medical procedures and to use new technology.

Tending the sick takes toll

Among study findings:

▶ Primary caregivers spent an average 4.2 hours a day caring for the patient. For sickest patients, many averaged 8 hours or more.

▶ About half of caregivers were employed. Of those, 11% took a leave of absence from work; 53% were often late for work, left early and took unpaid leave to provide care.

▶ 52% of patients needed help eating, bathing, dressing and using the bathroom; 25% needed help with nutrition and intravenous devices; 60% with cooking, housework, transportation.

Anti-cancer drug brings remissions

By Doug Levy
USA TODAY

National Cancer Institute scientists have spurred cancer remission in some patients treated with an immune system protein, interleukin-2.

The data show that IL-2 can beef up the body's own anti-cancer capability and have a lasting effect, researchers say in today's *Journal of the American Medical Association*.

Dr. Steven Rosenberg and colleagues at the NCI in Bethesda, Md., tested IL-2 in 283 patients with either spreading melanoma (a deadly form of skin cancer), or unresponsive, spreading kidney cell cancer.

After seven years of study:

▶ 19 patients had total cancer regression. Of these, 15 remain in remission up to eight years after treatment.

▶ 34 patients had partial regression.

Noting that no other effective treatment exists for spreading kidney cancer, Dr. Samuel Hellman, University of Chicago, says Rosenberg's study marks a "significant advance in cancer therapy."

STREET TALK

Whitewater could buoy health stocks

NEW YORK — Whitewater has blossomed into the news event of the year. *(Story, 1A.)* Investors may be feeling repercussions for a while, says Salomon Bros. political analyst Stephen Bell. "Eighteen months from now, the White House will have survived the scandal but with real damage to the president and his legislative agenda," Bell says.

Unlike Nixon during Watergate, Bell notes, President Clinton's party has a majority in Congress. The Democrats will protect him in any matters that come to a vote. Here's how Bell sees the scandal running its course:



DANIEL KADLEC

▶ Whitewater will sporadically dominate the news through summer. The White House will be preoccupied responding to rumors and subpoenas.

▶ Further high-level administration changes are likely.

▶ Democrats will scatter on tough legislation, dooming major reform on crime, health care, welfare and campaign finance.

▶ Clinton's approval rating will hit rock bottom in the fall, and Democrats will lose seats in the House and Senate during the November elections.

▶ As 1995 begins, Clinton will face a more hostile Congress, leading him to scale back any big initiatives.

Such a scenario could lift health care stocks, many of which have been pummeled during the reform debate the last year or so. But Bell stops short of recommending saying many have problems unrelated to Clinton. The i impact will be in foreign markets. "When we talk to clients overseas, they all ask about Whitewater," he says, adding that the scandal is unnerving many international investors. They will pull money out of emerging markets, further weakening stocks that already have taken a beating.

INSIDE TV / BY PETER JOHNSON

CNN anchor to replace talk host Sonya Friedman

CNN afternoon talk show host Sonya Friedman is being replaced in August by CNN's Susan Rook, who will host interactive show from Atlanta that'll take viewer calls.

Friedman said Tuesday she's had a great seven years and wishes CNN the best. "It's time for me to go on and it's time for CNN to go on," says Friedman, a psychologist. "This is a business where things begin and things end. I'm a great believer in great beginnings and sweet endings."

CNN says its new show will premiere Aug. 22 and, like *Sonya Live*, will air at 1 p.m. ET/10 a.m. PT daily.



By Eric Stephen Jacobs
FRIEDMAN: She's leaving CNN after a 7-year hitch.

CENSORED: ABC censors partially deleted comments made by a consulting physician to ABC's *Home* show after he voiced his opinion that alcohol advertising affects kids. "Children think that it is cool to drink," Jay Gordon said on the March 9 edition of *Home*. "When you have cartoon characters and animated beer bottles, you are advertising to children. I don't want to seem like I'm an unfun guy *because I oppose the advertising of cancer-causing and disease-causing and death-causing drugs to children*, but I don't think this should be done." The words in italics aired in the East and Midwest, but ABC deleted them on the West Coast version of the show. Gordon's lips moved but viewers heard nothing. Gordon told the *Los Angeles Times* that it was a "chicken doo-doo thing" for ABC to do. ABC said Gordon's words were censored because *Home* "cannot be used as a platform for family members (show employees) to air their personal views. We felt his comments were inappropriate and therefore removed [illegible]."

WASHINGTON

Whitewater hearing: Guilty plea



By Jeff Mitchell, Reuters

NOT TALKING: In Little Rock, Whitewater special counsel Robert Fiske refuses to answer reporters' questions about the relationship between David Hale and President Clinton.

Prosecutors: Ex-judge offers 'great deal of information'

By Dennis Cauchon
USA TODAY

LITTLE ROCK — The plea bargain by which former judge David Hale promised to fully cooperate with the Whitewater special counsel provides a key witness in the probe of the complicated Arkansas business dealings, federal prosecutors told the court.

"We're giving up potential (prison) time ... but we're going to get a great deal of information from a man who has extensive knowledge of the areas we're interested in," said Rusty Hardin, a prosecutor with special counsel Robert Fiske, during a hearing.

Hale, 52, pleaded guilty to two counts of defrauding the Small Business Administration.

Hale claims President Clinton pressured him to make an improper $300,000 SBA-backed loan to Susan McDougal, a partner in the Clintons' Whitewater real estate deal.

The loan was purportedly an effort to improve the finances of Madison Guaranty Savings & Loan, owned by Susan McDougal's husband, James, another Whitewater partner.

Fiske said his office opened plea bargain negotiations. Hale quickly agreed and has spent nearly three weeks talking to prosecutors.

In addition to public claims about Clinton, Hale has made other charges of criminal wrongdoing that have not been made public, prosecutors said.

Fiske gave no indication of whether he believes Hale's charges against Clinton. But Hale, whose credibility will be an important issue at any trials, struggled in his first court performance Tuesday.

Under questioning from federal Judge Stephen Reasoner, Hale had difficulty remembering the names of anyone who had received improper SBA loans through his company, Capital Mangement Services Inc. — the charge to which he was pleading guilty.

"I can't recall right off,"



Democrat-G via AP

TALKING: David Hale on to courtroom Tuesday

Hale said. After long pauses and further questions f Reasoner, Hale named several companies, including a cable TV firm controlled by Arkansas Gov. Jim Guy Tucker.

Outside court, Randy Coleman, Hale's attorney, Madison S&L had an $825,000 loan to Hale on Feb. 28, 1986.

The previously undisclosed loan was then pumped Capital Management Se Hale pleaded guilty Tuesday to making a false loan application to the SBA on Feb. 28, 1986.

McDougal, Hale and Tucker —all suffering financial bles from failing real estate ventures — made a complicated series of loans and sales to each other in February in an effort to improve the cial appearances of their panies. Clinton has not been directly tied to the deals.

Madison S&L is an important part of the special investigation because its cost U.S. taxpayers more $47 million.

"David was just carrying on business practices that been condoned in this for an extended period of ," Coleman said. "I who have been in a position of thority to change things stop them have not c

▶ Clinton index, 2A

House will consider inquiry

By Leslie Phillips
USA TODAY

Tuesday's 408-15 House vote to discuss holding Whitewater ings helps create a sense of inevitability a large-scale inquiry eventually will be held by Congress.

But Democratic leaders were quick to point out neither the House nor last week's Senate resolutions are binding.

And House Speaker Thomas Foley, D-Wash., held out the possibility nothing will come of the discussions.

"In the end, we may not be able to agree," he said.

Even Rep. Jim Leach, R- a key advocate of congressional hearings into President Clinton's Whitewater land and the failed Madison Guaranty Savings & Loan, said he is still not "100% sure hearings will happen."

But Republicans believe the Democrats are moving toward holding hearings.

"They will take a political hit if they don't hold hearings after this," said Rep. Robert Walker, R-Pa. "But this buys them a little time."

Both resolutions pledge not to grant immunity to any witness and to conduct hearings in a manner that would not interfere with the investigation of special counsel Robert Fiske.

Leach's pushing for Whitewater witnesses to appear at a House banking committee hearing on Thursday on the savings and loan cleanup prompted cancellation of the hearing by chairman Henry Gonzalez, D-Texas.

Leach said he will deliver a floor speech Thursday to "put some things on the record and in perspective."

In other action:

▶ Senior Clinton aide Patsy Thomasson declined to discuss a report she was among White House aides who tried to get access to the late Vincent Foster's safe the night he died.

At a House hearing, Thomasson said she "would like nothing better" than to tell "what happened that night." But she said she didn't want to interfere with Fiske's probe of how Whitewater files were removed from Foster's office after his July 20 death.

Republicans used the hearing to pepper Thomasson, director of the White House Office of Administration, with questions about delays in issuing White House passes and the easy access that four Democratic consultants have to the White House.

▶ Deputy Treasury Secretary Roger Altman testified before a federal grand jury in Washington probing contacts between White House and Treasury officials over a federal investigation of Madison.

In a letter released Tuesday, Altman again upped the number of times he had contact with White House aides on the Madison case.

Fed to let rates rise again

By Beth Belton
USA TODAY A1

The Federal Reserve, taking a pre-emptive strike at inflation, says it will allow short-term interest rates to rise.

Tuesday's announcement should stabilize consumer borrowing and savings rates.

The Fed's two-sentence statement, after its policymaking committee met, didn't say how much rates will rise.

But most experts say the Fed's new target for the federal funds rate — what banks charge each other for overnight loans — is 3.5%, an increase from 3.25%.

"What goes down goes up. This is the end of the down cycle," says Robert Heady, publisher of *Bank Rate Monitor*. "It's time to jump off the fence and buy a house or a car."

Tuesday's action is the Fed's second against inflation this year. On Feb. 4, it pushed the funds rate from 3% to 3.25% — the first hike in five years — to head off inflation fears.

Consumer prices rose 2.7% last year. For the three m s ending Feb. 28, they were rising at a 1.9% annual rate.

The Fed "has a better chance of succeeding than (in previous expansions) because it moved sooner than it w have in the past," says Cynthia Latta, economist at DRI.

Bond investors were thrilled. The yield on 30-year Treasury bonds, which moves opposite to their price, plunged 6.85% from 6.95% Monday.

But the Dow Jones industrial average fell 2.30 to 3862.55.

Interest rates have been volatile since Feb. 4. Experts say Tuesday's move could h them stable by reassuring financial markets the Fed will be vigilant on inflation.

Looking ahead:

▶ Mortgage rates should rise more slowly, but they will rise, Heady says. The average 30-year mortgage was 7.76% week vs. 6.97% Feb. 3, before the first Fed rate hike.

▶ Banks' prime rate — the base rate on many loans — could go to 6.25% from 6%.

▶ Rates on certificates of deposit won't move much yet. The average one-year CD rate rose to 3.18% last week from 3.08% in February. But loan demand is weak so banks don't need to boost rates to attract new money, Heady says.

▶ Investors just yawn, 1B
▶ Tipoff a surprise, 2B

Clinton raps 'presumption' of guilt

No predecessor faced 'scrutiny' like Whitewater

By Bill Nichols
and Adam Nagourney
USA TODAY A1

President Clinton, insisting he's adopted a "good attitude" about Whitewater, said Tuesday he's still troubled by a media "presumption against the White House."

Clinton, relaxed after a week of appearing angry and frustrated over Whitewater coverage, told USA TODAY, "The presumption is that something is wrong and you have to prove it right."

"I think we can all admit that there is no previous president who has been asked to undergo this level of scrutiny about something that happened so long before he became president in the absence of any credible evidence that any violation of the law occurred."

But Clinton said he's adjusted to the furor: "I think that I have a good attitude about it now."

Other developments Tuesday in the ongoing probe into the relationship of the Clintons, the Whitewater real estate development and a failed Arkansas thrift:

▶ After GOP pressure, the House voted to discuss holding Whitewater hearings. The timing of hearings is under discussion.

▶ In Little Rock, David Hale, a former municipal judge who says Clinton pressed him to make a questionable loan, pleaded guilty to fraud charges in exchange for cooperating with Whitewater special counsel Robert Fiske.

By Tim Dillon, USA TODAY

CLINTON: President said those 'behind the attacks on me are extremely politically motivated,' and warned against the 'tendency to create conspiracies and believe the worst.'

Senate bill would make paying 'nanny tax' easier

By William M. Welch
USA TODAY A1

A Senate panel wants to ease the "nanny tax," the widely flouted requirement to pay Social Security taxes on domestic help that keeps tripping Clinton administration appointees.

The Senate Finance Committee Tuesday unanimously approved raising the threshold where taxes take effect to workers earning $630 in a year. A House effort last year raising it to $1,800 ran out of steam.

"This issue has been a rather large problem for the administration," said chairman Daniel Patrick Moynihan, D-N.Y.

Federal officials say three-quarters of all employers of household workers such as maids and nannies fail to pay Social Security taxes, despite a 1950 law requiring it for anyone earning $50 a quarter.

Among those who failed to pay: Zoe Baird, whose nomination for attorney general foundered because of the omission.

As the panel acted, another Clinton official admitted running afoul of the law. William Kennedy, a White House counsel and former law partner of Hillary Rodham Clinton, paid $1,352.52 in taxes and penalties for a nanny he employed before moving to Washington.

Making allowance for such teen services as baby-sitting and yard work, the Senate bill would exempt those under 18.

It would simplify filing, too, dropping quarterly reports. Employers could add payments to tax returns.

Censored in Arkansas

Earlier in the week we commended L.J. Davis's New Republic cover story on Whitewater and the culture of Arkansas. But Mr. Davis modestly omitted a fascinating part of the tale, namely his personal misfortunes in reporting his article.

The omission reflects a curious dichotomy in Whitewater press coverage. A lot of the news has been broken by publications willing to report what they learn even at the risk that now and then some of it may be overtaken by other facts—The Washington Times, the New York tabloids, the American Spectator and the British press. The mainstream American press has come in for some derision overseas; the Economist likened Whitewater to the 1936 episode in which the American press was reporting and the British press covering up the romance leading to the abdication of Edward VIII.

This is not quite fair. Since the story came back to life in December, the American press has mostly done a commendable job of plumbing the finances of Arkansas and the Clintons and kibitzing every move in Washington's procedural chess. For better or worse, however, the respectable press has shown little-to-no appetite for publishing anything about sex and violence. Stories on these subjects of course circulate constantly among reporters, and shape understanding of events within the press corps, if not among its readers.

Somehow we think that readers ought to know the following account from Mr. Davis, a contributing editor to Harper's magazine since 1978: He was returning to his room at Little Rock's Legacy Hotel about 6:30 after an interview on the evening of Feb. 13. The last thing he remembers is putting his key in the door, and the next thing he remembers is waking up face down on the floor, with his arm twisted under his body and a big lump on his head above his left ear. The room door was shut and locked. Nothing was missing except four "significant" pages of his notebook that included a list of his sources in Little Rock. He didn't file a police report, saying he wanted to get out of town and wasn't sure what had happened to him.

"I thought I was walking on a trampoline for three days," he told us, and then corisulted his physician. Mr. Davis says his doctor found his injury inconsistent with a fall, and that he'd been "struck a massive blow above the left ear with a blunt object." He suffered both a concussion and an "amnesiac episode" from the blow. With Mr. Davis's permission, Dr. Richard Wagman has confirmed this diagnosis to us.

Along similar lines, throughout the world except in the United States, Sally Perdue is a household name. She's a former Miss Arkansas and TV reporter who went on one talk show, "Sally Jessy Raphael," during the 1992 campaign to say she had an affair with Bill Clinton in 1983. This was only briefly noted, though the Washington Post did report that Jack Palladino, a San Francisco private investigator hired by the Clinton campaign to squelch "bimbo eruptions," called estranged relatives for damaging comments about Ms. Perdue. Like all the other bimbo eruptions, this one has been "spiked," subjected to a universal news blackout in the U.S. But the Sally Perdue story took a different turn.

Last January, Ms. Perdue told Ambrose Evans-Pritchard of the Sunday Telegraph that she'd been threatened with violence if she continued to talk. She named a name, Ron Tucker, who she said claimed to represent the Democratic Party. She says Mr. Tucker first offered her a federal job in exchange for silence, and added, "if I didn't take the offer, then they knew that I went jogging by myself and he couldn't guarantee what would happen to my pretty little legs."

Afterward, Ms. Perdue says she received threatening phone calls and letters, one of which she made available to the Telegraph. She says she found an unspent shotgun shell on the seat of her jeep, and that later the back window was shattered. She reported this to the FBI, which told the Telegraph there was an ongoing investigation. Mr. Tucker's employer at the time, John Newcomb of Marion Mining, added the confirmation that Mr. Tucker told him he had been asked "to get to this woman and get her to shut up." In an interview with us this week, Mr. Tucker responded, "Sally Perdue is a flake, stirring up a hornet's nest. I only met with her for 10 to 15 minutes once. I'm not a political animal," and then degenerated into a series of threats and obscenities.

Editors and reporters have to grapple with a flood of stories, charges and rumors of violence and even deaths in Arkansas. The state seems to be a congenitally violent place, and full of colorful characters with stories to tell, axes to grind and secrets to keep or to protect. We believe Mr. Davis's Telegraph story included a lot of corroboration, though of course no evidence that anyone ordered Mr. Tucker to say what Ms. Perdue charges he said. Yet as the story develops, we're increasingly coming to the conclusion that the respectable press is spending too much time adjudicating what the reader has a right to know, and too little time with the old spirit of "stop the presses."

Senate, House Move Closer to Hearings On Whitewater; Dates Are Still Vague

By Kenneth H. Bacon
And Ellen Joan Pollock
Staff Reporters of The Wall Street Journal

WASHINGTON – The Senate and the House are both moving closer to hearings on Whitewater, although dates may not be nailed down quickly.

The House voted 408-15 to hold hearings on the web of issues surrounding the Whitewater affair. The House followed the example of the Senate and instructed its leaders to design a hearing format and schedule that won't interfere with investigations launched by Special Counsel Robert Fiske.

Senate Republicans were preparing to propose the creation of a special committee, containing the ranking Democrat and Republican from each Senate committee that has jurisdiction over the banking, small business, tax and other issues that have been lumped together in the Whitewater affair. The issues include the dealings of President and Hillary Rodham Clinton with a failed Arkansas savings and loan, their involvement in a former land company called Whitewater Development Co., and their influence on financial agencies in Arkansas and Washington. The Clintons have denied any wrongdoing or impropriety.

Last week the Senate voted 98-0 for a resolution instructing Majority Leader George Mitchell (D., Maine) and Minority Leader Robert Dole (R., Kan.) to work out the details this week for hearings. But yesterday, both officials hinted that the arrangements may not be solidified until after the Passover-Easter recess that starts this week.

Hale Enters Guilty Plea

In another Whitewater-related development, David Hale, a former Little Rock municipal judge, pleaded guilty to two felony counts of conspiracy and mail fraud. Mr. Hale has alleged that Mr. Clinton pressured him to make a loan to Whitewater partner Susan McDougal and that some of that money ended up in Whitewater accounts. Mr. Hale's settlement of the charges, which was expected, means he will be able to testify before a special grand jury to be convened this week.

The plea, Mr. Fiske said yesterday in federal court in Little Rock, "will allow us now to investigate all of the allegations that Mr. Hale has made . . . and other allegations he has made during the time he has been cooperating with us."

Mr. Hale won't be sentenced for at least 120 days to give him time to "fully demonstrate his cooperation with the government," Mr. Fiske said. He could be sentenced to as much as 10 years in jail, and be required to pay $500,000 in fines, but the judge is likely to take his cooperation into consideration at the sentencing.

As president of Capital Management Services Inc., a company licensed by the Small Business Administration to make loans to disadvantaged business people, Mr. Hale admitted that he had defrauded the agency out of $900,000. He also admitted that between 1985 and 1991, he used government and CMS funds to make loans for improper purposes. The recipients of those loans weren't disclosed, but the loan to Ms. McDougal was made in 1986. Mr. Hale also said he had made improper loans to three companies owned by Arkansas Gov. Jim Guy Tucker and his family.

Altman Discloses Discussions

Also yesterday, the Senate Banking Committee released a third letter from Deputy Treasury Secretary Roger Altman disclosing additional discussions he held with White House officials. The conversations followed a Feb. 2 meeting that Mr. Altman attended at the White House on procedural matters related to possible government charges involving Madison Guaranty Savings & Loan, a failed Arkansas thrift linked to the Whitewater investment.

Mr. Altman revealed the Feb. 2 meeting at a Banking Committee hearing late last month. He had sent two previous letters to the committee disclosing other contacts with White House officials in which issues relating to Madison were discussed.

In the newly disclosed meeting, Mr. Altman said he discussed his decision to recuse himself from the Madison case and to step down as acting head of the Resolution Trust Corp., the S&L cleanup agency.

Mr. Altman wrote the latest letter on the eve of his appearance before a federal grand jury that is looking into whether the White House tried to improperly influence the case. Mr. Altman and other Treasury and White House officials have called their discussions proper and above board.

Security Review Issue

Separately, Patsy Thomasson, the White House director of administration, told a House subcommittee that the Secret Service issued her a permanent security pass on March 5. Republicans have criticized the administration, and Ms. Thomasson in particular, for working in the White House for over a year without the proper security review that comes with such a pass.

But Rep. Frank Wolf of Virginia questioned the integrity of the White House, saying he has been assured for months by Chief of Staff Thomas McLarty that the administration wasn't taking any security risks, only to learn from Ms. Thomasson that Mr. McLarty just recently received his own permanent pass. Mr. McLarty, however, had received other security clearances.

Ms. Thomasson also said that four veteran consultants from the presidential campaign – Paul Begala, James Carville, Stanley Greenberg and Mandy Grunwald – would undergo background checks and probably receive permanent non-government passes, instead of the temporary ones they have been using.

What's News—

* * *

Business and Finance

THE FED'S policy makers voted to push up short-term interest rates for the second time in as many months, the latest in what is expected to be a series of rate increases. Although the Fed wasn't explicit in its statement, it decided to increase the benchmark federal-funds interest rate by ¼ percentage point, to 3⅛%.

Bond prices soared after the Fed's announcement. The Treasury's benchmark 30-year bond jumped 1¼ points, with the yield falling to 6.85%. Stock prices were mixed, with the Dow Jones industrials slipping 2.30 points to 3862.55. The dollar was steady.

(Articles on Pages A3 and C1)

* * *

The House Ways and Means health subcommittee approved a $1.25-a-pack increase in federal cigarette taxes, but remained deeply divided over a proposed payroll tax to finance a Democrat-backed health-reform plan.

(Article on Page A3)

* * *

Macy's board approved an outline of a bankruptcy-law reorganization plan that strikes a compromise between the stance taken by Chairman Myron Ullman and director Laurence Tisch. Directors agreed to value the retailer at $3.5 billion, less than some creditors and Tisch had advocated.

(Article on Page A3)

* * *

BellSouth will probably push to revise terms of its planned $500 million investment in QVC, looking for a price cut or other adjustments to offset a steep slide in QVC's stock.

(Article on Page A2)

* * *

The U.S. trade deficit in goods and services widened in January to $6.3 billion from $4.14 billion in December, as U.S. exports were hurt by economic slumps in some overseas markets.

(Article on Page A2)

* * *

Lehman Brothers launched a tough cost-cutting drive that could force the departures of up to 400 investment bankers, traders and sales people.

(Article on Page C1)

* * *

The House approved a bill to permit banks to operate nationwide branch networks, as opposition to the legislation continued to soften.

(Article on Page A2)

* * *

The Big Board is considering trading foreign stocks in different currencies in an effort to maintain its prestige in the global marketplace.

(Article on Page C1)

* * *

Japan's economy contracted at a 2.2% annual pace in the quarter ended Dec. 31, better-than-expected results that may prompt economists to moderate bearish forecasts for this year.

(Article on F A11)

* * *

U.S. Surgical said it completed negotiations that will result in a $200 million investment in the company.

(Article on Page B5)

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Spectrum Information's troubles widened with the arrests of five officials of a financial services firm with ties to Spectrum and its president.

(Article on Page A4)

* * *

Burger King awarded the creative portion of its estimated $150 million to $160 million account to Ammirati, selecting a midsize, creatively focused agency over larger competitors.

(Article on Page B6)

* * *

Markets—

Stocks: Volume 282,241,300 shares. Dow Jones industrials 3862.55, off 2.30; transportation 1714.42, unchanged; utilities 207.95, up 1.98.

Bonds: Lehman Brothers Treasury index 5335.11, up 65.35.

Commodities: Oil $15.20 a barrel, off 17 cents. Dow Jones futures index 143.99, up 1.04; spot index 131.80, up 0.50.

Dollar: 106.00 yen, unchanged; 1.6885 marks, unchanged.

World-Wide

THE HOUSE VOTED to hold hearings on the Whitewater affair, but set no dates. The 408-15 vote followed the example of the Senate and instructed House leaders to design a format and schedule that won't interfere with a special counsel's inquiry into financial dealings by President and Hillary Rodham Clinton. Congress's Passover-Easter recess, which begins this week, could delay arrangements, but Senate Republicans are set to push for creation of a special panel. The Clintons have denied any impropriety. (Article on Page A4)

David Hale, a former Arkansas judge, pleaded guilty to two felony charges in a plea bargain that will allow him to testify before a Whitewater grand jury.

* * *

Israel and the PLO reached a tentative agreement that could revive peace talks stalled since the Hebron massacre, officials from both sides said. Under the pact, which must be ratified by Israeli Prime Minister Rabin, Israel would allow U.N. troops in the West Bank and Gaza Strip, and Israeli settlers would be moved from Hebron.

* * *

South Africa's transitional council took control of the black homeland of Ciskei after its leader quit and asked the central government for help. It was the second of the homeland governments, set up in the apartheid era, to fall in the past two weeks. In Natal, Zulu militants attacked homes of black opponents, killing at least three.

* * *

Christopher said "progressively stronger measures" may be needed to persuade North Korea to open suspected nuclear-arms sites to inspectors. China, while warning sanctions could be counterproductive, didn't reject the idea. Meanwhile, the dispute is pushing Japan to consider adjusting its defenses. (Article on Page A11)

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A U.N. relief plane landed in Tuzla, marking the first use of the Bosnian city's airport for aid flights since it was shut by a Serb siege two years ago. U.N. officials s said trucks were reaching the city with little trouble. In Sarajevo, U.N. officials d Serbs began pulling back heavy arms found inside an exclusion zone around the city.

* * *

Mexico's Camacho ruled out a bid for the presidency that would have split the ty that has ruled for 65 years. His announcement sent shares soaring on the Mexican stock exchange. Camacho, a former foreign minister, achieved prominence recently as government negotiator in peace talks with rebels in Chiapas. (Article on Page A10)

* * *

Premier Li Peng said China would make "great efforts" to improve relations with the U.S., a marked departure from recent rhetoric by Beijing. In Washington, senior White House officials met to reaffirm the U.S. position that China will lose its favorable trading status if it doesn't improve its record on human rights. (Article on Page C20)

* * *

The Supreme Court affirmed two state death-penalty convictions, but expressed concern that judges' instructions to juries in the cases may have been confusing in defining the term "beyond a reasonable doubt." Justices found, however, that the problem wasn't grave enough to overturn the convictions. (Article on Page B8)

* * *

Russia agreed to a series of budget-balancing measures, paving the way for $1.5 billion IMF loan. Moscow's draft budget, which runs a deficit equal to 9% of GDP, was supported by IMF officials. But it appears certain to boost friction with big industrial and farm lobbies demanding larger g ment subsidies. (Article on Page A10)

* * *

Iraq is making threatening moves against a U.N.-protected Kurdish enclave in retaliation for U.N. refusal to lift sanctions against Baghdad and allow it to sell oil, U.S. and Kurdish officials say. The officials say Iraq recently has moved elite Republican Guard units to the northern enclave and escalated efforts to destabilize it.

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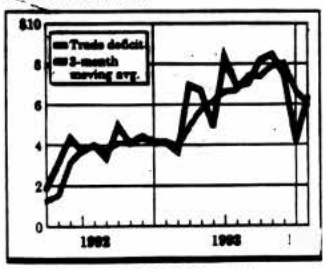
The U.S. proposed that the U.N. Security Council be expanded to 20 members and repeated its call for permanent seats for Germany and Japan. The council now 15 members, five of which are permanent. The U.S. didn't make any recommendations on possible changes in veto powers. Only permanent members can now veto resolutions.

* * *

Nicaragua's military chief was ordered restricted to Managua by an army pr tor presiding over an investigation of a killing. The case has become a focal point for criticism of **Humberto Ortega**, brother of the country's former **Sandinista** president.

U. S. Trade Deficit

In billions of dollars



THE U.S. TRADE DEFICIT rose in January to a seasonally adjusted $6.30 billion, from a revised $4.14 billion in December, the Commerce Department reports. The 3-month moving average fell to $5.97 billion in January from a revised $6.69 billion in December. (Article on page A2.)

Whitewater Counsel Welcomes Businessman's Cooperation

By Charles R. Babcock
Washington Post Staff Writer

LITTLE ROCK, Ark., March 22—Whitewater special counsel Robert B. Fiske Jr. said today that the cooperation of an Arkansas businessman who has made allegations against President Clinton "will be a significant contribution to our investigation."

Former Little Rock municipal judge David L. Hale has charged that Clinton pressured him to make improper loans in early 1986. Fiske told reporters that Hale's charge against Clinton is "one of the reasons I was appointed independent counsel, because of that public allegation." Now, with Hale's testimony, "We have an opportunity to investigate that situation, which we are doing," he said.

The president has denied Hale's charge and this week called it "a bunch of bull." As Hale pleaded guilty here to two felony counts, neither Fiske nor Hale's attorney, Randy Coleman, would say whether Hale has offered corroborating evidence for his charge that Clinton, while governor, asked him in two instances to make loans to help James B. McDougal, owner of Madison Guaranty Savings & Loan.

McDougal and his wife, Susan, were partners with Bill and Hillary Rodham Clinton in the Whitewater land venture. In addition to Hale's allegation, the special counsel is examining Whitewater, its ties to Madison, last July's suicide of White House deputy counsel Vincent Foster and a series of contacts between the White House and Treasury Department regarding the Madison investigation.

Coleman did say that Hale has provided Fiske with "considerably more detail" about all the transactions he was involved with in the three weeks since Fiske initiated plea-bargaining talks. Hale has said he made loans to benefit other politicians, including Jim Guy Tucker, the current Arkansas governor.

In his appearance before U.S. District Judge Stephen Reasoner, Hale admitted to one count of conspiring to use his federally subsidized company, Capital Management Services, to defraud the Small Business Administration in the late 1980s.

He also pleaded guilty to one mail fraud count related to an SBA financing application he filed in February 1986. The second charge, which was not in Hale's original indictment, describes a more sweeping scheme in which Hale and others obtained money between 1985 and 1991 from his firm and the SBA. His SBA-licensed company was supposed to make loans to the disadvantaged.

Clinton's name was not mentioned in the hearing. Fiske told the judge that Hale's cooperation "allows us now to investigate fully all the allegations Mr. Hale has made publicly and others he has made while cooperating."

Fiske's assistant, Russell Hardin Jr., told the court that the evidence at trial would have shown that Hale schemed to cause fraudulent loans to be made to various entities controlled by himself and others. He said Hale received proceeds of a loan from Madison, which he used to get more SBA funds.

Coleman said that the Madison loan in 1986 was for $825,000 and was used to make a $300,000 loan to Susan McDougal. Part of that money, in turn, was used to buy a piece of land in Whitewater's name. McDougal and the Clintons have said the Clintons were unaware of that transaction. The land was transferred out of Whitewater's name within a few months.

House, Senate Edge Toward Whitewater Hearings

By Helen Dewar and Kenneth J. Cooper
Washington Post Staff Writers

The House yesterday joined the Senate in taking the first step toward holding hearings on the Whitewater affair, and the Senate began the politically nettlesome and delicate job of working out details.

The key unanswered questions are when the hearings will begin and who will conduct them.

The House voted 408 to 15 to approve a resolution similar to one adopted last week by the [illegible] that called on Democratic and Republican leaders to negotiate an "appropriate timetable" for [illegible]ings. The dissenters were liberal Democrats.

The vote came hours after House Democratic and Republican leaders met privately and agreed to bring up the resolution, making it unnecessary for GOP members to seek a symbolic vote tied to a committee funding resolution.

The level of inter-party acrimony in the House led some Republicans to question whether the resolution actually would produce hearings.

"What I want to be assured of is comprehensive hearings on Whitewater are going to be held," Rep. Robert S. Walker (R-Pa.) told Majority Leader Ric[illegible]d A. Gephardt (D-Mo.) in a floor exchange.

"We'll do everything under our power to find a way to have hearings appropriately . . . in coordination with the special counsel," Gephardt said guardedly, referring to Whitewater special counsel Robert B. Fiske Jr., who has urged Congress not to do anything that would jeopardize his probe.

Pressed by Walker to be more specific, Gephardt said there could be Banking, Finance and Urban Affairs Committee oversight hearings "as soon as practicable," hearings by other committees on other "fragments and pieces" of the allegations and "a more comprehensive set of hearings . . . in one forum" still to be determined.

Rep. Jim Leach (Iowa), senior Republican on the banking panel, said the resolution "represents the first bipartisan commitment to bipartisan hearings" in the House and pledged that Republicans will show "decency of temper," abide by House rules and be "respectful" of the special counsel's office.

In the Senate, Democrats and Republicans engaged in not-so-subtle political shadowboxing over whether the hearings should be structured in a way that would put Sen. Alfonse M. D'Amato (N.Y.) in the high-profile role as spokesman for Senate Republicans on Whitewater.

Some Republicans fear—and many Democrats believe—that D'Amato's aggressive style and his own record of Senate ethics troubles makes him a vulnerability for Republicans that could detract from any damage President Clinton might suffer i[illegible] the hearings.

While no one mentioned D'Amato by [illegible] Democrats suggested hearings under auspices o[illegible] the Senate Banking Committee, where D'[illegible] is ranking Republican, while Republicans suggested a hybrid "special" panel composed of members of several committees with jurisdiction over various aspects of Whitewater.

Minority Leader Robert J. Dole [illegible]Kan.) he was sending a proposal to Majority Leader George J. Mitchell (D-Maine) urging such a special committee to handle the hearings. He said Republicans on the committee would be led by a member of the Senate GOP leadership.

But several Democrats said they want the [illegible]ing panel to conduct the hearings, and Mitchell said "No one has suggested to me why the committee o[illegible] jurisdiction [banking] should not do it."

Dole indicated it may take awhile to work [illegible] details with Mitchell and said he doubts they will agreement before Congress leaves for a two spring break at the end of this week.

Under the resolutions adopted, leaders of the houses will work out the timetable, procedures forum for hearings, with a caveat that they not interfere with Fiske's probe. Witnesses are not to be granted immunity from criminal prosecution.

3

Altman, White House Discussed Recusal

By Ruth Marcus and Ann Devroy A1
Washington Post Staff Writers

Deputy Treasury Secretary Roger C. Altman consulted White House officials in early February about whether he should remove himself from supervising a politically sensitive federal investigation of Madison Guaranty Savings & Loan but encountered White House resistance to that step, according to administration officials and other sources.

White House counsel Bernard Nussbaum, who has since resigned, expressed doubt that Altman needed to recuse himself and concern about who would oversee the case if Altman, a political appointee serving acting head of the Resolution Trust Corp., did step down, the sources said. One of the areas under review by the RTC, the agency overseeing the thrift cleanup, was Madison's representation during the mid-1980s by the Rose Law Firm, including Rose partner Hillary Rodham Clinton.

Until this week, the White House and Altman consistently described his Feb. 2 briefing of senior officials about the RTC's handling of potential civil suits arising from the collapse of the Arkansas thrift as a run-of-the-mill, procedural "heads-up" that provided no more information to the White House than was available to lawmakers who asked about it.

ALTMAN, From A1

But the disclosure of conversations about whether Altman should recuse himself—at that White House meeting and in at least three subsequent conversations with senior officials, including White House Chief of Staff Thomas F. "Mack" McLarty—underscores that the discussions about the RTC and Whitewater went beyond purely procedural matters of public record.

Altman, as acting head of an independent regulatory agency, discussed the recusal issue with the White House at a time when Republicans were questioning whether Clinton political appointees could effectively investigate the Whitewater matter.

McLarty said last night that Altman told him, "I'm weighing whether to recuse myself or not" and that McLarty replied, "It's a serious matter. Use your own judgment." Altman testified yesterday before a federal grand jury looking into contacts between senior White House and Treasury officials about the RTC investigation. Special counsel Robert B. Fiske Jr. has made the White House meetings a primary initial focus of his investigation into President Clinton's Whitewater land venture and its ties to Madison.

Altman, who was overseeing the Madison investigation as acting RTC head, did not recuse himself when he first raised the subject with the White House. He remained in charge of the RTC investigation until Feb. 25, one day after revealing that he had briefed the White House about the RTC's handling of possible civil suits arising from Madison's collapse.

The White House reaction to Altman's suggestion that he recuse himself seems to illustrate the administration's concern about the status of civil suits relating to Madison.

Administration and other sources familiar with the discussions emphasized that the White House never instructed Altman to remain involved in the Madison case.

"The only question was: 'Who is going to handle this then, who is going to make this decision?' " said one source familiar with the meeting. "You see, they didn't know any of these people, they didn't know who'd be making the decision."

Altman raised the issue of his recusal at the Feb. 2 White House meeting, attended by Nussbaum, Treasury Department general counsel Jean Hanson, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff, Margaret Williams.

In a letter to Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.) yesterday—after inquiries from The Washington Post about whether the subject of recusal had come up at the meeting—Altman disclosed that he had discussed removing himself from the Madison case and revealed the additional conversations about the subject with McLarty and Ickes.

Sources said that Altman's consideration of recusal was prompted by intense Republican pressure on the administration's nominee to the Federal Deposit Insurance Corp., Ricki Tigert, to promise to remove herself from FDIC investigations of Madison and the Rose Law Firm. The law firm handled some FDIC civil suits growing out of Madison's failure.

On Feb. 3, the day after the White House meeting, Altman also received a letter from Rep. Jim Leach (R-Iowa) urging him to consider stepping aside. Leach told Altman that it appeared "ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions."

Altman told the White House officials that he had checked with Treasury and RTC ethics officers and had been told there was no requirement that he recuse himself from Madison cases, the sources said.

An administration source emphasized that Altman was told that if there were a legal or ethical reason to remove himself from the cases, that he should do so, and that the handling of the matter was left up to him. But Nussbaum, who resigned earlier this month in the aftermath of the disclosure of the series of White House-Treasury meetings about Madison, questioned whether Altman should step aside absent a specific need to do so.

"They wanted to know: Who's going to know what is happening, who decides on what civil cases go forward?" one source familiar with the meeting said. The source said that Altman told the White House officials that it would not matter if he were in place or not because all substantive decisions about how to proceed would be in the hands of the new RTC general counsel, Ellen Kulka.

One source familiar with the meeting described Ickes, who was in charge of Whitewater damage control efforts, as "stoic" about the prospect that Altman would remove himself from the Madison cases. Altman spoke with Ickes a few days later—as he disclosed in a letter to the Senate Banking Committee Friday—to again discuss the subject of recusal. Ickes told Altman, "Do what you have to do," a source familiar with the conversation said.

About the same time, Altman also spoke with McLarty, who had arranged the meeting, to tell him he was "leaning toward" recusal.

On Feb. 23, the night before his Senate Banking Committee testimony, Altman telephoned Ickes to tell him that he would announce that he was stepping down from his role as acting head of the RTC at the o March. About the same time, he also "bumped into" Nussbaum at the White H and learned that the White House w soon be submitting its nominee to the RTC.

Altman's letter to Riegle reflected the fourth time he has amended his Senate mony to disclose additional contacts with White House officials relating to Madison.

White House concerns about the of a politically responsive head of the RTC were confirmed in the minds of administration officials when they discovered weeks ago that the RTC had hired Jay B. Stephens, the former U.S. attorney for the District who was fired at the start of the Clinton administration, to handle some of the civil suits arising from Madison's failure.

Stephens, a Republican, had complained that his removal would interfere with the investigation of Rep. Dan Rostenkowski (D-Ill.) and said he was considering for public office. "People were quite concerned," one senior official said. "Given his highly tisan activities, given the fact that criticized the president and the attorney general, given the fact that he had discussed seeking the Republican nomination for the Senate, certainly that raised concern."

2C

Democrats Overcome the Butterflies

It took an indefensibly partisan blunder by Representative Henry Gonzalez to jolt it into action, but the House has finally decided to emulate the Senate and call for hearings on the financial maze known as Whitewater.

The timing and scope of the hearings must still be decided by House leaders, and some Democrats may seek to restrict them to recent allegations of White House interference with Federal investigators. But yesterday's House resolution orders a broad inquiry covering Madison Guaranty, a failed Arkansas savings and loan, and the Whitewater Development Company, partly owned by Bill and Hillary Rodham Clinton.

The resolution followed by one day the release of a remarkably intemperate letter from Mr. Gonzalez, chairman of the House Banking Committee, to Jim Leach, the ranking minority member, summarily canceling hearings that Mr. Leach had scheduled for tomorrow.

The letter backfired. Embarrassed by its tone, and worried that the public might think they were hiding something, senior Democrats quickly urged more extensive hearings, leading to yesterday's resolution. Like the Senate's, it sensibly urges that the hearings be delayed so as not to undercut the crucial early stages of the investigation by the special counsel, Robert Fiske.

Mr. Leach cannot complain about this odd sequence of events since he has clearly profited from it — losing a brief hearing that might well have disrupted Mr. Fiske's efforts, while gaining a fuller inquiry down the road.

But the real winner could be the public, partly because the hearings might clarify long-ago financial dealings in Arkansas and partly because Whitewater has raised questions in which the committee, and the public, should have an interest. One is whether Madison funds were improperly used to benefit either Mr. or Mrs. Clinton. The other is whether the Clinton Administration interfered with inquiries into Madison by Treasury Department agencies that the Banking Committee oversees.

Although it took them a while, House Democrats are to be commended for their willingness to proceed. The consequences of not doing so might have been far more unsettling than the political butterflies now fluttering in their stomachs.

El Salvador's Messed-Up Elections

Sunday's elections in El Salvador, supposedly the culmination of a United Nations-sponsored peace process, have been officially declared "acceptable." The charitable view is that they were clearly marred by incompetence. Many observers believe there were significant instances of fraud.

The most flagrant example of bureaucratic bungling was the fact that 340,000 voting cards were never sent to voters who were approved and on the electoral rolls; they were not allowed to vote. Many other eligible voters did not even make it onto the rolls, while numerous dead people did. Former President José Napoleón Duarte and former Constituent Assembly President Roberto D'Aubuisson — both dead — were on the rolls. Some of the deceased were marked off as having voted.

No presidential candidate ended up with the 50 percent needed to avoid a runoff, but the ruling right-wing Arena party got almost that much and seems certain to win in the next round of voting. The F.M.L.N., the party of the former anti-government guerrillas, placed second, winning a substantial number of seats in the National Assembly and assuring itself a strong voice in national affairs.

It is at the local level that bungling and fraud may have really skewed the results — mostly, it seems, in favor of Arena candidates. Mayors in rural areas wield considerable clout, and many now will not have credible mandates.

Since El Salvador is no longer a cold war battleground, the United States has devoted little attention to cleaning up the mess that war left behind. One result is that the peace process has not been concluded. Many worry that Arena's victory will embolden the party to abandon commitments to agreements that still have not been carried out — notably land transfers, the formation of the new civilian police force and instituting recommendations of the Truth Commission to address years of human rights abuses.

At the very least, international observers need to exert maximum pressure on the Supreme Electoral Tribunal to clean up the voting registry before the next round of elections in April, so that people who have agreed to exchange their guns for ballots will feel they made the right choice.

One Thing It Isn't: Iran-Contra

By Arthur L. Liman

As Congress debates the timing and procedure of hearings on the Whitewater affair, people in both parties are citing the Iran-contra hearings as precedent. But there is a big difference between that affair and this one.

The activities in Arkansas could not have involved abuses of power by a sitting President, since they took place many years before Bill Clinton came to Washington. Whatever one may think of allegations of a White House "cover-up," impeachment is not even a remote possibility.

In the Iran-contra affair, by contrast, the "I" word was very much in the air. It was imperative that Congress determine as promptly as possible, and with immunity grants where necessary, whether there were grounds for removing the President.

Before Congress decided to investigate, there was a series of accusations and admissions of official wrongdoing or apparent abuse of power — from the revelation of an arms-for-hostages deal with Iran to the secret and illegal aid to the Nicaraguan rebels to the allegations of file shredding by Lieut. Col. Oliver North. It was clear that grounds for impeaching Ronald Reagan would exist if he was implicated in either the diversion of funds or the cover-up. With new rumors each day, the Government was paralyzed.

Fortunately, Daniel Inouye, the Hawaii Democrat who was chairman of the Senate Iran-contra committee, shaped the inquiry in a way that reflected his love of country and respect for constitutional processes. Senator Inouye is one of America's great war heroes and patriots, having left his parents in a Japanese-American detention center to join a Nisei battalion that suffered some of the heaviest casualties of World War II in the Italian campaign; as long as the possibility of impeachment existed, there was no room in his mind for partisanship.

His mandate to us was unambiguous: if there were grounds to impeach Mr. Reagan, we should seek to discover and establish them promptly. If there was no proof of an impeachable offense, we had an obligation to make that clear so he would be free to complete his term. The Inouye principle was "Remove the President, or let him govern, but don't paralyze him, and, in any event, get the facts out."

The Iran-contra inquiry quickly found that all possible roads to the President led through three national security aides: Robert McFarlane, Adm. John Poindexter and Colonel North. Without their testimony, Congress could not determine whether there was proof of an impeachable offense. To await the independent counsel's investigation, which might take years (we never guessed seven years) was not an option. The President would have been long gone from office, his term clouded by speculation over the extent of his involvement.

To accommodate the independent counsel, Senator Inouye tried to persuade the key witnesses that it was their patriotic duty to testify without immunity. Mr. McFarlane willingly did so, but Admiral Poindexter and Colonel North were unwilling to waive their Fifth Amendment privileges.

Arthur L. Liman, a New York lawyer, was chief counsel to the Senate Iran-contra committee.

But Congress can clear the air.

Congress therefore had no choice but to give them immunity. We delayed their testimony, nevertheless, until the independent counsel could seal his evidence against them.

Even if the Congressional committees had been able to anticipate that the grants of immunity would later lead the United States Court of Appeals to overturn the criminal convictions of Colonel North and Admiral Poindexter, they still made the right decision. There was simply no other way of determining whether the President should be impeached. It was far more important to resolve that issue promptly than to insure that the two men could be prosecuted, presumably to be given minor sentences if they were convicted.

One often hears it said that the Congressional investigation of Iran-contra was inconclusive and that Congressional hearings on any complex subject are doomed to a similar fate. But the independent counsel reached the same conclusion in his 1994 report as the Congressional committees did in 1987: there was no proof of criminal action by the President.

In Whitewater, with no prospect of impeachment, Congress does not have the same need to hold hearings immediately, but it does have the same need for the Inouye spirit of bipartisanship and fairness. Congress has no need to give immunity and can accommodate the special counsel, Robert Fiske, so his inquiry is not impeded.

For his part, Mr. Fiske must also show some flexibility in recognizing the political dimensions. It is the President and the country who will bear the costs of undue delay. Congressional hearings addressed to core issues of integrity are the only way to end unfair speculation and let the President move ahead without waiting for the counsel to complete all aspects of his investigation. The Inouye principle, that an unimpeached President should be allowed to govern with the air cleared, is the central lesson Iran-contra offers for Whitewater. □

Sex! Money!! Cover-Up!!! Whitewater? ✓

The Media Dozed, Then Went Berserk

By Christopher Hanson

WASHINGTON

Journalists like to caricature President Clinton as a man of gargantuan appetites who heaps too much on his plate in more ways than one. But when it comes to excess, it is hard to top the press itself. Consider the orgy over Whitewater.

Since January there have been hundreds of major newspaper articles on this subject, many on the front page; eye-catching newsmagazine covers, and countless talk show face-offs. As of Friday, the nightly news on ABC, CBS and NBC had devoted 220 minutes to Whitewater this year, nearly three times as much as for health care, according to Andrew Tyndall, whose Tyndall Report monitors TV news.

Judging by the voraciousness of Whitewater reporters (an appetite whetted significantly by White House evasions and antagonism to the press) one might think the media had discovered something as meaty as Watergate — though even Senator Alfonse D'Amato, who has been leading the political charge, acknowledges that there may be "little if anything" at Whitewater's core.

The odor wafting from Whitewater is certainly sour enough to merit press scrutiny. Should Gov. Bill Clinton have carried on the Whitewater Development partnership with James McDougal, owner of a savings and loan that Mr. Clinton's administration was regulating? Should Hillary Rodham Clinton have represented the troubled thrift before state regulators?

But by magnifying every Whitewater swirl and bubble, the news media are helping create the premature and probably unfair impression of a crooked and unraveling Administration. Consider the drumbeat after the special counsel, Robert Fiske, subpoenaed Administration aides to testify about meetings between the White House and Treasury Department officials over the Treasury investigation of Madison Guaranty.

Almost everyone now agrees the meetings were inappropriate. But the participants deny that the substance of the case was discussed, and no evidence has emerged that laws were broken. Even so, many subpoena stories, by dint of prominent display, seemed to carry darker implications (QUESTION OF COVER-UP TO BE EXPLORED, as a headline in The Boston Globe put it). When George Stephanopoulos was subpoenaed last week, some papers put the story on page one, though there was no indication why he had been called. (Certainly not because he was neck-deep in Whitewater investments: he was 16 years old when the Clintons cut their deal.)

> At last, a scandal reporters can love.

The most excessive Whitewater coverage involved the White House lawyer Vincent Foster, reportedly a custodian of Whitewater papers, whose death in a park near the Potomac in July was ruled a suicide. In their zeal, some news outlets ran unsubstantiated speculation that he had died elsewhere (for example, in an Administration "safe house") and his body had been moved to the park. The Washington Times actually began a story, "Who killed Vince Foster?" (Finally, ABC News broadcast a photo of the death scene in a broadcast that sought to rebut conspiracy theories, bringing dubious taste to the rescue of common sense.)

An unstated motto of life in the press corps is "Nothing in Moderation." Accordingly, the journalists' appetite for Whitewater swung from something bordering on anorexia to today's binge eating.

It was two years ago that Jeff Gerth of The New York Times first reported on Whitewater and Madison Guaranty and the conflict-of-interest questions they raised. Those questions deserved to be followed up at the time, but the Clinton Presidential campaign deflected the matter and most reporters lost interest. There it rested until last fall, when reports of the Treasury investigation of Madison surfaced. Even then, Whitewater did not become a truly national story because it was complicated, murky and hard to explain. It took wing only in late December, for several reasons.

First was "Troopergate": the allegations of Arkansas state troopers that they were promised Federal jobs if they'd cover up Mr. Clinton's supposed sexual frolicking when he was Governor. That story repelled many reporters, who had no desire to follow the bimbos. But they also didn't want to look soft on Mr. Clinton. They craved an alternative.

And they got one: a revelation that the White House counsel, Bernard Nussbaum, supervised the removal of Whitewater files from Mr. F er's office after his death. This sensa al element made Whitewater to convey, and reporters flocked to the story. TV networks, which devoted a total of eight minutes to Whitewater in the first 50 s of 1993, gave it 21 minutes in the last two weeks, after the Nussbaum and sex stories broke, Mr. Tyndall says.

The way Whitewater finally took off says something about the standards a scandal must meet t days to draw in the mainstream pack. It must be a "clean scandal, a nice scandal, a scandal suitable for a family newspaper," in the words of Suzanne Garment, a Washington political writer who is author of a book on the dynamics of scandal. But it 't be *too* clean — so nice and dry boring that it will be ignored, as the national savings-and-loan debacle was for so long. We are in the age of tabloidization. There must be a for the booboisie.

There's still time to hope that the same forces that unleashed all the hype and shallow coverage may also prompt some reporters to dig harder. Who knows? Someday we may actually learn if there is a scandal here.

Meanwhile, the frenzy is taking its toll on the Clintons: even if they are eventually cleared, they will be clawed and pecked on a daily for months, given the special c inquiry and the coming Congressional hearings. The Administration will be hard-pressed to focus on h care, the most important domestic debate in 25 years. It all brings to mind a couplet from antiquity:

On eagles' wings immortal scandals fly
While virtuous actions are but born and die.

Christopher Hanson, Washington correspondent for The Seattle Post-Intelligencer, writes the "Capital Letter" column for Columbia Journalism Review.

THE NEW YORK TIMES, WEDNESDAY, MARCH 23, 1994

Prosecutor Says Loan Questions Will Get Review

THE NEW YORK TIMES, WEDNESDAY, MARCH 23, 1994

The Whitewater Inquiry Will Interview Banker

By GWEN IFILL
Special to The New York Times

WASHINGTON, March 22 — After securing a guilty plea from an important figure in the Whitewater case, the special prosecutor investigating the Arkansas land deal said he would now open a vigorous inquiry into the man's accusations that Bill Clinton had pressured the man to make a questionable bank loan to Mr. Clinton's friend and partner in the deal.

"This will allow us a full investigation of everything he knows," the prosecutor, Robert B. Fiske Jr., told Judge Stephen M. Reasoner of Federal District Court in Little Rock, Ark., today after David L. Hale, the former owner of a lending company called Capital Savings Management, pleaded guilty in an unrelated case to bank and mail fraud for defrauding the Small Business Administration.

"At this point, so much depends on Mr. Hale's cooperation," Mr. Fiske said. An aide said the prosecutor believed Mr. Hale had extensive knowledge about Whitewater.

The guilty plea allows Mr. Hale to avoid a trial that was scheduled to begin on Monday and to present his charges about Mr. Clinton to the Whitewater grand jury sitting in Little Rock. Mr. Hale has maintained that Mr. Clinton, while Governor in 1986, pressured him to lend money to politically connected friends, including Susan McDougal, a partner in the Whitewater venture.

In Washington today, the examination of the Whitewater case and the events surrounding the failure of the Madison Guaranty Savings and Loan in Little Rock proceeded in these two directions:

¶The House of Representatives voted 408 to 15 to have leaders of both parties set an appropriate timetable for hearings on Whitewater.

¶A grand jury sitting heard from Roger C. Altman, the Deputy Secretary of the Treasury, appeared before a grand jury sitting in Washington.

Mr. Altman, who told the Senate Banking committee on Feb. 24 that he held a procedural meeting with White House officials on Feb. 2 to discuss the actions of the Resolution Trust Corporation on Madison, said in a letter to the Senate Banking Committee that he had also had several additional telephone calls and personal conversations about whether he should recuse himself from the case.

Letter to the Banking Panel

In the letter dated March 21, Mr. Altman said he had discussed the possibility of recusal with Thomas F. McLarty 3d, the White House chief of staff; Harold M. Ickes, the deputy chief of staff, and Bernard W. Nussbaum, the White House counsel who was forced to resign after the first meeting became public.

Mr. Altman would not discuss his grand jury testimony today, but he said in an interview that the discussions with the White House officials were not significant.

"I've said from the outset that I had one substantive contact and that remains my view," he said. "No one at the White House ever asked me not to recuse myself."

Mr. Altman did not formally recuse himself until Feb. 25, one day after he told the Banking Committee that he had met with the White House representatives.

Senator Alfonse M. D'Amato, Republican of New York, rejected Mr. Altman's defense today. "This is the fourth time that Altman has changed his story about contacts with the White House about the Madison-Whitewater affair," Mr. D'Amato said. "In just four weeks, the number of contacts between Altman and the White House has grown four times. How many more letters will it take before we get the whole story?"

Warning to Congress

Both Representative Richard A. Gephardt of Missouri, the House majority leader, and Representative Bob Michel, the Republican leader, warned against allowing the Whitewater inquiry to overwhelm the chamber.

Mr. Altman's latest disclosures about his contacts with White House officials came as he prepared to testify before the grand jury.

Officials said Mr. Altman was trying to reconcile his earlier recollections with accounts provided to the grand jury and to Congress by other subpoenaed officials.

The White House spokesman John Podesta would not discuss the conversations Mr. Altman had with other officials.

"I'm not going to characterize conversations while the grand jury is going on and people are taking testimony," Mr. Podesta said. "It would be inappropriate. We're in a tough spot on that."

But the evidence of repeated contacts with White House officials who had direct, daily contact with the Clintons has again raised the same question of undue influence that brought about Mr. Nussbaum's resignation.

Calls to Officials

In his letter, Mr. Altman said he telephoned Mr. Ickes on the night before the hearing to inform him of his intention to question him about the any and all White House contacts. Mr. Altman said in the letter that he had also spoken to Mr. Ickes by telephone the night before he testified before Congress about his contacts with the White House.

"I generally attend meetings in the White House three or more times a day, and am on the telephone with White House staff even more often," he said in his letter. "It is difficult to recall every brief encounter."

Mr. Altman said that on one occasion, he "literally bumped into Mr. Nussbaum in a White House corridor."

Mr. Altman has been acting head of the Resolution Trust Corporation, which is investigating the business practices of Madison Guaranty. He is scheduled to step down from that post at the end of the month.

In the House, Democratic opposition to Whitewater hearings fragmented as lawmakers in both parties stopped arguing and voted overwhelmingly to negotiate the time and agenda for a formal inquiry.

Hearing Expected in 2 Months

It appeared that some hearing would be held within about two months, probably by the House Banking Committee and well after Mr. Fiske is expected to have concluded the Washington portion of his investigation.

In a resolution that expresses the lawmakers' sentiments but lacks any legal clout, the House ordered leaders to arrange hearings on all matters involving Madison Guaranty, the Whitewater Development Company and Capital Management Services Inc.

The resolution's language was identical to a Senate resolution approved last week. But Representative Barney Frank, a Massachusetts Democrat, said that hearings should focus, at least for now, on a very discrete, fenced-off portion" of the affair: whether the White House sought to wield improper influence on Federal inquiries into the Whitewater and Madison dealings.

Mr. Frank argued that the House's most pressing interest is in Mr. Clinton's conduct as President, not in his decade-old ties to a defunct savings and loan or a bankrupt investment company.

You, Too, Can Dig Into Whitewater!

Special to The New York Times

LITTLE ROCK, Ark., March 22 — As if the public hasn't heard enough about dirt on the Whitewater affair, two owners of Whitewater land are offering souvenir soil from the failed Arkansas resort.

The Clintons' partner in Whitewater, James B. McDougal, and the venture's real estate broker, Chris Wade, are selling dirt from three acres of Whitewater — one cubic foot for $19.95.

Delivery is not included. What buyers receive is the chance to dig their own Whitewater dirt.

"They can come by the hardware store in Flippin, buy a shovel, and we'll give you directions to the lot," Mr. Wade said.

Buyers not willing to visit the site will have to be content with a parchment deed signed by three of the principal figures in the Ozarks venture that has so troubled the President: Mr. Wade and Mr. McDougal and his former wife, Susan B. McDougal, who was also a partner in Whitewater.

"You can frame it, hang it on your wall and say you now own a piece of the dirt on Whitewater," said Mr. Wade, who lives near the development in Flippin, in northern Arkansas.

The Clintons, who say they lost $69,000 in the venture, sold their share in the Whitewater company to Mr. McDougal in 1991. Mr. Wade and Mr. McDougal still own three acres of Whitewater land.

The deeds are signed by Mr. and Mrs. McDougal with their respective titles of president and secretary of the Whitewater Development Company. The deed is also signed by Mr. Wade as "Clean Dealer In Dirt."

Mr. Wade said the sale is intended to promote tourism and raise money for Mr. McDougal, who has filed for bankruptcy.

FROM KING FEATURES SYNDICATE, 235 EAST 45TH STREET, NEW YORK, NY 10017

MARIANNE MEANS' WASHINGTON SIDESHOW

RELEASE ON OR AFTER MARCH 15, 1994

"HOW ABOUT SPYWATER?"

BY MARIANNE MEANS

WASHINGTON — Clearly, the media and congressional Republicans think it is more fun to trash a first lady for mishandling suspected financial hanky-panky than to hassle a turncoat spy who betrayed us to the Russians in the biggest security breach in modern history.

Where is the outrage over the Central Intelligence Agency's prolonged failure to discover that greedy Aldrich Ames was spilling our most important national security secrets for big bucks? Does anybody care that something is rotten at spook central?

What are we taxpayers getting for the $28.5 billion a year we blindly pour into the secret intelligence budget?

There has not been half the fury directed at this accused counterspy as at Hillary Clinton for the failed Whitewater land deal and subsequent White House bungling of the investigation of it.

Selling out our country is surely a more venal sin than the ethical questions raised about Whitewater.

So the rather subdued reaction in Washington to the Ames affair is politically peculiar. Why isn't there a clamor for a shakeup at Langley, beginning at the top with Director James Woolsey?

His tepid response to the scandal was to order an internal probe staffed by the same CIA officials who allowed Ames to run amok and directed by one of Woolsey's closest friends, former President Bush's national security adviser Brent Scowcroft. Oh, boy. Business as usual and to heck with the public.

We distrust internal probes when conducted by the White House; why should we trust one at the CIA, that citadel of deviousness?

The spook business has traditionally been conducted by a closed old boys' club, hiding its flaws behind secrecy and a chummy, noncritical relationship with relevant congressional committee chairmen.

Woolsey is no grand model of accountability. He refused until recently to take a polygraph test on grounds it would not be reliable, even though he requires all other CIA employees to take one or lose their jobs. Inconveniently, the test was accurate in Ames' case; it fingered him as a liar, but CIA officials chose not to believe it.

But from a political perspective there is not a great deal of partisan gain to be had by burrowing into the CIA's screw-ups.

It is embarrassing to the poohbahs on Capitol Hill to call attention to the agency's lax security; their legislative oversight responsibility is supposed to help head off such disasters.

And Ames was apparently an equal-opportunity stinker; he is accused of ratting on his colleagues and peddling confidential documents during both Republican and Democratic administrations.

In the absence of the Cold War, the whole business of spying — while still important in our interdependent, competitive globe — has become less heroic and more commercial.

Stealing computer secrets is just not as dramatic as slinking around playing war games, even though lives and fortunes may be at stake. Nor, for that matter, is it as dramatic as nailing a first lady to the wall.

Congressional Republicans initially reacted to the Ames scandal by trying to pin the debacle on President Clinton, claiming that he had created an overly friendly atmosphere toward the Russians that allowed such perfidy to flourish. This tactic ran into trouble when it became clear Ames had been spying for cash since 1985, during the Reagan administration.

Then Senate Republican Leader Bob Dole led a charge against the Russians, demanding that they promise never to spy on us again and questioning whether we should not cut the aid we have promised to them. This, too, ran into trouble as sensible folk pointed out that we spy, they spy, everybody spies. It is the way of the world.

It took awhile before Congress began to put the blame where it belongs — squarely on the arrogant, unresponsive closed circle that dominates the CIA. Only last week, the Select Committees on Intelligence in both the House and the Senate pressed Woolsey to clean house and get serious about finding out what happened. Woolsey was reportedly defensive about his personnel and refused to make it clear that heads would roll.

But the CIA's security breach is so serious that the examination of what went wrong should not be left to the usual closed-door sessions by aging legislators mired in past glories. The agency clearly needs both redirection and restructuring. It needs to throw off the old buddy system. It needs a new mind-set.

These things can and should be discussed in public.

Public hearings can be held without revealing true national secrets that involve identifying terrorists, breaking codes and monitoring satellite information. It is time Congress held the CIA up to the light of common sense, as the late Idaho Sen. Frank Church did 20 years ago to expose its assassination plots and other wacky activities.

Until the Ames case, Woolsey had been arguing on Capitol Hill that his budget should be enlarged, even though every other federal civilian and military budget has taken hits in this stingy era. But now it seems fair to ask the CIA to tighten its belt, pull up its socks and do more with less.

Distributed by King Features Syndicate

Gonzalez seeks Whitewater hearings

Texan reverses stance after GOP pressure

By Richard Whittle
Washington Bureau of The Dallas Morning News

WASHINGTON — Rep. Henry B. Gonzalez called Monday for special hearings on the Whitewater affair "to expose the Republican witch hunt for what it is," rather than let the GOP pursue the issue in his House Banking Committee.

The San Antonio Democrat, who is chairman of the Banking Committee, also postponed a hearing scheduled for Thursday.

Mr. Gonzalez told ranking Republican Jim Leach of Iowa in a separate letter that he had "no recourse" but to postpone the hearing because of Mr. Leach's threats to disrupt the session "or in your words create a 'donnybrook' " with Whitewater questions.

Mr. Leach sent Mr. Gonzalez a letter in reply contending that the postponement "raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party."

Mr. Leach, however, did not address Mr. Gonzalez's call for special

Please see TEXAN on Page 13A.

Whitewater observers note special counsel's quick pace

By Thomas G. Watts
Staff Writer of The Dallas Morning News

LITTLE ROCK, Ark. — Special counsel Robert B. Fiske Jr. has by some accounts set a brisk pace in the two months since his appointment to head the widening Whitewater investigation.

On Tuesday, Mr. Fiske is expected to carve his first prosecutorial notch with a negotiated guilty plea by David L. Hale, a former Little Rock municipal judge and businessman, to conspiracy and fraud charges.

Mr. Hale, who has accused then-Gov. Bill Clinton of pressuring him into approving a $300,000 loan to a former Clinton business partner in 1986, will now cooperate with investigators, his lawyer said.

Mr. Clinton has denied the allegations. "This is all a bunch of bull," he told reporters Monday on a visit to Florida.

But the investigation looming over his presidency is unfolding just five miles from the gold-tipped Capitol where he parlayed his expe-

Please see FISKE on Page 13A.

Continued from Page 1A.

Whitewater hearings, which was not included in the Texan's letter to Mr. Leach.

In a letter to House Speaker Tom Foley, D-Wash., Mr. Gonzalez urged that House leaders "draft and endorse a resolution calling for full hearings on the so-called Whitewater affair."

"It is unacceptable to permit the Republicans an occasional day of hearings that they can use to haul out one or another half-truth or launch yet another smoke bomb," he added.

So far, Mr. Foley has steadfastly refused to consider special hearings on Whitewater. But another senior Democrat, Rep. Lee Hamilton of Indiana, said last week that hearings were a good idea. The Senate voted 98-0 to negotiate a format and time for its own hearings.

After receiving Mr. Gonzalez's letter, Mr. Foley told reporters that the Texan's views would not determine "the ultimate decision." But he said Democratic leaders would "explore with our colleagues on the Republican side conditions on which some hearings might take place."

Mr. Leach and other Republicans have been pressing Mr. Gonzalez for Whitewater hearings since November, citing as justification the central role of a failed Arkansas thrift, Madison Guaranty Savings and Loan.

Madison Guaranty was owned by James McDougal, who was partners with President Clinton and first lady Hillary Rodham Clinton in Whitewater Development Corp., a 1980s real estate venture. Special Counsel Robert Fiske Jr. is investigating allegations that money from Madison was used to prop up Whitewater and help pay Mr. Clinton's Arkansas campaign bills.

After Mr. Gonzalez refused the first Republican demand for hearings, Mr. Leach and other GOP members vowed to use a mandatory semiannual hearing on the Resolution Trust Corp., the federal agency created to clean up failed savings and loans, to ask their Whitewater questions.

A similar hearing by the Senate Banking Committee on Feb. 24 led to disclosures of White House meetings on the status of a federal investigation of Madison. The resulting uproar led White House counsel Bernard Nussbaum to resign and made Whitewater a major media focus.

Until Monday, Mr. Gonzalez had agreed to hold the RTC hearing. But he had refused to call any of 40 witnesses Mr. Leach requested, such as Mr. McDougal, and had instructed regulatory officials that they need not answer Whitewater questions at the hearing.

On Friday, Mr. Leach and his Republican colleagues sent Mr. Gonzalez a letter paring their witness list to 18 and asserting that under House rules the minority on the committee was entitled to one day of hearings of its own.

In his letter to Mr. Leach Monday, Mr. Gonzalez said the new witness list would violate a commitment he had given "to the special counsel, who you, not I, insisted be named, not to trespass on ... his investigation."

Mr. Fiske has repeatedly asked that Congress not call witnesses before he has gotten their testimony.

"Every one of the listed names indicates you are in willful disregard of this request, which even the Senate has honored," Mr. Gonzalez wrote, adding that Mr. Leach was "premeditatedly intending to launch into a prosecutorial or judicial adventure."

In his letter to Mr. Foley, Mr. Gonzalez noted the Senate's vote last week to discuss the timing and procedures of special Whitewater hearings.

"I would suggest that House hearings be held in a forum of broad reach — possibly a select committee — that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges," he wrote.

Mr. Gonzalez added that hearings should not be permitted to "complicate or compromise" Mr. Fiske's work. But he said the time had come to confront the Republicans on the issue head-on.

"For months, the Republican minority has made a variety of accusations against the President and Mrs. Clinton, using an array of half-truths, old rumors, half-baked conspiracy theories and downright lies," Mr. Gonzalez said.

"I have never seen a more malicious campaign of character assassination than this," he added. "It is, I believe, time for Democrats to use the truth, the weapon Republicans fear

Tuesday, March 22, 1994 The Dallas Morning News

Jim Leach is no partisan firebrand



WILLIAM McKENZIE

Not so long ago, a top White House political strategist threatened to, shall we say, rearrange certain body parts of Jim Leach, the fiercely independent Iowa congressman. But the threat came not from the Clinton White House, whose love of Jim Leach is certainly not great now that the congressman is pressing the House Banking Committee he serves as senior Republican to hold hearings this week on the escalating Whitewater caper.

No, the he-better-shut-up-or-else threat came in 1984 from the Reagan White House, which did not like Republican Leach's straying from the party line on issues like the Reagan arms buildup and pressing the White House to maintain the GOP's historic commitment to civil rights. The reason for mentioning this example, locker-room style that it is, is that when Democrats like Rep. Henry Gonzalez, D-Texas, promote the idea that Rep. Leach is nothing but a Republican front-man who's simply aiming to dismantle the Clinton presidency for partisan reasons, they miss the point. In a very big way.

But before presenting that case, let me add this disclaimer: Jim Leach chaired the Ripon Society, Washington organization I worked for and directed during the 1980s and early 1990s. Our relationship was that of my valet to his master, which is worth mentioning because it stands on head the old line that only a valet knows how bad the master is. That a man can unreservedly be praised by one who works under-neath him is no small feat, particularly in politics.

Jim Leach is not perfect, of course — his intensity leads some to consider him possessed of a bothersome other-worldly dimension. Yet the idea that excessive partisanship can be listed as a Leach fault is off-mark. Rep. John Bryant, D-Texas, says of the Whitewater matter Mr. Leach is notably pressing that "(Republicans) are opposed to all the initiatives of the Clinton administration, and they want to defeat him, and this is part of their strategy to do that. I think it's pretty simple, really."

No, it is not that simple, Mr. Bryant. If narrow party affiliation were his overriding passion, then Mr. Leach would not have stood as a minority within the minority party against 1980s' aid to the contras. Nor would the House Foreign Affairs Committee member have supported the nuclear freeze movement, which fire-breathing Republicans regarded during the chilly superpower days of a decade ago as paramount to treason.

To Jim Leach, and also Oregon Republican Mark Hatfield, the Reagan arms buildup represented a serious danger. Perhaps their opposition was wrong; perhaps it was right. But the fact that Mr. Leach was willing to speak his mind put him in line with progressive Republicans like Sen. Hatfield, who likewise spoke out against the Johnson/Nixon administrations' Vietnam policies and warned the latter White House about wrapping its secretive ways in the cloth of religious faith.

When Mr. Leach says, as he did recently to a Chicago Republican audience, that ethics is "not an issue of the left, right or center," he has both a voting and track record to prove his point. The nine-term congressman's votes were recently regarded by Capitol Hill's daily newspaper, *Roll Call*, as "Liberal Lite." In other words, his combination of socially progressive/fiscally conservative views do not make him a hidebound partisan unwilling to cross party lines. (Hence, the Reagan administration's 1984 anger.)

The Princeton graduate's record of being concerned about the "process" of government, which Mr. Leach told his Chicago audience is "our most important product," extends also to his party. Writing in the August 1986 *Ripon Forum*, Rep. Leach said that the Reagan administration's aid to Nicaraguan contras put "the rule of law on trial."

Contra aid, he wrote, "should not primarily be considered in a partisan context, nor as reflective simply of philosophical differences between members of Congress and the administration. Fundamentally, the issue at stake is the constitutional process and the role of law, domestic as well as international."

That rule of law preoccupation is what now drives Mr. Leach to demand that the House Banking Committee hold hearings into such issues as whether or not Bill and Hillary Clinton engaged in any illegal practices in their Whitewater real estate property and whether the Madison Guaranty Savings and Loan benefited in an untoward way Bill Clinton's 1984 gubernatorial campaign.

If the Clintons are innocent, they can surely appreciate Mr. Leach's legal bearing. If they are guilty of cutting corners, they should not be surprised. The Reagan administration could have told them of Mr. Leach's preoccupations.

William McKenzie is an editorial writer and columnist for The Dallas

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TODAY'S NEWS
TUESDAY, MARCH 22, 1994

'PAPER,' MISTER?

Director Ron Howard is in town hawking his new movie



SEE PEOPLE PAGE 10

WHO KILLED MALCOLM X?

Statements by Louis Farrakhan, Malcolm's widow and unanswered questions heighten interest in reopening the probe into his assassination.

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PERSON-TO-PERSON President and Hillary Rodham Clinton meet residents at Century Village retirement center in Deerfield Beach, Fla., yesterday. It was a good time for them to put in a few words for their health care plan.

House Dem big calls for review

By SUSAN MILLIGAN

WASHINGTON — Facing a nasty partisan showdown, a leading House Democrat yesterday pulled the plug on a Republican plan to turn routine Banking Committee hearings into an arena for a "smoke bomb" aimed at President Clinton, and called for special hearings on Whitewater.

In two terse worded letters, Rep. Henry Gonzalez, the chairman of the committee, abruptly canceled hearings scheduled for Thursday on the Resolution Trust Corp.

"You obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure," Gonzalez wrote to Rep. James Leach (R-Iowa), the panel's ranking Republican.

In a separate missive to House Speaker Thomas Foley (D-Wash.), Gonzalez accused his Republican colleagues of "using an array of half-truths, old rumors, half-named conspiracy theories and outright lies" to damage the President and his wife with the Whitewater investment matter.

"I have never seen a more malicious campaign of character assassination than this," Gonzalez, of Texas, wrote to Foley.

The surprise move is a victory for the Republicans, who have been effectively pressuring both houses of Congress to hold hearings on Whitewater.

But Republicans groused yesterday at Gonzalez' "stonewalling" and the curtness of his letter. Sources said Foley apologized to Leach for Gonzalez' accusatory tone.

"It's a definite win in the court of public opinion," said Rep. Peter King (R-Long Island), a member of the Banking Committee. But "it perverts the democratic process at the same time."

The Banking Committee is required by law to hold bi-annual oversight hearings on the RTC. Republicans wanted to question witnesses about Whitewater, but Gonzalez said he wouldn't allow it.

Republicans then schemed to force roll-call votes — on national television — every time Gonzalez objected to a line of questioning.

"Nobody wanted Henry to hold the hearings because he was just doing to grand everything down" and embarrass the Democrats, said a Democrat close to the process.

Other Democrats said the congressional hearings on Whitewater might be for the best. "We should just go forward with hearings and get it over with," said Banking Committee member Rep. Carolyn Maloney (D-Manhattan). "Resisting hearings creates a climate ... that something was wrong," she said.

'Bunch of bull,' says Prez

WASHINGTON — President Clinton called an indicted ex-judge's charges against him "a bunch of bull" yesterday, but the one-time Arkansas businessman's plea bargain with Whitewater special prosecutor Robert Fiske could be bigger blow yet to the White House.

David Hale, who has accused Clinton of pressuring him into making a fraudulent $300,000 Small Business Administration loan to one of the Clintons' Whitewater partners, is set to enter a plea bargain today in Arkansas.

The deal could free Hale — originally charged in an alleged SBA scheme unrelated to Whitewater — from serving any prison time in exchange for his grand jury testimony as Fiske probes the Clintons' financial dealings.

The President, campaigning in Florida for health care, was testy about Hale's deal.

"My faith that the truth will win out has been severely tested in the last few weeks, but it's still there," Clinton said, noting that Hale's two co-defendants have reported that Hale never said "a word to them about anything."

One co-defendant, Eugene Fitsgerald, reported yesterday that Hale — said to have boasted about his ties to Clinton years before ever running into legal trouble — never mentioned such an incident.

And a Louisiana businessman whose money was used in the alleged SBA scheme, Harry Townsend, said that Clinton was never mentioned when he dealt with Hale and the co-defendants — or "crooks," as he called them.

With Hale's plea bargain, Fiske now has an insider in Arkansas dealings and the cooperation of the one person who has leveled hard-core charges of wrongdoing against Clinton.

— Karen Bell

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Hear ngs

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The swirl of congressional activity surrounding Whitewater came as Gonzalez made a surprise move by indefinitely postponing Thursday's committee hearing.

The committee planned to officially review the work of the Resolution Trust Corp., but Republicans wanted to bring up questions related to Whitewater and Madison.

Gonzalez and Iowa Rep. Jim Leach, the committee's ranking Republican, had clashed for weeks about the format of the hearing.

Leach wanted up to 40 Arkansans, White House officials and federal investigators to testify about Whitewater-related issues. But Gonzalez balked, saying he would prevent Whitewater topics from being brought up at the hearing.

Monday, Gonzalez decided he didn't want the hearing at all.

"You obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure," Gonzalez said in an acidly worded letter to Leach.

Leach said he was "disappointed" by the meeting's postponement.

He questioned whether the Democrats can thwart holding the committee's semiannual review of the RTC. The federal agency is charged with disposing of the assets of failed savings and loans.

Leach said congressional rules required the meeting to have been held no later than Dec. 3, 1993.

"Compliance with the law is not a matter of convenience or discretion," Leach said. "The majority party has no prerogative to capriciously avoid its legal obligations."

But Gonzalez said the better course is to avoid a Whitewater showdown in the Banking Committee. Instead, the House should hold hearings or appoint a select committee to "explore all of the charges that have been brought."

Such a move would bring out the truth and "expose the Republican witch hunt," Gonzalez said.

"For months, the Republican minority has made a variety of accusations against the president and Mrs. Clinton, using an array of half-truths, old rumors, half-baked conspiracy theories and outright lies," Gonzalez said.

"I have never seen a more malicious campaign of character assassination than this. It is, I believe, time for the Democrats to use the truth, the weapon Republicans fear most."

Gonzalez added that House hearings should not be allowed to "complicate or compromise" Fiske's investigation.

He becomes the third House chairman to raise the possibility of Whitewater hearings.

House Foreign Affairs Committee Chairman Lee Hamilton, D-Ind., said last week that Whitewater hearings should be an option.

Hamilton became the first Democrat to break ranks with party leaders.

House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., followed Hamilton by describing Whitewater hearings as "inevitable."

Thursday, the Senate voted 98-0 for conducting hearings at an unspecified, future date so "they would not interfere" with Fiske's investigation.

Today, Foley and Michel are expected to meet to discuss the possibility of a House vote on Whitewater hearings.

An aide to House GOP leaders said the Republicans "want a public vote on the question of public hearings."

Republicans want to attach the Whitewater topic to a funding proposal for House committees. The funding plan may be up for a House vote today.

"It's worthy of serious consideration," Leach said of the potential Whitewater vote.

Leach was rather low-key about his differences with Gonzalez over Whitewater.

Leach noted the harsh tone in the Gonzalez letter came up in a conversation the Republican had with Foley, the Democratic leader.

"The speaker apologized for the tone of the letter," Leach said.

Jane Fullerton of the Democrat-Gazette's Washington Bureau contributed to this story.



Associated Press

HOT TOPIC — President Clinton tries to beat the heat as he listens to first lady Hillary Rodham Clinton explain health care reform proposals to senior citizens Monday at Century Village in Deerfield Beach, Fla. About 9,000 people attended the outdoor forum in the retirement community as the Clintons sought support for the reforms.

Ha e co-defendant asks that Casey prosecute his case

BY LARRY AULT
Democrat-Gazette Federal Reporter

Little Rock lawyer Eugene Fitzhugh, a co-defendant in a fraud indictment against former Pulaski County Municipal Judge David Hale, wants his trial separate from what he describes as "a walking media event."

That is how G. Randolph Satterfield of Little Rock, attorney for Fitzhugh, described Robert Fiske Jr., the special prosecutor investigating the Whitewater affair and related issues.

The comparison was made in a request Monday by Fitzhugh asking a judge to disqualify Fiske as the prosecutor in his case and reinstate U.S. Attorney Paula Casey and her staff.

The request was submitted to U.S. District Judge Stephen M. Reasoner the day before Hale is to plead guilty in an agreement with Fiske in exchange for Hale's cooperation in a grand jury investigation into the Whitewater affair. Hale is to appear before Reasoner at 10 a.m. today.

Casey obtained indictments from a grand jury in September 1993 charging Hale, Fitzhugh and Charles Matthews, another Little Rock lawyer. The three were charged with conspiring to defraud the Small Business Administration.

Fitzhugh and Matthews are scheduled to be tried in federal court in late June.

After the original indictment, Casey withdrew from the case after Hale made allegations of "criminal involvement with high government officials with whom" Casey had personal and professional relationships. Casey withdrew from the case because she was nominated by President Clinton and had worked in his campaign.

On Jan. 31, Attorney General Janet Reno appointed Fiske as independent counsel.

Fitzhugh said that on March 1, Reasoner found Fitzhugh and Matthews were entitled to be tried separately and Fitzhugh had no connection with the allegations made by Hale regarding the alleged involvement of high government officials.

Hale contended a group of powerful people, including Gov. Jim Guy Tucker and then-Gov. Bill Clinton, pressured him for SBA loans from Capital Management Services Inc. Hale led the company, which was a small-business investment company licensed by the SBA.

Fitzhugh maintains that reinstating Casey to prosecute his case would avoid undue publicity for him and save the taxpayers the cost of an expensive trial involving the independent counsel.

This would also permit Fiske to "concentrate his efforts elsewhere regarding his chartered mission ... which is the investigation of the involvement of others concerning President William Jefferson Clinton's or Mrs. Hillary Rodham Clinton's relationship with Madison Guaranty Savings & Loan Association, Whitewater Development Corp., and Capital Management Services," he said.

Fitzhugh, noting that Casey withdrew from the case because of Hale's allegations against Clinton, said he has never made allegations of this type and "has been forced to suffer the prejudicial publicity associated with the 'Whitewater' matter and Fiske's involvement."

Fitzhugh included a copy of a Nov. 5, 1993, letter from Casey to the Department of Justice in which she maintained she was withdrawing to avoid the "appearance of impropriety." However, Casey also said she was confident that "I and my staff are capable of investigating and prosecuting these matters competently and dispassionately."

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Hale

• Continued from Page 1A

tions of Capital Management.

The president, who was in Florida promoting his health-care-reform package Monday, clearly was exasperated when asked about Hale's charges. "This is a bunch of bull," he said at one point.

Asked whether he was worried Hale was going to testify against him, Clinton replied, "My faith that the truth will win out has been sorely tested in the last few weeks, but it's still there. Why don't you just let the special counsel do his job?"

With Hale's agreement to cooperate with Fiske, the time has come for Hale to put up or shut up, according to another lawyer involved in the case, Randolph Satterfield of Little Rock.

"Either produce or quit talking about it," Satterfield said.

Satterfield and Bristow represent Hale's two co-defendants, Little Rock attorneys Eugene Fitzhugh and Charles Matthews. The two men are scheduled to be tried in U.S. District Court at Little Rock in June.

Clinton pointed out Monday that neither Fitzhugh nor Matthews has said Hale told them of the then-governor's alleged role.

Satterfield is trying to have the prosecution of Fitzhugh's case transferred from Fiske's office to the office of U.S. Attorney Paula Casey of Little Rock.



David Hale

Satterfield and Bristow could not say whether Hale's decision to strike a deal with Fiske would help or hinder their clients' ability to remove themselves from the glare of publicity surrounding the Whitewater investigation.

Since late January, Fiske has been examining the ties Clinton and his wife had to Madison Guaranty Savings & Loan Association, which was owned by James McDougal. Madison failed in 1989 at a cost to taxpayers of at least $47 million.

Today's hearing was not scheduled until Monday morning, which was when Reasoner's court received its notice of the plea agreement. Hale's expected guilty plea —which the special counsel's office refused to confirm Monday -- is not unusual. Many federal criminal cases are closed in this manner. Often, lawyers say, a guilty plea accompanied by a pledge of cooperation by a minor figure in a case is a tactic prosecutors use to go after major figures.

Hale also avoids the expense, both financially and emotionally, of a trial that was expected to last a month or more.

"In a way, I'm not surprised," Bristow said, echoing the sentiment of courthouse regulars who had predicted privately for weeks that Hale's case would not go to trial. "I just was not made privy to the ongoing discussions. I was not in the loop."

With the guilty plea to one count of conspiracy and one count of mail fraud, Hale faces almost four years in prison under federal sentencing guidelines. But his cooperation with Fiske could lead to lenience.

Meanwhile, Fiske is expected to join Reasoner on Wednesday in assembling a grand jury called solely to investigate Whitewater. The term of the district's regular grand jury expires in May, and its members did not want to devote the extra time Fiske believed was necessary for his inquiry.

About 150 of the 600 people issued summonses for the new grand jury are expected to assemble in Little Rock on Wednesday morning.

The Associated Press contributed to this article.

Dickey alters stand, calls for hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — R Jay Dickey, R-Ark., said Monday that he favored congressional hearings into the Whitewater Development Corp. affair, reversing a position he took earlier this year.

Dickey said Whitewater was hindering congressional consideration of more important issues, like the national debt and the budget deficit. Holding special hearings would help Congress resolve Whitewater questions faster, he said.

"I think it's going to take congressional investigations to bring it to a close," Dickey said. "We need to get it behind us."

House Republicans to hold special hearings into Whitewater and Madison County Savings & Loan Association. The GOP could force a House vote on hearings as early as today.

An early February survey showed Dickey and Rep. Tim Hutchinson, R-Ark., were among only 11 Republicans in the House and Senate opposing special hearings.

Hutchinson couldn't be reached Monday for comment.

Previously, Dickey opposed Whitewater hearings because he sees bigger problems demanding congressional attention. He also said previously that hearings would be costly to taxpayers.

Besides resolving Whitewater questions faster, congressional hearings also would speed up the work of the special counsel, Robert Fiske Jr., Dickey said. That would save money, he said.

Fiske is basing his investigation into Whitewater in Little Rock.

Dickey was critical of [illegible] of Fiske's investigation [illegible] there was [illegible] a cover-up.

Dickey said he doesn't believe that there's anything here [illegible]

James Blair: A friend indeed



Diane Kincaid Blair, the University of Arkansas professor, is a charming, gracious, intelligent person in whose company it is a delight to spend time.

However, Mrs. Blair is not delightful enough to make me want to spend any time with her if I had to put up with her husband. Charming and gracious are not words I would use to describe Jim Blair.

From time to time I have wondered what Jim Blair had besides a lovely wife and a place on Beaver Lake that would carry him into the inner circle of Bill and Hillary Clinton.

The Blairs seem to be the Clintons' best friends — or at least the best of the friends the Clintons did not take to Washington.

My curiosity was satisfied Friday when I read in the newspaper that back before Bill and Hillary made an unwise investment in the Whitewater Development Corp., Jim Blair helped Hillary make $100,000 in futures trading. He was bright enough to get her out of the market just before it collapsed.

For a favor like that, I'd be willing to spend, say, an hour in Blair's company.

Bill Clinton responded to a news story about his wife's profitable futures investment by saying there was nothing illegal about it.

Of course there wasn't. In those days, it wouldn't have been illegal in Arkansas if Blair were a lobbyist and Hillary the governor.

Things haven't got much better. Under the Arkansas ethics law that Bill Clinton drafted, the Blair-Clinton investment deal would be illegal only if Hillary failed to report the profit on her financial disclosure forms.

Although Clinton discussed his wife's investment, and David Kendall, the Clintons' personal lawyer, told reporters she had made the investment with her own money, the White House refused to say how much money Hillary risked for the $100,000 profit she made.

It's nobody's business, of course, but the Clintons have got into a lot of trouble for not talking about other things they claimed were nobody's business.

Good people turn bad

The folks who hate the idea of term limits (because they exercise a degree of control over the Legislature's old hands) keep painting imaginary pictures of how bad things are going to be when the lobbyists and legislative staff members take over from inexperienced legislators.

I do not share their fear. The useful life of a legislator (the period of time when he serves the people and not some special interest) is shorter than the term limits being placed upon them.

The people don't elect sorry people to the Legislature. Good people go to the Legislature and turn bad in six to eight years. The longer they stay, the worse they get, until, in the end, like Max Hibbell and Knox Nelson, they conduct themselves as independently as they would if their jobs were appointive rather than elective.

In my 35 years of covering and observing the Legislature, only one — Sen. Robert Harvey of Swifton — was as good when he left as he was when he arrived.

The others, no matter how good they were when they were elected, turned at least a little bit bad after they had been there for a couple of terms.

Given a choice, I'll take an honest amateur rather than a veteran crook any day.

What about the rest?

Cornell University ecologist David Pimentel has released a report in which he concludes that "Earth-battered natural resources and depleted energy reserves" will be able to support only 2 billion people comfortably in the year 2100.

The earth's current population is 6 billion, so it is obvious that we're going to have to get rid of some folks in the next 106 years.

Should we hope that the survivors will be 2 billion folks who can support themselves and not 2 billion who cannot?

♦

John R. Starr is the former managing editor of the Arkansas Democrat-Gazette. His column appears every day.

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Timing is key strategy in political chess game

Washington Journal

Washington Journal contains analysis and commentary by members of the Democrat-Gazette Washington bureau.

BY RANDY LALESTON
Democrat-Gazette Washington Bureau

WASHINGTON -- With the Whitewater Development Corp. affair still tying up vast amounts of time at the White House, administration aides are not only faced with responding to the daily investigative stories relating to the controversy.

They also must decide when to release potentially embarrassing information.

There is, for example, the question of back income taxes facing President Clinton and first Lady Hillary Rodham Clinton on their Whitewater investment.

The Clintons were partners in Whitewater, a 230 acre real estate venture along the White River in Marion County, with James and Susan McDougal from 1978 82.

Many in the White House are pushing the Clintons to reveal much of the information gleaned by accountants working on Whitewater records. Those aides are optimistic the Clintons will agree to go public with the accountants' findings. The question then becomes one of when to release the information, which is certain to prove embarrassing to the president and first lady.

First, there probably are back taxes of $15,000 or more to be paid.

Second, there will be questions about whether those taxes were underpaid because the Clintons were too fast and loose with claiming tax deductions.

When the information comes out -- it no longer ap- pears to be a question of "if" -- it will lead to a new round of television stories and news paper articles. [illegible] promised to play out for the Republicans will grab the remainder of the information and run with it More than a few will draw parallels to Vice President Agnew's tax problems of the early 1970s.

Administration officials said late last week that the release of the tax information could come this week. Thursday looks like a good bet. The damning information could be blended with possible grand jury testimony by administration officials.

That would allow the White House to get its bad news out all at once, a strategy it has used in the past with some success

The problem with Whitewater is that there is so much bad news.

Even if the administration crowds several cloudy events into a single day, there will be plenty left for the days to come.

In fact, that may be one reason key Republicans are willing to delay congressional Whitewater hearings.

This is an election year, but it's still too early for Whitewater to be used for maximum political advantage.

As the November general election nears, a series of juicy congressional hearings could affect close congressional races.

If Whitewater hearings are held now, the political impact could be lessened.

While the administration plans how to release information in the least damaging way, others consider how to force it out for their own political advantage.

That is scandal politics in Washington.

"It is a ch [illegible] match that [illegible] reminder of the

Gonzalez kills hearing, fears 'lies'

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — House Banking Committee Chairman Henry Gonzalez said Monday he abruptly postponed a Thursday hearing because Republicans want to raise "outright lies" about President Clinton's role with the Whitewater Development Corp. affair.

• Dickey comes out in favor of hearings on Whitewater 9A

Instead, the Texas Democrat said the House should conduct a wide-reaching hearing into Whitewater-related issues. He said full hearings are preferable to Thursday's one-day Banking, Finance and Urban Affairs Committee meeting.

"It is unacceptable to permit the Republicans an occasional day of hearings that they can use to haul out one or another half-truth or launch yet another smoke bomb," Gonzalez said.

His blistering comments came as Republicans prepared to try forcing a House vote on Whitewater hearings as early as today.

House Speaker Tom Foley, D-Wash., and House Minority Leader Bob Michel, R-Ill., are expected to meet today to discuss a possible Whitewater vote.

The president and Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater, a Marion County real estate development. James McDougal also owned Madison Guaranty Savings & Loan Association, which failed in 1989 at a cost to taxpayers of at least $47 million.

Allegations that money was illegally transferred between Madison and Whitewater are among a series of issues being investigated by special counsel Robert Fiske Jr. His investigation is based in Little Rock.

See HEARINGS, Page 9A

Hale expected to plead guilty today

BY NOEL OMAN
Democrat-Gazette Capitol Bureau

Former Pulaski County Municipal Judge David Hale is scheduled to enter a plea before U.S. District Judge Stephen Reasoner at 10 a.m. today.

While the hastily scheduled hearing represents a major development in the investigation into the Whitewater Development Corp. affair by special counsel Robert Fiske Jr., no one knows where Hale's plea will lead.

"It's too early to reach any conclusions," lawyer Bill Bristow of Jonesboro, who is involved in the case, said Monday. "Let's let the dust settle."

Hale was scheduled to be tried next week on federal charges he defrauded the Small Business Administration through Capital Management Services Inc., a small business investment corporation he once owned.

Hale has accused President Clinton of pressuring him to make a $300,000 loan to a company owned by Susan McDougal. The president and first lady Hillary Rodham Clinton were partners with James and Susan McDougal from 1978-82 in Whitewater, a 230-acre real estate venture along the White River in Marion County.

The loan was insured by the SBA. Part of the money reportedly found its way into Whitewater accounts. The president has denied pressuring Hale.

Hale has been cooperating with Fiske for several weeks. According to his lawyer, Randy Coleman of Little Rock, Hale will plead guilty today to two charges relating to the opera-

• GAO report critical of Hale, SBA for oversight 9A
• Co-defendent Fitzhugh wants trial separate from 'a wedding media event' 9A

See HALE, Page 9A

GAO report criticizes Hale, SBA for poor management, oversight

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — The General Accounting Office issued a report Monday criticizing David Hale and the Small Business Administration for their roles with Capital Management Services Inc., a small-business investment corporation once owned by Hale.

The GAO, which conducted an independent federal investigation, said Hale operated Capital Management in an "improper manner by entering into prohibited transactions."

Hale, a former Pulaski County municipal judge, has agreed to plead guilty today to two charges in U.S. District Court at Little Rock. The charges are in connection with Hale's operation of Little Rock-based Capital Management.

Hale has come under scrutiny for Capital Management's handling of loan money from the SBA. The GAO report said the SBA lost $3.4 million to Hale's firm.

"SBA's oversight of Capital Management was clearly inadequate," the report said. "SBA examiners failed to recognize strong indicators, or red flags, that Capital Management was improperly managed."

The report was requested by House Small Business Committee Chairman John J. LaFalce, D-N.Y.

The GAO report also was critical of Capital Management loans linked to Whitewater Development Corp.

President and Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater, a Marion County real estate development. James McDougal also owned Madison, which failed in 1989 at a cost to taxpayers of at least $47 million.

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

Fiske also is examining Hale and Capital Management. Hale has said then-Gov. Bill Clinton pressured him to make SBA-backed loans to a company run by Susan McDougal.

Susan McDougal's Master Marketing firm received $300,000 in loans from Hale's firm.

"The Susan McDougal loan is an example of loans that Mr. Hale made to persons with questionable eligibility," the GAO said.

On other issues involving Capital Management, the GAO said:

- The SBA inadequately reviewed the firm's operations.

"For the most part, SBA conducted only cursory examinations of the company during its 14-year operation," the GAO said.

- The SBA had warning signs about Capital Management.

"Nine companies receiving financing from Capital Management used Capital Management's address as their business address," the GAO said.

The GAO said these "red flags should have resulted in SBA's going to third parties to verify the accuracy of information provided by Mr. Hale."

- The SBA also said that "Mr. Hale secretly controlled 13 of 57 small concerns that Capital Management had financed."

One of those companies was Retail Liquidators Inc. of Little Rock. The SBA described Robert Boyce as the firm's president and owner.

"Mr. Boyce told us that Mr. Hale owned and operated Retail Liquidators and used him as a front to borrow money from Capital Management," the SBA said.

Plea bargain fuels speculation



On a seriousness scale of zero to 10, the Whitewater affair just went from a 5 to an 8. My official reaction just went from "so?" to "hmmm."

David Hale has made a deal to sing to a federal grand jury.

By making the deal, Special Prosecutor Robert Fiske has signaled that he finds Hale's version of events to be relevant. He has implied he finds it credible.

Here is what a fellow told me last week, and this is a fellow interconnected to the cast of characters who has never, ever told me anything that was factually inaccurate at its core, though his partisan embellishments and weaknesses for high drama frequently led him to hyperbole.

He said that if Fiske made a deal with Hale by which Hale would open up, the corruption of one-party politics in Arkansas would be laid bare and the political fabric of the state would be ripped to shreds in an ugly, but eventually cathartic, experience.

Should I mention that the fellow is a Republican?

Hale has been trying to cut a deal since the day in September when he was indicted on charges of fraud, conspiracy and making false statements to the Small Business Administration, which subsidized his lending institution, Capital Management Services, for the stated purpose of capitalizing socially and economically disadvantaged people.

Hale's lawyer, Randy Coleman, called up to the White House in October to speak to William Kennedy, the associate counsel. He told Kennedy, "If Heidi Fleiss was the madam to the stars, then David Hale was the lender to the political elite."

The reference was to Bill Clinton and Jim Guy Tucker, though, so far as we know, there was no direct loan to Clinton or Whitewater. There was, we're told, a diversion of funds to Whitewater.

Kennedy was not amused. He chatted with Bernie Nussbaum, the disastrous and now-defunct chief White House counsel, and then called back to Coleman to say that he saw no need for further discussions between them about Mr. Hale.

Meanwhile, Hale granted a few press interviews, at least one of them indirectly facilitated by Sheffield Nelson, in which he said that in regard to a $300,000 loan he made to Susan McDougal in 1986 for a marketing business, part of which went to a Whitewater land enterprise, Bill Clinton twice leaned on him to make the loan.

For weeks the word was that Hale was holding out for a plea-bargain arrangement by which he would be convicted of a lesser charge and in turn would tell stories that would raise your hair about the abuses of his little lending operation by the Arkansas Democratic establishment, up to and including the current governor and the one before him, with much of this activity tying in with Jim McDougal over at Madison Guaranty Savings and Loan.

But the deal he got doesn't look so good, frankly. He will plead guilty to two serious charges. And he'll raise our hair anyway, or at least the tresses belonging to members of the federal grand jury.

In October I suggested to Coleman that Tucker seemed to have more to answer than Clinton in terms of direct dealings with Hale, McDougal and their lending concerns. He said he would agree that it looked that way — "so far."

If Hale and his attorney were holding something out, Fiske and the federal grand jury will now hear it.

Arkansas' political establishment was abuzz Monday. One fellow who supports Winston Bryant wondered if I had any idea how long it would take for whatever charges Hale levels against Jim Guy Tucker to be publicly disseminated.

There's a filing period upon us, you know, and shots at the Governor's Mansion don't come along every day.

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

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Key Democrat urges Whitewater hearings

Gonzalez: We must 'set record straight'

But the congressman cancels a House banking panel hearing set for this week.

By JANE NORMAN
OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — The chairman of the House Banking Committee on Monday called off a committee hearing that could have delved into the Whitewater affair, and instead called for House hearings on "all the issues encompassed by the so-called Whitewater affair."

Chairman Henry Gonzalez, D-Texas, late last week had posted a notice that he would hold a hearing on Thursday on the progress of the savings-and-loan bailout.

Iowa Republican Jim Leach, senior Republican on the committee, wanted witnesses called who would testify on the failed Madison Guaranty Savings and Loan of Little Rock, Ark., the failed thrift at the center of the Whitewater affair. Leach had promised "blockbuster" disclosures if his witnesses appeared.

But Gonzalez said in a statement that Republicans "had strongly suggested that they planned to use the hearing to launch yet another smoke bomb at the White House."

He urged instead that hearings "be held in a forum of broad reach — possibly a select committee — that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges."

Meeting Today

Democrats and Republicans in the Senate already have agreed to hold hearings on Whitewater at some point. Rep. Lee Hamilton, D-Ind., was the first Democrat in the House to call for hearings in that body, and Democratic and Republican leaders in the House are expected to meet today to discuss hearings.

Gonzalez said the House has a "responsibility to set the record straight," which is possible only through a "full public airing" of the matter. "The good people who have been smeared have the right to clear their names and the country deserves the chance to expose this Republican witch hunt for what it is," he said.

In a letter Monday to Leach, Gonzalez used similarly strong language. He said he has told Robert Fiske, the special counsel appointed to investigate Whitewater, that he will not "trespass on the lives of his current investigation."

Gonzalez said Leach was "premeditatedly intending to launch into a prosecutorial or judicial adventure" at Thursday's hearing.

"In view of your obdurate and obstinate refusal to honor the special counsel's request, and ... your threats to disrupt or in your words create a 'donnybrook,' I have no recourse but to postpone the hearing set for Thursday until ... you can calmly and dispassionately comply with the statutory hearing," Gonzalez wrote.

Leach said he continues to hold Gonzalez in "high regard" but that "I beg to differ" on the need for the banking panel hearing. Leach also said that House Speaker Tom Foley, D-Wash., had called Leach to apologize for the language used by Gonzalez in his letter — although that did not mean Foley disagreed with the decision.

In a letter back to Gonzalez, Leach said postponement of the hearings "raises above anything else the issue of compliance with the law." Leach said Congress is legally required to have regular hearings on oversight of the Resolution Trust Corp., the agency that disposes of failed S&Ls.

He also stressed that Republicans have offered to cooperate fully with Fiske, transferring "substantial information" to his office and backing a delay of several weeks in the committee hearing. Leach also said he has been told that Fiske does not oppose the disclosure of copies of government documents to Congress — another issue that Leach and Gonzalez have been fighting over.

Leach also said he may make a floor statement of some length later this week on his Whitewater investigation that would be of "newsworthy proportions."

The Iowa congressman and his committee staff have been accumulating documents on possibly improper links between Madison and the Whitewater real estate venture. James McDougal, the owner of Madison, was partners in Whitewater with President Clinton and Hillary Rodham Clinton.



Leach
Gets letter



Gonzalez
Chairman

The Des Moines Register

bc-machine-comment - a1000
(ATTN: Editorial Page editors)
To Understand Rose Firm Think `Political Machine' (Chicago)
Joravsky, a staff writer for the Chicago Reader, is the author
of ``Race and Politics in Chicago'' (CRS Press).
By Ben Joravsky= Special to the Los Angeles Times=

CHICAGO It's been clear since the first whiff of Whitewater wafted north from Little Rock, Ark., that what we have here is not so much a scandal as the death of a Great Political Machine.

Obviously, this Machine's a little different than most, at least in appearance not a fedora or pinky ring in this bunch. Still, the tell-tale signs are there: You've got a cast of characters, nestled together for far too long in the insulated confines of power. For 10 years their friend, Bill Clinton, was governor. And for 10 years they ran Arkansas state government. They enforced the laws, and doled out the contracts, and awarded the jobs, and sat in the leather-bound, swivel chairs, gavels in hand, state regulatory boards and commissions at their command. Few dared challenge them. Those who did were banned from the kingdom.

It turns a few heads, untempered power. Those so blessed easily conclude that their power is like the divine right of kings. That there's nothing they can't do, no wrong they can't fix.

Each day the papers bring new tales of their machinations. Vincent W. Foster Jr., Beverly Bassett Schaffer. James B. McDougal, Susan McDougal, Dan R. Lasater, James B. Blair and David Hale if they didn't work for or with the state, they worked for or with the Rose Law Firm, Hillary Rodham Clinton's old firm. Or maybe they were somehow linked to Madison Guaranty Savings and Loan, the failed S&L owned by McDougal, the Clintons' partner in the Whitewater Development Corp., a vacation-home development deal that also went bust.

Did I mention Webster L. Hubbell? Mayor of Little Rock, state Supreme Court justice, partner at Rose this guy had it made. A few days after the 1992 election, he was pictured with the president-elect, sitting in a golf cart on a golf course at some exclusive, all-while, members-only country club. Clinton's chomping on a sandwich. Hubbell's chortling. A couple of good old boys, running the show.

Hubbell went with the Clintons to Washington, but recently he had to step down from his Justice Department job on account of an embarrassing feud over legal fees he's been having with his old partners at Rose. Now there's a dispute that never would have surfaced had the Clintons stayed in Little Rock. Bill Clinton could have settled it over a game of golf, appointing someone to a state commission, if that's what it took.

But that's the way it goes with Machines. The Big Boss dies or gets shot or goes to jail or leaves town or otherwise gets distracted and everything falls apart. Old friends turn to foes. Long simmering envies and resentments boil over. There's always someone with a grudge, someone feeling slighted. The first sign of weakness brings a batch of prosecutors, subpoenas in hand, and soon everyone's ratting. Of the turmoil engulfing Rose, one Arkansas lawyer recently told the papers: ``They are not a firm but an association of lawyers who don't want to lose money. And they are willing to turn on each other to do it.''

The Clintons say they've committed no crimes. They say the whole Whitewater affair has been distorted and exploited by ideological enemies determined to stymie the drive for mandatory national health insurance.

Could be. These things have happened before. In 1929, Big Oil rumbled with rage with Louisiana Gov. Huey P.``Kingfish'' Long proposed to tax oil production. They primed legislators with liquor, women and cash and masterminded a call for the governor's impeachment on various charges of corruption. It almost worked except Long got enough legislators to sign a pledge vowing to vote against impeachment regardless of the evidence. Afterward, to show his thanks, Long took his boys to a coastal resort, fed

them lobsters and got them drunk.

Of course, old Kingfish is a tough act to emulate. He was a big-time Boss, and he ran a mighty Machine. He built highways hospitals and schools, dams and bridges. Unlike Clinton, he ran his state even after he went to Washington. For two years, Long was governor and senator. His reign might have lasted forever, except he was shot and even then his Machine rumbled on for another 25 years under the aegis of his younger brother, Earl.

In their day, the Longs were rivaled only by Kansas City's Tom Pendergast, whose Democratic organization was so resourceful it once squeezed 20,000 votes from a district of fewer than 20,000 people. Pendergast was diversified. He built a business empire of hotels, taxicabs, and race tracks all of them enterprises regulated by the very state officials who owed their jobs to him. It was a neatly woven system that worked well at least for Pendergast.

It collapsed, legend has it, after a turn-coat flunky, his lips loosened by too much liquor, stayed up late one night in a bar, babbling about a political ``fix.'' The feds got wind of the scam and launched an investigation. Eventually, Pendergast spent several months in Leavenworth for failing to pay taxes on the thousands of dollars in rate-fixing pay-offs he received from insurance companies.

Here in Chicago, we've made peace with our Machine, having seen it rise from the grave at least twice in the last few years. Mayor Richard J. Daley built the thing or at least honed it and when he died in 1976, everyone figured the Machine would go with him. Sure enough, in 1979, voters elected Jane M. Byrne as their mayor
a fiery maverick who called the machine a malicious old monster, run by an ``evil cabal'' of greedy aldermen.

Once in office, however, Byrne cozied up to the monsters she had once denounced. Again, voters revolted, replacing Byrne with Harold Washington, who vowed to dance on the Machine's grave.

Funny thing about Machines, they're more resilient than you think. Look at Earl Long. The voters returned him to office until the day he died. They might have kept on electing him after that, except no one bothered to put his n on the ballot. Even Pendergast got the last laugh, when Harry S. Truman, his protege and defender, got elected President.

As for Chicago, the Machine outlasted even Mayor Washington. He died in 1987, just a few months into his second term. Two years later, the voters elected Richard M. Daley, the old Boss' boy. At first a few anti-Machine stalwarts resisted. But not so much anymore. Old reformers and anti-war activists, who condemned the father, now bow and scrape before the son. They attend his fund-raisers. They laugh at his jokes. If they're well behaved, Daley appoints them to city commissions.

Somewhere, the old man must be laughing.

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Hillary Rodham Boesky

"Throughout the 1980s we heard too much about individual gain, about the ethos of selfishness and greed. We did not hear enough about what it meant to be a member of a community, to define the common good, to repair the social contract."

— Hillary Rodham Clinton, in May 1, 1993, remarks at University of Michigan graduation ceremonies.

It's not every day that a rookie investor makes a quick $100,000 trading in the volatile commodities markets. Indeed, an estimated 75 percent of commodities traders, experienced and inexperienced alike, lose money on such deals. So you can imagine how interesting it was to learn from the New York Times last week that before the "decade of greed" was even a blip on somebody's word processor, Mrs. Clinton had already cleaned up and gone home.

According to the Times, back in 1978 Mrs. Clinton invested — surprise! she won't say how much — in so-called cattle futures, with which a buyer agrees to purchase so much of a commodity at such and such a price in the future. The idea is not necessarily to own the commodity but to sell those futures if its market price goes up and make a profit. Mrs. Clinton was, in short, a speculator or a "quick-buck artist," as the media would come to refer to such traders during the '80s.

It's not clear that Mrs. Clinton's Yale Law School stint would have given her the kind of experience ordinarily required to negotiate the vagaries of commodities markets. What she did have was the advice of one James Blair, who is notable for two reasons. First, he had enough experience in such markets to strike it rich there and to enable others, including the Clintons, to do the same. Mrs. Clinton got into cattle futures in mid-October 1978 and got out with a $100,000 profit in October 1979, which happened to be right before the cattle futures market collapsed.

Second, Mr. Blair is counsel to Tyson Foods Inc. of Arkansas, an industry which then-Gov. Clinton was supposed to be regulating after his election in 1978. The Times traces a number of friendly regulatory rulings subsequently enjoyed from the state, not to mention millions in government loans and the appointment of company executives to key state boards.

Naturally Mr. Blair denies any quid pro quo. "Do they have to weed their friends out and say they can only have friends who are sweeping the streets?" he asked the Times. "They have friends who are high-powered lawyers. They have friends who write books, who write poetry."

So they say. But authors and poets aren't a state-regulated industry, either. The Clintons don't have to give up their friends. They just shouldn't take $100,000 from them when it poses a potential conflict of interest, or when doing so violates the red-face test as something you can't explain without blushing. House Speaker Tom Foley recently learned about this; he closed an account with a stock broker friend who had made the speaker tens of thousands of dollars by investing Mr. Foley's funds in hot initial public offerings rarely available to ordinary investors.

But the story doesn't end there. Whitewater figure and Clinton business partner James McDougal says that in 1980 Mrs. Clinton approached him for advice on finding tax shelters for all the money Mr. Blair had made them. A decade later her husband would run a presidential campaign based on calls for "shared sacrifice" and making wealthy Americans "pay their fair share again." But in 1979 the Clintons were suddenly in the money, and that kind of talk had to be postponed for a while.

The Times' account says a couple of things about the Clintons, neither of them particularly flattering. For all their moralizing about repairing the social contract and pursuing the common good, they went after cold, hard cash like ticket-sellers at a county hoochie-koochie show. The so-called decade of greed didn't start with the Ivan Boeskys, Michael Milkens and Donald Trumps and other high-flyers the press considers emblematic of financial excess. Hillary was there first.

Second, making the Clinton administration face the music on ethics is going to be an enormous chore because the whole lot of them appears to be tone deaf. When a White House usher returned a phone call to former first lady Barbara Bush to help her with a computer question, Mrs. Clinton considered the impropriety of it all a firing offense. But representing failing financial institutions before Arkansas regulators appointed by her husband, shorting health care stocks even while she is attacking them from the stump, making $100,000 off the advice of a lawyer for a company also under state regulation — that's all fine. No problem. Nobody here but us Arkansans.

To justify it all by saying that, well, Arkansas' ethical standards can't be expected to satisfy those of Washington — home of assorted House post office, bank and other scandals — only suggests how desperate the situation must really be there. Nor can the whole thing be dismissed as friends helping friends. Try substituting, say, Nancy Reagan for Hillary Rodham Clinton and imagine the reception such explanations would get in Congress and the media. That's the standard the Clintons must meet too.

The Council's taxing solutions

The D.C. Council is setting the city up for the kill if members take the vote they are expected to take on the budget today. Raising the sales and gasoline taxes, as the council is expected to do, is more likely to alter consumers' purchasing habits than capture a hoped-for $50 million in additional revenue. There are localities very close by with far better rates, and people will choose to shop elsewhere. Still, the council is expected to recommend these purportedly temporary tax hikes, combined with about $60 million in cuts from Mayor Sharon Pratt Kelly's proposed spending plan, to address the city's fiscal dilemma.

The issue, of course, is not just the taxes. The concern is that this budget proposal seems to look at an 18-month period in a vacuum. It is isolated short-term planning that is typical of the way the District political leadership appears to be viewing the financial picture. The short-sighted approach might work well if the city's financial situation were healthier. But it is not. The city teeters on the brink of insolvency. And a year-and-a-half from now, problems that plague the budget today will have been exacerbated not only by time but by executive and legislative branches whose members are terrified of making hard decisions.

Someone has to make them, and the time is now. Here are two things for starters:

As has been argued in this space before, as fine an idea as the D.C. School of Law school may have been six years ago, the District can no longer afford to support it. The city's shrinking tax base can barely maintain basic services. The law school is an extravagance in a metropolitan area that has four other law schools to choose from. The more than $3 million the District government appropriates to support the school must be freed.

D.C. General, as the District's only public hospital, was determined the best vehicle for fulfilling a commitment to provide comprehensive health care and treatment for all District residents. It provides services for 14 percent of all District residents who seek health care through the District's 13 nonfederal, nonpsychiatric hospitals.

However, the 16-year-old policy that led to D.C. General's independence was devoid of controls, management directives and guidelines. As a consequence, the hospital became fiscally burdensome and is stressing the city's treasury. Its costs have increased dramatically in 16 years, rising from an operating budget of $42 million in 1977 to nearly $150 million last year. The District cannot afford to keep it opened in its present form. Real discussions with an eye toward scaling the hospital back or closing it altogether are long overdue.

These are choices that no doubt will be unpopular. But D.C. Council members have got to muster the courage to make the calls.

The Washington Times TUESDAY, MARCH 22, 1994

Beltway Bandit

By John McCaslin

The roaring '80s

The New Republic delivers an Arkansas thriller in its April 4 edition, a nine-page article on the business atmosphere in Little Rock during the 1980s, primarily the "intimate connection" between the Rose Law Firm, Stephens Inc. and then-Gov. Bill Clinton's office.

The article begins with a quote from Jon E.M. Jacoby, executive vice president of Stephens, who explains "the Arkansas system of politics and finance as it reached perfection during the Clinton years."

Said Mr. Jacoby: "You see a girl walking down the street. You can say 'There goes a beautiful girl' or 'There goes a whore.' What the hell's the difference? They've both got legs."

Life after death

Back in January, Attorney General Janet Reno confirmed that a top assistant, Lula Rodriguez, had resigned to "pursue other career opportunities."

She wasn't kidding.

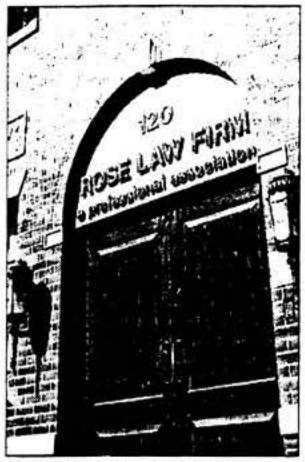
Miss Rodriguez, who handled the attorney general's scheduling, had come under fire weeks before her resignation when it was learned she'd taken vacation time in November to work in the Florida campaign headquarters of her brother-in-law, Hialeah Mayor Raul Martinez.

Mr. Martinez, suspended by the governor following his conviction on federal racketeering charges, was re-elected to a four-year term. He is appealing his conviction and 10-year prison sentence.

No one has accused Miss Rodriguez of criminal wrongdoing, but the attorney general did ask then-Deputy Attorney General Philip B. Heymann to investigate whether Miss Rodriguez, because of links to the campaign, had violated department rules or ethical guidelines.

Justice Department spokesman John Russell told us yesterday that since Miss Rodriguez "is no longer an employee of Justice, she is no longer of interest to the office of professional responsibility," which had conducted the short-lived probe.

Now we learn that Miss Rodriguez has been hired by the U.S. Information Agency as the $78,682-a-year senior adviser to the associate director of the International Visitor Program.



Notoriety continues to expand for this Little Rock law enterprise.

Free bus ticket

Washington-based U.S. Term Limits presents the "Ticket Home Award," which if it catches on could rid the nation's capital of a lot of its problems.

This month's recipient is Rep. Ernest Istook, Oklahama Republican, "due to his outspoken opposition to the Oklahoma term limit initiative" certified for the November 1994 ballot.

"I hope the bus trip home will give the congressman time to . . . rethink his position on term limits," U.S. Term Limits' director Paul Jacob said.

Is this for real?

We're not sure, but according to a letter we received, the White House's news analysis department is asking political cartoonists to do their part to cut the administration's work load and cheer everyone up in these Whitewater-obsessed days.

Keith Boykin, special assistant to the president and director of news analysis at the White House, writes in a March 18 letter to the cartoonists that his department "compiles and then distributes political cartoons to key White House officials. These 'Clintoons' provide comic relief for many White House staffers.

"Numerous interns and volunteers gather and collect the cartoons from various newspapers nationwide, and this process can beocme highly time-consuming and tedious," Mr. Boykin writes. "To make this process more efficient, we are asking cartoonists to submit copies of political cartoons directly to our office."

Well, folks, should we humor them?

Two sirens return

The treason trials of Tokyo Rose and Axis Sally will be relived in a play by the same name at the National Archives today, tomorrow and Thursday at noon, and this evening and Wednesday at 7:30 p.m., as part of the archives' World War II commemorative programming. Performances are free and last approximately 75 minutes.

Thousands of pages of trial transcripts, FBI documents and newspaper articles were used in the creation of the play.

Hanging judges

G. George Ostrom, an award-winning newspaper columnist "out West" who gave this columnist his first reporting job nearly 15 years ago, writes this week about the "liberal bunch of lawyers now serving as federal judges on the 9th Circuit Court of Appeals in San Francisco.

"They have for years given new trials, or even freed murderers, rapists, and kidnappers over things as meaningless as the trial judge's failure to tell jury members they shouldn't pick their noses during the lunch break," the Montanan writes. "But they might be changing.

"Last month the 9th U.S. Court decided that hanging is constitutional. They explained that a good job of hanging resulted in 'rapid unconsciousness and death, and doesn't prolong pain.'

"There might have been occasional exceptions in the past. I recall Charlie Russell writing about a horse thief they hanged in the early days who was so skinny and big headed there wasn't enough weight below his neck to get the job done, so they had to put an anvil in his pants. The goody goodies on the 9th Circuit would have choked on that one."

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The Washington Times TUESDAY, MARCH 22, 1994

Inside Politics



Hard green

Environmental lobbyists may spend a lot of time this year working to stall or smother — not advance — environmental legislation, says Greenwire, a daily report on the environment.

Greenwire says a memo sent to leaders of six groups after a strategy session involving California Democratic Reps. Henry A. Waxman and George Miller urges delay on Superfund, the EPA-Cabinet bill and perhaps the Clean Water Act.

The environmentalists also railed against some of the administration's highest-profile initiatives, charging that they are not tough enough. "Superfund legislation will probably have to be killed," the memo says.

The memo was written by lobbyist Erik Olson of the Natural Resources Defense Council and reflects the environmentalists' disappointment with the policies of Interior Secretary Bruce Babbitt, says Greenwire.

The message was released by Rep. Fred Upton, Michigan Republican, who complained of the environmentalists' "cavalier attitude." An aide said the groups' local chapters may be interested in what their leaders are up to.

The memo was sent to the Natural Resources Defense Council, the National Audubon Society, the National Wildlife Federation, the Environmental Defense Fund, Friends of the Earth and the Sierra Club.

A White House environmental aide criticized the hard-line strategy, saying that environmentalists "are already seen as extremists" in national polls.

Futures

Joe Holland announced in Harlem that he will be a GOP candidate for New York attorney general. He will run against Democratic incumbent G. Oliver Koppell. If Mr. Holland, a lawyer, prevails in a uphill race, he will become the state's first black statewide elected official.

Former Rep. Bill Green announced his candidacy as a moderate for the GOP nomination to challenge New York Gov. Mario Cuomo. He faces state Sen. George Pataki, who is being supported by Sen. Alfonse M. D'Amato.

In Arkansas, millionaire Sheffield Nelson, GOP candidate two years ago, will run against Democratic Gov. Jim Guy Tucker. Mr. Nelson, a well-known source for Whitewater reporters, spent $1.5 million in his 1992 race.

Hillary on the bunker

In a luncheon late last week with Gannett and USA Today, Hillary Rodham Clinton said she was saddened by public suspicions about Whitewater but felt assured of vindication.

"I'm holding up fine, except it is a little lonely in the bunker," she told USA Today.

On the $100,000 she reportedly got in the commodities market: "When I'm asked if I made money in commodities trading in 1978 and 1979, the answer is yes. I didn't know there was anything wrong with having a stock account and trading futures."

She said she stopped trading "because I got pregnant and had a baby and couldn't stand it — it was too nerve-racking."

As for Whitewater, she said: "We made a land investment w land looked like it was going to keep going up in Arkansas, and it went down, and we lost money. And we didn't pay much attention to it, because we weren't responsible for it.

"We did not keep the books and records of that little company; we never had an S&L loan; we never did any business with an S&L; we had commercial bank loans, we paid every one of them back.

"We turn over all our tax information every year to certified CPAs; they fill our our tax returns for us. I don't know what else to say."

No click in Illinois

Why did Richard Phelan, Cook County Board president, who had a big Democratic brain trust, an army of party stalwarts and the biggest war chest, run third in the Illinois primary last week?

"I have never seen a candidate with all the organizational support, the money and the articulate good looks who ran such a terrible race," one ward committeeman told the Chicago Tribune.

The Tribune attributes the collapse to three failures: Mr. Phelan lacked a persuasive message, he underestimated his opponents, and he miscalculated the depth of negative opinion about him.

GOP Gov. Jim Edgar, who agreed with early conventional wisdom that Mr. Phelan would be the Democratic nominee, told the Tribune: "Sometimes people click and somethimes they don't. I don't think he clicked."

Mr. Phelan ran third with 15 percent. He trailed Comptroller Dawn Clark Netsch, who was first, and Attorney General Roland Burris, once the front-runner.

The pendulum

In offering its readers "Hubble, Hubble, toil and trouble," the Economist's Lexington column explores "Washington's fickle pendulum of opinion" in the case of Hillary Rodham Clinton.

Mrs. Clinton, who was virtually canonized for her handling of health care reform, is now being hissed as a political liability, an overinventor of a health plan, a quota zealot, a purveyor of lawyer cronyism and much, much more.

Lexington concludes that in fact Mrs. Clinton is "an enigma," as "much a chameleon as her husband" and a skillfull juggler of roles. This makes it hard to know how to handle her and should help her negotiate Whitewater.

When the congressional hearings begin, Lexington suggests, chances are she will leave her interrogators nodding at the script: not "Macbeth," but "Much Ado About Nothing."

MMM's story

Rep. Marjorie Margolies-Mezvinsky, Pennsylvania Democrat, says in her new book that she knew changing her vote from no to yes on the Clinton budget last year may have been "tantamount to political suicide."

In an excerpt published by Roll Call, the representative of a Philadelphia suburb described the moments before she and Rep. Pat Williams, Montana Democrat, cast the decisive votes in that congressional drama.

"It's all a blur to me now, walking down the aisle, being bombarded by Republican men throwing barbs, desperate to stop me in my tracks. They shouted, 'Bye-bye, Margie. That's the end; she's gone. Bye-bye, Marjorie.

"I was so incensed at the immaturity. I was so angry. Nobody was addressing Pat Williams in this manner, yelling, 'Bye-bye, Pat ...'

"In our nation's history, there were only two other votes of such importance with this close a margin: The first was the impeachment of Andrew Jackson; the second was the draft."

Away from phone

The Boston Globe reports that this message is on the answering machine of David Brock, who reported in the American Spectator on troopers' tales of then-Gov. Bill Clinton's marital derring-do: "Hello, I'm out trying to bring down the president; please leave a message."

Rubin's starshine

The press continues to print stories about Treasury Secretary Lloyd Bentsen leaving the Cabinet before the year is out, but it no longer speculates that his likely successor is Deputy Treasury Secretary Roger Altman.

With Mr. Altman damaged by Whitewater, National Economic Council head Robert Rubin is now thought of as the likely Bentsen replacement, says Business Week. His credits include a key role in passage of the North American Free Trade Agreement and urging an assault on the deficit.

Business Week quotes one Democratic politician as saying, "Lloyd wants out by the end of the year." The politician added that he sees a silver lining: "Altman will never be Treasury secretary now."

Means tests

Reluctance by several Senate Republicans to agree to means testing of Medicare and other entitlements — and inability to find other savings — kept them from offering an alternative that would balance the budget in five years, reports National Journal's CongressDaily.

One senator told CongressDaily that as they struggled to create a budget plan the problem was "making cuts that were just too tough to make" while sticking to the GOP insistence that the plan have no new taxes or touch Social Security.

Sens. Phil Gramm of Texas, Slade Gorton of Washington, Charles E. Grassley of Iowa and Trent Lott of Mississippi reportedly were among those who were uncomfortable with means testing, which would reduce payments to wealthier beneficiaries. Estimated savings: $110 billion over five years.

The value of 'Virtues'

Publisher Simon & Shuster didn't expect much. Neither did the New York Times, which reviewed it in a paragraph. Author William Bennett, former education secretary, admits to writing it for purely personal reasons.

But Mr. Bennett's book of moral tales, "The Book of Virtues," is in its 14th printing, and there are 635,000 copies in print in a world in which 250,000 is a hot seller.

This has imposed a new self-awareness, the Associated Press reports. For instance, when his sons were about to start throwing ice cream at each other on a plane recently, he had a special reason for averting a food fight.

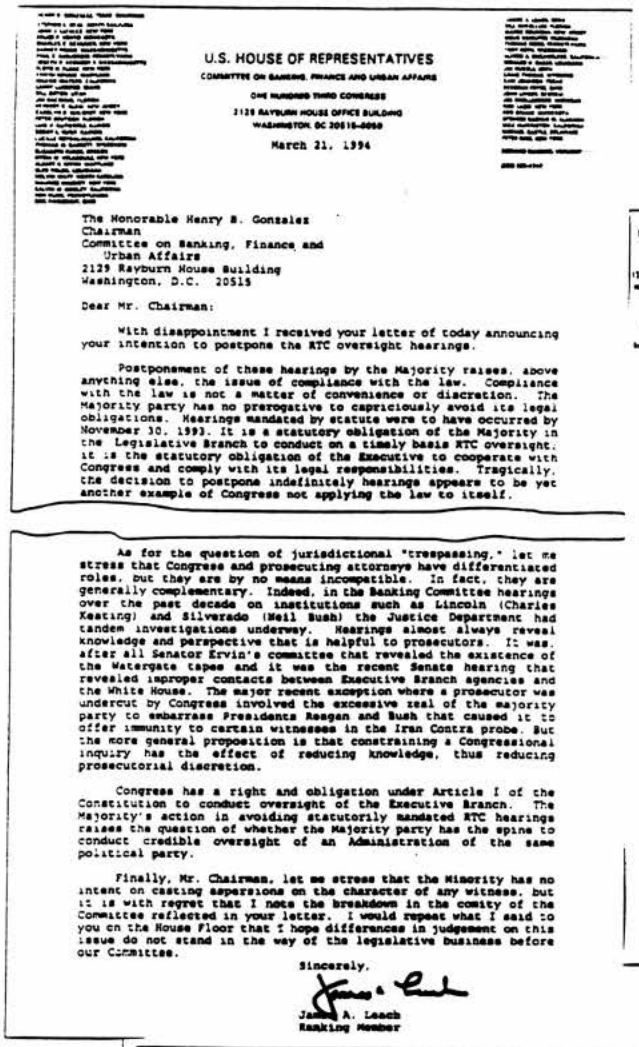
He told the AP he feared a passenger might recognize him and start yelling: "Hey, look at the kids of the guy who wrote 'The Book of Virtues.' How about a little responsibility? How about a little discipline?"

Pundit Leno

NBC's Jay Leno on the difficulty of drafting the crime bill: "It's got to be strong enough to lock up the crooks and muggers but weak enough to let Congress and Clinton stay in office."

• *Compiled by Alan McConagha.*

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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDRED THIRD CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6050

March 21, 1994

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance and
Urban Affairs
2129 Rayburn House Building
Washington, D.C. 20515

Dear Mr. Chairman:

With disappointment I received your letter of today announcing your intention to postpone the RTC oversight hearings.

Postponement of these hearings by the Majority raises, above anything else, the issue of compliance with the law. Compliance with the law is not a matter of convenience or discretion. The Majority party has no prerogative to capriciously avoid its legal obligations. Hearings mandated by statute were to have occurred by November 30, 1993. It is a statutory obligation of the Majority in the Legislative Branch to conduct on a timely basis RTC oversight. It is the statutory obligation of the Executive to cooperate with Congress and comply with its legal responsibilities. Tragically, the decision to postpone indefinitely hearings appears to be yet another example of Congress not applying the law to itself.

As for the question of jurisdictional "trespassing," let me stress that Congress and prosecuting attorneys have differentiated roles, but they are by no means incompatible. In fact, they are generally complementary. Indeed, in the Banking Committee hearings over the past decade on institutions such as Lincoln (Charles Keating) and Silverado (Neil Bush) the Justice Department had tandem investigations underway. Hearings almost always reveal knowledge and perspective that is helpful to prosecutors. It was, after all Senator Ervin's committee that revealed the existence of the Watergate tapes and it was the recent Senate hearing that revealed improper contacts between Executive Branch agencies and the White House. The major recent exception where a prosecutor was undercut by Congress involved the excessive zeal of the majority party to embarrass Presidents Reagan and Bush that caused it to offer immunity to certain witnesses in the Iran Contra probe. But the more general proposition is that constraining a Congressional inquiry has the effect of reducing knowledge, thus reducing prosecutorial discretion.

Congress has a right and obligation under Article I of the Constitution to conduct oversight of the Executive Branch. The Majority's action in avoiding statutorily mandated RTC hearings raises the question of whether the Majority party has the spine to conduct credible oversight of an Administration of the same political party.

Finally, Mr. Chairman, let me stress that the Minority has no intent on casting aspersions on the character of any witness, but it is with regret that I note the breakdown in the comity of the Committee reflected in your letter. I would repeat what I said to you on the House Floor that I hope differences in judgement on this issue do not stand in the way of the legislative business before our Committee.

Sincerely,

James A. Leach
Ranking Member

HENRY B. GONZALEZ
20th District, Texas

BANKING, FINANCE AND URBAN AFFAIRS

Congress of the United States
House of Representatives
Washington, DC 20515-4320

March 21, 1994

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The Honorable James A. Leach
2186 Rayburn HOB
Washington, D.C. 20515

Dear Colleague:

Upon my return from my District, I saw your letter, apparently delivered late Friday.

As you know, I committed to the Special Counsel, who you, not I, insisted be named, not to trespass on the area of his current investigation. Everyone of the listed names indicates you are in wilful disregard of this request, which even the Senate has honored, for you obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure, which as I amply pointed out during the Neil Bush hearing the Banking Committee is not empowered to do. I am attaching a copy of the pertinent record of that hearing.

In view of your obdurate and obstinate refusal to honor the Special Counsel's request, and, in addition, your threats to disrupt or in your words create a "donnybrook", I have no recourse but to postpone the hearing set for Thursday until such a time as you can calmly and dispassionately comply with the statutory hearing.

Since the effective date of FIRREA we have held no fewer than seven statutory oversight hearings. At no time have you or your predecessor made such requests as you are making now. You must not be much interested in getting an accounting of the twenty five billion dollars we voted for RTC last year.

Sincerely,

Henry B. Gonzalez
Member of Congress

Enclosure

GAO decries 'inadequate' review of loan to key Whitewater figure

By Jerry Seper
THE WASHINGTON TIMES

A General Accounting Office report says federal oversight was "clearly inadequate" in the case of Small Business Administration-backed loans by an Arkansas company run by a key figure in the Whitewater-Madison affair.

The GAO, in a 29-page report to Rep. John J. LaFalce, chairman of the House Small Business Committee, said SBA examiners failed to recognize "strong indicators or red flags" that Capital-Management Services Inc. in Little Rock was improperly operated.

The company was run by David L. Hale, a former municipal judge who is expected to plead guilty today to fraud charges in the first case of the Whitewater-Madison probe.

"While SBA did finally take action against Capital-Management in 1993, its inadequate oversight through the years resulted in a $3.4 million loss to the SBA," the report said.

The GAO concluded that:

- Mr. Hale operated the lending company in "an improper manner" by entering into prohibited transactions. The transactions included loans to business associates and loans for real estate purchases, both of which violate SBA regulations.
- Mr. Hale "took advantage of the opening provided by the flexibility in SBA guidelines" to provide loans to individuals with "questionable claims to program eligibility."

Rep. Jan Meyers of Kansas, ranking Republican on the House Small Business Committee, said the report found "woeful mismanagement" and "embarrassingly lax regulation" by the SBA.

"What the report fails to address is the possible abuse of political power by prominent Arkansas citizens who may have influenced David Hale's lending practices," she said.

The report was requested in November by Mr. LaFalce, New York Democrat, after allegations surfaced that President Clinton, while governor of Arkansas, had pressured Mr. Hale for an indirect and illegal $300,000 SBA-backed loan from Capital-Management. Mr. Hale told federal authorities the request had come during a March 1986 meeting.

The SBA-approved loan to Susan H. McDougal, then-wife of James B. McDougal, owner of Madison Guaranty Savings and Loan Association, was one of the Capital-Management transactions reviewed by the GAO. The loan was never repaid.

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Gonzalez gives in, calls for hearings

By Paul M. Rodriguez
THE WASHINGTON TIMES

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Rep. Henry Gonzalez, chairman of the House Banking Committee, under tremendous political pressures from fellow Democrats, yesterday abruptly called for "full hearings on the so-called Whitewater affair."

Earlier in the afternoon, the Texas Democrat had postponed an oversight hearing where Republicans sought to air Whitewater-Madison and its links to President and Mrs. Clinton.

"I have never seen a more malicious campaign of character assassination than this," Mr. Gonzalez wrote in a late-afternoon letter to Speaker Thomas S. Foley, urging the House leadership to "draft and endorse a resolution" on the hearings.

"It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most," said Mr. Gonzalez, acceding to GOP demands for congressional hearings over the objection of Whitewater-Madison special counsel Robert B. Fiske Jr.

Noting that the Senate approved such hearings 98-0 last week, he said, "I would suggest that House hearings be held in a forum of broad reach — possibly a select committee — that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges."



Rep. Henry Gonzalez

Last night, Mr. Clinton, speaking at a $3.5 million Democratic fund-raiser in Bal Harbour, Fla., charged that Republicans are "ob-

see **HEARINGS**, *page A13*

HEARINGS

From page A1

sessed" with hurting him simply because the Democrats hold the White House.

In a partisan address that echoed an angry attack of Republicans at another fund-raiser last week in Boston, Mr. Clinton said Republicans are "obsessed with personal power ... and in a snit because they don't have the White House."

He avoided mentioning Whitewater-Madison but called Republicans "angry people" who are focused on "sideshows" and not domestic policy and who have resorted "to the politics of division, distortion and destruction."

Mr. Gonzalez's late-afternoon turnaround for hearings followed the earlier release by Mr. Gonzalez of a caustic letter to Rep. Jim Leach, notifying the ranking Republican on the Banking Committee that a scheduled oversight hearing of the Resolution Trust Corp. this Thursday was being called off.

"In view of your obdurate and obstinate refusal to honor the special counsel's request, and, in addition, your threats to disrupt or in your words create a 'donnybrook,' I have no recourse but to postpone the hearing," Mr. Gonzalez wrote to Mr. Leach.

Mr. Leach, Iowa Republican, who has been conducting his own Madison-Whitewater probe and pressing for hearings, declined to criticize Mr. Gonzalez's letter canceling the RTC hearing but said the call for broader House hearings "is welcomed news."

The tone and commentary in the early-afternoon Gonzalez letter to Mr. Leach — coming from a House Democratic leader — prompted Mr. Foley to call Mr. Leach and personally apologize on behalf of the House.

Mr. Leach did not divulge details of the Foley call other than to relate the apology.

Mr. Foley, Washington Democrat, along with House Majority Leader Richard A. Gephardt, Missouri Democrat, and House Minority Leader Robert H. Michel, Illinois Republican, are slated to meet on the issue at 10 a.m. and also review a GOP draft resolution that would force the House to formally vote on the matter of hearings later in the day.

Mr. Foley said that while Mr. Gonzalez's comments will not affect "the ultimate decision ... we will explore with our colleagues on the Republican side conditions on which some hearings might take place."

An aide to Mr. Michel said yesterday that the Republican leader wants "the discussion on the issue to be in the open and a vote on the floor to be open for the public to see who is in favor of and who is against such hearings."

The fact that Mr. Foley felt compelled to call Mr. Leach personally to apologize for the tone of Mr. Gonzalez's letter to Mr. Leach prompted several senior Democrats to express anger about their leadership's failure to, as one Democratic chairman said, "nip this thing in the bud before it bloomed, thorns and all."

Mr. Gonzalez's letter to Mr. Foley urging hearings "on the so-called Whitewater affair" seemed to dramatically advance the chances of hearings sooner rather than later.

Senate bipartisan leadership staffers, meanwhile, were reported to be working on a structure to set up Whitewater-Madison hearings, possibly through a select committee.

The Whitewater-Madison special counsel is investigating the financial dealings of Arkansas' Madison Guaranty Savings and Loan Association and the Whitewater Development Corp., an Arkansas real estate partnership of the Clintons, James B. McDougal, Madison's owner, and his wife at the time, Susan H. McDougal.

Mr. Fiske, working with federal grand juries in Little Rock and Washington, also is probing accusations that Mrs. Clinton's former law firm shredded Whitewater documents, secret briefings by Treasury officials with the White House, and the death of Vincent W. Foster Jr., White House deputy counsel and the Clintons' personal attorney.

Mr. Fiske, who has subpoenaed at least 11 Clinton administration officials — including seven at the White House — over the secret briefings on a Madison probe by the Resolution Trust Corp., asked Congress to delay hearings so that witness testimony would not interfere with his probe.

Mr. Fiske is concerned that congressional hearings would grant immunity to witnesses, complicating any later prosecutions as happened during the Iran-Contra proceedings. The Senate resolution on holding hearings assured that no grants of immunity would be offered.

Mr. Leach, along with Sen. Alfonse M. D'Amato, New York Republican and the ranking GOP member on the Senate Banking Committee, have argued for weeks that Congress has a constitutional duty to hold Whitewater-Madison hearings.

They have said that hearings can be held without granting immunity to witnesses.

Mr. Leach and Mr. D'Amato have been bolstered in recent weeks by support from their respective Republican leaders and several senior House Democrats, including Rep. Lee H. Hamilton, Indiana Democrat and chairman of the House Foreign Affairs Committee.

• *Paul Bedard contributed to this report from Bal Harbour, Fla.*

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Hale might hold pieces to the Whitewater puzzle

Grand jury likely to hear of Clintons' deals

By Jerry Seper
THE WASHINGTON TIMES

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Former Little Rock municipal Judge David L. Hale looms as the key to U.S. efforts to unravel the Whitewater-Madison financial web when he testifies before a federal grand jury as part of a plea agreement reached with special counsel Robert B. Fiske Jr.

Law enforcement sources said yesterday that Mr. Fiske's office is looking to penetrate what it believes is an "inner circle" of prominent Arkansas politicians and community leaders, all of whom were in debt to both Mr. Hale's Little Rock lending company, Capital-Management Services Inc., and Madison Guaranty Savings and Loan Association.

Investigators are trying to determine if any of the Madison or Capital-Management money was secretly funneled to Arkansas politicians, including Gov. Bill Clinton, or whether the lending agency's money was used to cover Madison or Whitewater Development Corp. loans, according to the sources.

Mr. Hale, who will plead guilty to two felonies — one count of conspiracy and one count of mail fraud — at a court hearing today in Little Rock, will testify for Mr. Fiske before a special grand jury empaneled last month by U.S. District Judge Stephen M. Reasoner.

The plea agreement, to be presented in open court to Judge Reasoner today, guarantees that Mr. Hale's trial, scheduled to begin Monday, will not take place. Many Arkansans thought the trial would prove embarrassing to some political and community leaders.

Mr. Hale's testimony is included

see **HALE**, *page A13*

HALE

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as part of a signed plea agreement negotiated by Mr. Fiske and Mr. Hale's Little Rock attorney, Randy Coleman.

"What we tried to do with this agreement is to improve our position — one step at a time," Mr. Coleman said. "Mr. Hale is going to cooperate fully with Mr. Fiske in terms of his testimony and anything else that is required of him."

Law enforcement sources and others close to the Whitewater-Madison probe said Mr. Hale agreed to cooperate with investigators after concluding the Fiske probe "was a complete investigation."

One source said: "I am convinced Hale would not have agreed to testify if he thought there was not going to be a complete investigation. What he's doing, he's doing at great sacrifice."

Asked yesterday about Mr. Hale's pending testimony, President Clinton said: "This is all a bunch of bull. My faith that the truth will win out has been sorely tested in the last few weeks, but it's still there.

"Why don't you just let the special counsel do his job?" he scolded reporters.

Mr. Hale's grand jury testimony — which could come as early as tomorrow — is expected to focus on Mr. Clinton, among others. He has said Mr. Clinton pressured him in March 1986 for a $300,000 Small Business Administration-backed loan to Susan H. McDougal, then-wife of Madison's owner, James B. McDougal.

The Clintons and McDougals were partners at the time in Whitewater, a northern Arkansas real estate venture.

The loan was deposited in a Madison account, with $110,000 of it later being transferred to Whitewater and used by Mr. McDougal as a down payment on other property. What happened to the other $190,000 is not clear. The loan was never repaid.

In an interview yesterday on CNN's "Larry King Live," Mr. McDougal called Mr. Hale's account a "cock-and-bull story" and said Mr. Hale is "a con and a cheat and a forger."

Mr. McDougal also said he would hold a news conference next week that would completely clear Mr. Clinton of any wrongdoing in the Whitewater-Madison affair. He did not provide any specifics.

Other people Mr. Hale is expected to be asked about before the grand jury include:

• Arkansas Gov. Jim Guy Tucker, who succeeded Mr. Clinton. He borrowed $150,000 from Capital-Management in February 1986 for a real estate venture known as Castle Sewer and Water Corp., which sought to provide water and sewer services to a mobile home park being developed and financed by Madison.

Castle Sewer later defaulted on more than $860,000 in Madison loans. The mobile home project, known as Castle Grande, eventually failed. The SBA loan was never repaid.

Mr. Tucker borrowed a second $150,000 from Capital-Management in October 1987 for Southloop Construction Corp., which proposed building a shopping center on a 30-acre parcel south of Little Rock — next to the Castle Grande project.

That venture also failed. Southloop bought the property for $353,000, using money from a $260,000 loan from Madison and the $150,000 SBA-backed loan from Mr. Hale's company. The SBA loan was never repaid.

• Stephen A. Smith, a former aide to Gov. Clinton who borrowed $65,000 in February 1986 from Capital-Management to create a Fayetteville, Ark., firm known as the Communications Co.

The firm sought to hire personnel and purchase equipment to manage political campaigns in Arkansas. Mr. Smith later defaulted on the loan.

In 1980, Mr. Smith was president of the Bank of Kingston, Ark., owned by Mr. McDougal, and approved a $30,000 loan to Hillary Rodham Clinton to build a model home on the Whitewater project.

• Tommy Trantham, named in July 1987 as president and chief executive officer of Madison following Mr. McDougal's forced departure from the S&L's management. Mr. Trantham was the recipient of a $100,000 SBA-backed loan from Mr. Hale's company.

The loan came less than a year before Madison was shut down by federal regulators at a cost to taxpayers of $50 million.

• Partners in the Campobello Project, formed in December 1983 by Mr. McDougal and Chris Wade, a Flippin, Ark., broker and land developer who later helped sell the Whitewater property. The partners borrowed $149,000 from Capital-Management in January 1986 to develop 344 acres in west Little Rock.

The partnership sought to develop 3,859 acres located on a Canadian island off the coast of Maine. Madison and Madison Financial Corp., a subsidiary, loaned the project $3.7 million through April 1986.

Mr. Hale, facing four felony counts and 46 months in prison in a suspected scheme to defraud the SBA in loans unrelated to the Whitewater-Madison affair, agreed Sunday to cooperate with Mr. Fiske and his staff.

In court papers, Mr. Fiske described Mr. Hale's assistance and pending grand jury testimony as "a fundamental part" of the ongoing Whitewater-Madison probe.

Mr. Hale, appointed as a Pulaski County municipal judge in 1980 by Mr. Clinton, authorized hundreds of thousands of dollars in government-backed loans to friends of the Clintons, while president of Capital-Management.

"There's no doubt Hale's involvement was ongoing and constant and involved quite a number of people tied to Clinton," said one law enforcement source familiar with the Whitewater-Madison probe. "In words that everyone understands, David Hale was their piggy bank."

Mr. Coleman said the plea agreement formally outlines Mr. Hale's obligations to cooperate fully in the Fiske probe and says that if the former judge "fulfills his responsibilities and provides substantial assistance," the special counsel will ask the court to depart from existing sentencing guidelines in the case.

"What the government is looking for is full cooperation, and that's what we intend to provide," Mr. Coleman said.

Mr. Hale was not available yesterday for comment.

He has told authorities, however, that Mr. Clinton and Mr. McDougal, in a meeting at Mr. McDougal's Little Rock office, said they needed the SBA-backed loan to "clean up" some financial problems. He said the three decided to name Mrs. McDougal as the loan applicant because, as a woman, she could qualify.

He said they knew Mrs. McDougal did not legally qualify for the SBA loan, which was for disadvantaged applicants. Three months earlier, Mr. and Mrs. McDougal filed a financial statement showing a net worth of $2.2 million.

"I knew what was going on, as we all did," Mr. Hale said. "But we were friends, and that's just the way business is done in Arkansas." He said Mr. Clinton told him the Clinton name could not be tied to the deal "anywhere at all."

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What's Wrong With Black Men?

For some, it's as much a matter of self-hate as racism.



By DeWayne Wickham, a columnist for Gannett News Service and USA TODAY.

Why are black men angry?

The question is simple enough, but the answer is far from easy. It's wedged somewhere between the layers of insult and injury that systematically have been heaped upon generations of black men. It is submerged in the quicksand of America's continuing racial discrimination.

For far too many black men, the anger that rages within us today is as much a product of self-hate as it once was due mostly to the hate others visited upon us. That shouldn't be surprising. Subject any people to 375 years of negative messages about themselves and self-hate will take root.

But while our anger may have a common cause, it seldom evokes the same behavior among us. Most black men internalize their rage and turn it into the fuel that fires the emotional and pyschological engines that drive us to succeed against the odds.

Only a few let it get the best of them. But their stories are told daily on television and in newspapers — so also the aberrant behavior of just a few black men is made to seem like the norm for the rest of us.

That's why many white women clutch their purse when a black man — almost any black man — approaches them on the street. It is the reason why so many white men twitch uncomfortably when they find themselves alone on an elevator with a young black man.

Such negative stereotypes heighten our rage and stoke the fires that burn within us.

Nathan McCall understands this. His recent book, *Makes Me Wanna Holler*, is a story that reveals in chilling detail the anger that almost destroyed him — and the journey that took him from street thug to journalist.

"We've got to work on convincing brothers that there is a way out" of the rut in which too many black men are stuck, he says in an interview that airs today on the Oprah Winfrey show.

"Once I became convinced that there was no way out and that I was rejected and despised by this society ... I didn't even try the mainstream route," McCall confesses.

For a long time, his anger was out of control. But eventually, he turned his life around with the help of family and friends — plus the inner strength he was finally able to muster.

"What happened to make black men so angry?" Oprah asks at the start of the show.

"Deindustrialization" is the quick and dirty answer Brent Staples came up with. Staples is the author of *Parallel Time: Growing Up In Black And White*, a book about his struggle to overcome the anger that ate away at him early in life. He defines that anger in terms of the damage unemployment does to black men.

Another guest, casting a broader net, points to the widespread availability of guns and crack cocaine as reasons for the anger that has sent some black men spiraling out of control. Someone else put the blame on the indelible mark that 250 years of slavery has left on us.

In a way, they're all right.

Black men have a lot to be mad about. But the challenge is for us to put our anger to good use — before it destroys us.

The Clintons learned '80s lessons well

Turns out the 'politics of greed' was quite bipartisan.



By Joe Urschel, USA TODAY columnist.

It's a good thing the Clintons have David Gergen around.

An old-fashioned Reagan Republican familiar with the "politics of greed" is handy. Especially when — after sanctimoniously denouncing those folks who got rich in the '80s — it comes to light that you, too, had participated in the get-rich-quick schemes you had so stridently characterized as the perks of fat-cat Republicans.

"If they owe some taxes, they're going to pay," he says, wondering about "all the fuss" over revelations the Clintons may have underpaid their taxes for 15 years and, according to *Money* magazine, could owe over $45,000 to the IRS.

We were all impressed when Bill took a $15 deduction for donating a pair of used underwear to charity, along with additional deductions for his old shoes and shower curtains. How many taxpayers ever dreamed they could use that old mildewed shower curtain to get back money from Uncle Sam?

But if Bill was good, Hillary was better. She was the financial brains behind the Whitewater investment scheme, which provided them a deduction for money it now turns out they might not have lost.

Hillary also put their money in a hedge fund known as ValuePartners I, which specialized in shorting stocks. This is a scheme in which you bet a stock price will fall. And when it does, you *make* money. It is a practice described by financial writer James K. Glassman as an "arrogant, smarmy, unpatriotic way to make money."

Especially if you are a first lady who is poised to pummel the pharmaceutical market in your health-care plan, and you are shorting all kinds of health stocks. Presidents Reagan and Bush, who presided over the "greed decade," put their investments in blind trusts before taking office. The Clintons waited six months. Meanwhile, shorted health stocks held by ValuePartners plummeted. One company even went bankrupt. Bravo, Hillary!

However, the first lady was well prepared for the speculative business of shorting stocks. Long before, according to *The New York Times*, she had cut her teeth in high-stakes commodities trading — another non-productive investment which, on the social responsibility scale, rates right up there with going to the track.

Using the financial advice of the lawyer for Tyson Foods, the Arkansas-based poultry producer, Hillary made a killing in the commodities market where more than three out of four investors lose money. Hillary made $100,000 in a single year, an amount substantially higher than the Clintons' combined incomes at the time.

Worry not that during Clinton's tenure as governor, Tyson's received $9 million in government loans and one of its staffers was appointed state livestock and poultry commissioner. Bill assures us it was all "strictly legal."

And give Hillary the benefit of the doubt next time she decries the 1980s as "far too much about individual gain and the ethos of selfishness and greed." She knows the subject.

Firsthand.

TUESDAY, MARCH 22, 1994 • USA TODAY

Democrats pulling rank

By Jessica Lee
USA TODAY

House Democrats are giving Republicans a harsh lesson in democracy: Those who have the power make the rules.

Republicans are furiously trying to find ways to grill Clinton administration officials on the Whitewater land deal, the way Democrats summoned Reagan and Bush administration officials more than 25 times in 12 years of GOP rule.

Almost singlehandedly, Rep. Henry Gonzalez, D-Texas, chairman of the House Banking Committee, probed into fraudulent management of Denver-based Silverado Savings and Loan. Finally in 1990, Silverado board members, including President Bush's son Neil, were hauled into court.

Gonzalez used that same power Monday to derail a GOP locomotive rushing to Congress' first official examination of Whitewater and the failure of Madison Guaranty Savings & Loan of Arkansas.

Iowa Rep. Jim Leach, ranking Republican on the Banking Committee, took a page from Gonzalez's playbook in his single-minded push for hearings.

With committee Republicans backing him, Leach planned to turn a hearing set for Thursday to oversee work by the agency responsible for cleaning up thrifts into a full inquiry into Whitewater.

Under House rules, only the committee chairmen have subpoena powers. Minority members may invite witnesses, if the chairman approves.

But Gonzalez delayed the hearing and lambasted Leach for "intending to launch into a prosecutorial or judicial adventure."

Gonzalez called for "full hearings into the so-called Whitewater affair" — a move that signals House Democrats' acknowledgement that hearings into the land deal cannot be avoided.

In a letter to Gonzalez pressing his dismay, Leach said: "The majority's action ... raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party."

Rep. Dick Armey, R-Texas, third-ranking GOP leader, railed against Gonzalez's use of his subpoena powers.

"The Democrats are saying the chairman and the chairman alone makes the decisions for Congress," he said. "If that's true, what you do is disenfranchise the opposition. It's one-party rule run amok."

Armey recalled what he described as "high drama in Congress" when Democrats demanded that Reagan and Bush administration officials appear before congressional committees to discuss:

- ▶ Allegations Ronald Reagan's campaign aides cut a deal with Iran in 1980 to delay release of U.S. hostages.
- ▶ Attorney General Edwin Meese's financial activities.
- ▶ Influence-peddling charges against Reagan's Housing Department.

High court hears S&L case

By Tony Mauro
USA TODAY

Supreme Court justices listened attentively Monday to the story of a prominent law firm, its dispute with federal bank regulators, and a failed savings and loan.

But the words Whitewater, Madison Guaranty and Rose Law Firm were never uttered.

The justices were focusing instead on a California dispute that highlights the trouble that dozens of lawyers and accounting firms, including Hillary Rodham Clinton's former Little Rock law firm, got into during the savings and loan crisis of the last decade.

Deputy Solicitor General Paul Bender told the justices that the Federal Deposit Insurance Corporation has "more than $1 billion in claims" pending against law firms for their roles in the S&L crisis.

Steve France of *Bank Lawyer Liability* newsletter estimates top law firms have paid $400 million in settlements.

Under pressure from Senate Republicans, the FDIC has reopened its investigation of whether Rose Law Firm had a conflict of interest in its dealings with Madison Guaranty and the FDIC. In 1988, Rose shared in paying a $3 million settlement to federal agencies for a conflict of interest in another S&L case.

The case before the high court focuses not on conflicts of interest but on the duty of lawyers to determine and disclose whether clients are acting fraudulently.

The FDIC says the prominent Los Angeles firm of O'Melveny & Myers failed to perform that duty in preparing documents for prospective investors in real estate securities offered by the American Diversified Savings Bank of Costa Mesa, Calif., in 1985.

The law firm did not learn or reveal that the bank was fraudulently concealing lack of funds. The FDIC later sued the law firm for malpractice.

Rex Lee, lawyer for O'Melveny, said "none of the O'Melveny lawyers was aware of any of the illegal acts" and should not be held to a federal standard of probing their clients.

Lawyers and accountants say they are being targeted as scapegoats for S&L failures.

"How much responsibility does a lawyer have to see if his or her client is a crook?" asks lawyer Arthur Leibold Jr., who wrote a brief in the case for the American Bar Association.

If O'Melveny loses, Leibold says, lawyers will shy away from S&Ls and "a whole set of clients will go unrepresented."

A decision in the high court case is expected by summer.

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Markets Fall On Prospect Of Rate Rise

Industrials Drop 30.80, While Bonds Slump Ahead of Fed Meeting

MONDAY'S MARKETS

By Steven E. Levingston
Staff Reporter of The Wall Street Journal

Stock and bond prices sank amid concerns about an impending interest-rate increase by the Federal Reserve. The dollar fell.

The Dow Jones Industrial Average slid 30.80 points to 3864.85. Standard & Poor's 500-stock index fell 2.52 to 468.54, and the Nasdaq Composite Index lost 6.63 to 797.30.

The industrial average fell 30 points in the first 90 minutes, giving back virtually all of Friday's gains. Investors' chief focus was today's meeting of the Federal Open Market Committee, the policy-making arm of the Federal Reserve.

John Shaughnessy, director of research at Advest Inc. in Hartford, Conn., said investors were worried that Fed Chairman Alan Greenspan may boost rates by more than expected just to assert the Fed's independence following Mr. Greenspan's summons to the White House Friday.

"Because questions were raised about whether he is in the president's pocket, he may have to be more draconian to maintain his credibility as an inflation fighter," said Mr. Shaughnessy. He said if the federal-funds rate is lifted more than a half point, stocks and bonds could suffer. But a smaller increase may spark rallies as the uncertainty about the rate move would be lifted.

Bond traders were jittery about a possible rate boost partly because it would imply that the economy is strong and inflation a possibility, analysts said. Mickey D. Levy, chief financial economist at NationsBank, said the Fed needs to raise rates soon in recognition of the economy's strength.

"Delaying it gives only the wrong signal and puts off the inevitable," he said.

World-wide, stock prices fell in dollar terms. The Dow Jones World Stock Index lost 0.65 to 115.20.

In major market action:

Stock prices fell. Volume totaled 247.4 million shares on the New York Stock Exchange, where 1,580 issues fell and 627 rose.

Bond prices slumped. The Treasury's benchmark 30-year issue lost nearly ⅝ point, or almost $6.25 for each $1,000 face amount, to yield 6.95%.

The dollar weakened. In late New York trading the currency was quoted at 1.6885 marks and 106.00 yen compared with 1.6965 marks and 106.10 yen Friday.

Considering What the Clinton Have Paid, $20 Seems Quite Cheap

By Ellen Joan Pollock
Staff Reporter of The Wall Street Journal

LITTLE ROCK, Ark. – Now you too can own a piece of Whitewater, just as the Clintons once did.

One cubic foot of dirt from the infamous Whitewater development can be yours for just $20 – although you have to fetch it yourself. The marketing scheme is the brainchild of James McDougal, the former partner of President and Hillary Rodham Clinton in Whitewater Development Corp., and Chris Wade, who was the real-estate agent for the ill-fated plan to sell vacation homes in the Ozarks.

"We're gonna take the last lot, cut it into a zillion little pieces and let everybody own a little bit of Whitewater," says Mr. Wade. Each new Whitewater investor will receive a parchment-like certificate signed by Mr. McDougal, his former wife, Susan McDougal, and Mr. Wade.

A recording on Mr. Wade's 800 phone number tells callers, "Thank you for calling the dirt on Whitewater." It adds that, "Yes, this is the same Whitewater that the president and his wife, Hillary, were involved in."

Contributions aren't tax deductible But anyone who wants to experience part of the Whitewater nightmare can travel to the Ozarks and "dig you up a cubic foot of dirt and take it with you," says Mr. Wade. Mr. McDougal couldn't be reached for comment.

The idea is to raise money for Mr. McDougal's legal expenses in the investigation by special counsel Robert Fiske. "It may make some money, it may not," Mr. Wade says. "It will be fun to do anyway." He says the plan "started out as kind of a joke."

It's no joke to Little Rock attorney Sam Heuer. He represents Mr. McDougal, who has been broke since his Madison Guaranty Savings & Loan was taken over by federal regulators in 1989. Mr. Heuer, who typically charges $175 an hour for criminal work, says he hasn't been paid in some time although he has been spending about four hours a day on Whitewater legal work since December. If dirt buyers "want to give us a couple of hundred thousand bucks, I think that would be OK, too," he says.

The Clintons, of course, have no say in any of this. They sold their 50% stake in Whitewater in 1992. But lest they worry about still more political repercussions from the dirt deal, Mr. Wade offers reassurance. This, he promises, will be "nothing that will embarrass anybody."

High Court to Review State Decision Narrowing Rule on Arbitration Pacts

By Paul M. Barrett
Staff Reporter of The Wall Street Journal

WASHINGTON – The Supreme Court agreed to decide whether people or companies who sign contracts committing them to settle disputes by arbitration, may instead sue in court.

The justices will review a decision by Alabama's top court that made it relatively easy for consumers to sue companies, even if they previously had agreed to resolve disagreements by arbitration.

Companies in many industries, particularly the securities industry, increasingly include arbitration agreements in employment and service contracts. A federal statute requires enforcement of arbitration provisions in contracts involving interstate commerce. In light of this statute, the U.S. Supreme Court repeatedly has endorsed this mechanism for resolving disputes without going to court.

Most lower courts, following the Supreme Court's lead, have read the federal arbitration law broadly. But some state courts, including those in Alabama, North Carolina and Indiana, have interpreted the federal statute narrowly, making it easier for parties to escape from arbitration agreements.

The Alabama Supreme Court has said that arbitration agreements aren't binding unless the parties "contemplated" that they would be engaged in "substantial interstate activity," regardless of whether they in fact did business that crossed state lines.

In the case the justices agreed to hear, an Alabama couple sued an Arkansas-based pest-control company, alleging that the firm had been negligent in not detecting a termite infestation in their home. The firm, Allied-Bruce Terminix Cos., had an arbitration clause in its service contract, but the Alabama Supreme Court declined to enforce it. The Alabama court said the consumers hadn't expected to be involved in interstate commerce.

Allied-Bruce Terminix appealed to the U.S. Supreme Court. The company noted that Alabama disfavors pretrial arbitration as a matter of state policy. The company asserted that such a state preference shouldn't be allowed to trump the clear federal policy favoring arbitration. *(Allied-Bruce Terminix Cos. vs. Dobson)*

Title Insurance

Separately, major title-insurance companies again failed to get the Supreme Court to shield aspects of their business from federal antitrust scrutiny. Without comment, the justices refused to disturb a lower-court ruling that said research and analysis of title documents isn't covered by an exception to federal antitrust laws that protects the insurance business.

Property owners buy title insurance to guard against losses from competing claims to their property or other defects in title papers. Title insurers also research and analyze such papers. The Federal Trade Commission has contended that title insurers violated federal antitrust rules by setting uniform rates in some states for research and analysis services.

The FTC had won a Supreme Court victory in an earlier round of the protracted legal fight. In a 1992 decision, the high court rejected the title insurers' argument that their research services should be shielded from federal antitrust liability if state agencies certify uniform pricing by means of "rating bureaus." *(Ticor Title Insurance Co. vs. FTC)*

Gonzalez Delays House Panel Hearing GOP Hoped to Use for Whitewater Probe

By JOHN HARWOOD
And ELLEN JOAN POLLOCK
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – The Democratic chairman of the House Banking Committee abruptly postponed a Thursday hearing that Republicans hoped to use to investigate the Whitewater affair, calling instead for "full hearings" in the matter at some unspecified time.

The chairman, Rep. Henry Gonzalez of Texas, accused Republicans of "character assassination" against President and Hillary Rodham Clinton, but said "a full public airing" of the subject was necessary. House GOP Leader Bob Michel of Illinois, echoing other Republicans, dismissed the suggestion as "just another delaying tactic" as lawmakers prepare to leave town for an extended Easter recess this week.

Whatever Mr. Gonzalez's motivation, his surprise announcement could nonetheless hasten the end of a standoff between Republicans and the president's Democratic allies. House Democratic leaders plan to meet with their GOP counterparts this morning to discuss "when and how we might consider hearings," said Speaker Thomas Foley (D., Wash.). The Senate already has approved a resolution calling for the two parties to work out a date and conditions for Whitewater hearings, and House Republicans are pressing for a vote on a similar resolution this week.

'Half-Baked Conspiracy Theories'

Special Counsel Robert Fiske, while saying generally he prefers that Congress not hold hearings while his investigation proceeds, has indicated he wouldn't object if lawmakers examine aspects relating to White House handling of the affair once he finishes his own review of that portion, perhaps in the next few weeks. Mr. Foley endorsed that reasoning, saying, "I think we could proceed to have hearings" on White House-related issues at that point.

Mr. Gonzalez announced the postponement of Thursday's oversight hearing into operations of the Resolution Trust Corp. by releasing a harsh letter to Iowa Rep. James Leach, the panel's ranking Republican. The chairman accused Mr. Leach, who has led the House GOP's inquiry into the affair, of "willful disregard" of the impact on Mr. Fiske's investigations, and said "your threats to disrupt" made it necessary to put off the hearing.

In a separate letter to Mr. Foley, Mr. Gonzalez blamed Republicans for spreading "half-baked conspiracy theories and outright lies" against the Clintons. "I would suggest that House hearings be held in a forum of broad reach – possibly a select committee – that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges," he wrote.

Democratic leaders said Mr. Gonzalez–who has come under increasing partisan and media pressure for his pledge to keep Whitewater-related matters out of Thursday's hearing – didn't consult them on his decision. Mr. Foley himself called

Mr. Fiske's inquiry will proceed in Little Rock, Ark., today, as David Hale is expected to plead guilty in federal court to two felony counts of mail fraud and conspiracy. His trial on charges unrelated to Whitewater was to begin next Monday, but he settled with Mr. Fiske this weekend.

The Hale case has attracted attention because he has alleged that Mr. Clinton pressured him in 1986 to make a $300,000 Small Business Administration-backed loan to a company owned by Susan McDougal. Ms. McDougal and her husband, James, were partners of the Clintons in Whitewater Development Co. Mr. Hale has alleged that part of that loan wound up in Whitewater accounts.

Mr. Hale's Little Rock attorney said his client has been cooperating with Mr. Fiske for about two weeks. "He has, and will, cooperate in every way possible," including supplying documents and testimony, said the attorney, Randy Coleman. Mr. Fiske declined to comment on the plea agreement.

Asked yesterday about Mr. Hale's allegations, President Clinton angrily replied: "This is all a bunch of bull." On a trip to Florida to promote his health-care plan, the president said, "My faith that the truth will win out has been sorely tested in the last few weeks, but it's still there."

In a report released yesterday, the General Accounting Office said it found "no evidence to support or refute" the "conflicting claims" about what role Mr. Clinton may have played in the SBA-backed loan. The GAO, the investigative arm of Congress, did say that it was an example of loans made by Mr. Hale to "persons with questionable eligibility."

A lawyer involved in the Hale prosecution said he hadn't seen any documented evidence that some of the money lent to Ms. McDougal had been transferred to Whitewater.

But Sam Heuer, a Little Rock lawyer for James McDougal, said he believed the money was used by Whitewater in 1986 to purchase more than 800 acres of land near Little Rock from International Paper Co. At the time, Mr. McDougal expected the Clintons to get out of the Whitewater investment, according to Mr. Heuer. When they didn't, Mr. McDougal transferred the land to Great Southern Land Co., which he owned without the Clintons. The White House has said the Clintons knew nothing about these transactions.

Komarow

Rep. Obey Picked to Lead Appropriations Committee

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – The House Democratic leadership, breaking with tradition, reached over lawmakers with more seniority to select Wisconsin Rep. David Obey as the next chairman of the Appropriations Committee.

The action, which still must be ratified by the full Democratic caucus tomorrow, opens the door to landmark change in an often insular committee with immense power over federal spending and President Clinton's investment agenda.

The 55-year-old Mr. Obey won handily in a closed-door session of the leadership's steering and policy committee. When vote-counting was cut off be he had achieved a majority, he had a better than 2-1 lead over his more senior rival, Rep. Neal Smith of Iowa. Mr. Smith can contest the decision in the full caucus, but Mr. Obey's victory was a bitter setback for the the Iowan, who celebrates his 74th birthday tomorrow.

The victor will have the title "associate chairman," in deference to the panel's ailing chairman, William Natcher (D., Ky.). But given Mr. Natcher's condition and age, 84, the voting this week is tantamount to the selection of a new chairman for at the remainder of this Congress.

What's News—

* * *

Business and Finance

NOVELL AGREED to purchase WordPerfect for $1.4 billion in stock and Borland International's spreadsheet business for $145 million, moving aggressively to counter the dominance of Microsoft. The deals should help Novell, longtime leader in software for networking personal computers, realize its desire to own a big-enough lineup of products to compete virtually on all fronts with Microsoft.

(Article on Page A3)

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Metropolitan Life and Travelers are in talks to combine their health-care units, a move that would create one of the largest U.S. health-insurance and managed-care operations.

(Article on Page A3)

* * *

Ford plans to hire about 900 new workers for a third work shift at a Kentucky plant, in a move that signals confidence in the economic recovery. Ford is also studying the addition of third shifts at other plants that build highly profitable truck models.

(Article on Page A2)

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The House Energy and Commerce Committee leadership is drafting a health-care bill that would place a lighter burden on small business than would Clinton's plan, while requiring companies with more than 1,000 employees to pay a 1% payroll tax.

(Article on Page A3)

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Stock and bond prices sank amid concerns about an impending interest-rate hike by the Federal Reserve. The Dow Jones Industrial Average slid 30.80 points to 3864.85. The price of the Treasury's 30-year issue fell nearly ⅝ point. Its yield was 6.95%.

(Article on Page C1)

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Xerox chose GM's Electronic Data Systems to manage its computer systems and data centers in a contract that could total $3 billion over 10 years. The selection dealt a blow to IBM, which was viewed by some as a front-runner with bidding partner AT&T.

(Article on Page B6)

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Borden will reverse or reclassify over 40% of a 1992 $642 million restructuring charge and restate two years' results, reflecting SEC pressure.

(Article on Page B5)

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ComputerLand is changing its name to Vanstar and will focus solely on computer services, making a clean break from its retailing roots.

(Article on Page B6)

* * *

GM gave its 3,400 top executives substantial raises in base salary last year, reflecting worries about keeping talent after a four-year bonus drought.

(Article on Page A2)

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Federal investigators are looking into the actions of a Lehman Brothers unit in connection with a squeeze in Treasury notes in April 1991.

(Article on Page C14)

* * *

Amtech's stock dropped 34% after a group of agencies recommended Mark IV Industries' technology over Amtech's for automated toll-collection. Mark IV Industries' stock rose 3.2%.

(Article on Page B6)

* * *

Short interest rose 3.5% on the New York Stock Exchange to a record 1.37 billion shares at mid-March. Short interest on the American Stock Exchange rose 3.7% to a record.

(Article on Page C11)

* * *

Markets—

Stocks: Volume 247,357,520 shares. Dow Jones industrials 3864.85, off 30.80; transportation 1714.42, off 18.32; utilities 205.97, off 0.27.

Bonds: Lehman Brothers Treasury index 5269.76, off 17.45.

Commodities: Oil $15.37 a barrel, up 49 cents. Dow Jones futures index 142.95, off 0.54; spot index 131.30, off 0.55.

Dollar: 106.00 yen, off 0.10; 1.6885 marks, off 0.0080.

* * *

World-Wide

A NUCLEAR AGENCY GAVE North Korea another chance to allow inspections. The International Atomic Energy Agency voted to urge Pyongyang to allow its inspectors full access to suspected weapons sites, and, laying the groundwork for eventual U.N. action, sent a copy of its resolution to the Security Council. China abstained in the vote. The U.S. has said that if the standoff continues, it will move for a Security Council resolution echoing the nuclear agency's. That action probably will come next week. (Article on Page A10)

President Clinton said the U.S., in what he termed a "purely defensive" move, soon will be sending Patriot anti-missile batteries to South Korea.

* * *

U.N. peacekeepers in Bosnia ordered Serb forces to withdraw a group of tanks and artillery pieces from a 13-mile exclusion zone around Sarajevo, resulting in a tense standoff after the Serbs, who say the weapons are outside the zone, refused. Talks to resolve the dispute continued; but NATO warned the arms are subject to air strikes.

* * *

Gonzalez postponed a hearing by his House Banking Committee that Republicans hoped to use this week to investigate the Whitewater affair. He called instead for "full hearings," perhaps by a select panel. Meanwhile, an indicted Arkansas ex-judge agreed to cooperate with the Whitewater special counsel. (Article on Page A4)

White House aide Kennedy failed to pay about $1,300 in taxes for a nanny before he became associate counsel. They were paid in early 1993 in his wife's previous married name. The White House said Kennedy had disclosed the problem to Vincent Foster, the late Clinton aide. (Article on Page A16)

* * *

El Salvador's ruling party candidate had a solid lead in presidential balloting, but appeared almost certain to fall short of the majority needed to avoid a runoff next month with the leader of a leftist coalition. The elections, which also included voting for the National Assembly, were the first since the end of the country's 12-year civil war.

* * *

Mandela and de Klerk met with election officials to discuss mounting violence in the Zulu homeland as the first all-race South African elections approach. Mandela later criticized de Klerk and his government for failing to accept responsibility for arming the Zulu-dominated Inkatha party in an effort to terrorize rival black groups.

* * *

Israeli artillery pounded southern Lebanon, killing a girl aboard a school bus. The shelling was in retaliation for Hezbollah guerrilla attacks that killed two Israeli soldiers and three members of an allied Lebanese militia. In Tunisia, talks aimed at reviving Israeli-Palestinian peace negotiations recessed without reaching an accord.

* * *

The U.S. pledged $100 million in additional aid to Ukraine, including $50 million for the destruction of missile silos, during a visit to the former Soviet state by Defense Secretary Perry. Ukraine also announced it sent a second trainload of nuclear warheads to Russia for dismantling, bringing to 120 the number of warheads shipped so far.

* * *

The U.S. is losing millions of dollars by subsidizing vacant units in large public housing facilities because the buildings can't legally be torn down, a HUD report concludes. The report says that the growing number of such vacant units provides breeding grounds for drug dealers and other criminal elements. (Article on Page A2)

* * *

Philadelphia reached an agreement with the Justice Department to force its emergency medical workers to treat HIV-infected people. The accord, which settles a dispute in which a worker refused to treat a man who said he was taking an AIDS drug, is the first AIDS settlement reached under the 1992 Americans with Disabilities Act.

* * *

A grand jury in Oregon indicted three men who admitted carrying out the assault on Olympic figure skater Nancy Kerrigan, and said rival skater Tonya Harding and her former husband helped plan the attack. Harding and ex-husband Jeff Gillooly have already pleaded guilty to lesser charges, and so weren't charged in the indictment.

* * *

Cambodian soldiers seized large caches of weapons and food when they overran the headquarters of the Khmer Rouge Sunday following a two-day offensive involving 5,000 troops, a Cambodian general said. The operation sent 20,000 people, many of them supporters of the rebels, fleeing across the border to Thailand, officials there said.

THE WALL STREET JOURNAL, TUESDAY, MARCH 22, 1994

THE WALL STREET JOURNAL TUESDAY, MARCH 22, 1994

Labor Letter A1

A Special News Report on People And Their Jobs in Offices, Fields and Factories

PENNY-PINCHERS ARE OUT, visionaries in, as companies seek new executives.

After hiring "belt-tighteners" through the recession, companies now look for executives who can build businesses and "take them to the next plateau," says Alan Neely, managing director of Korn/Ferry International in Atlanta. Companies are finally launching new product lines and divisions, which call for new leaders. Search firms say their business has increased by at least 40% in the past year.

One-third of available executive jobs are for newly created positions, search firms say. Candidates with expertise in finance, marketing or engineering are now more desirable than those with experience managing entire divisions. The most highly sought managers also have overseas experience, particularly in Latin America, the Far East and Eastern Europe.

Executives spent 3.8 months finding new jobs in 1993, down from six months in 1991, says Drake Beam Morin, a consulting firm.

ART OF LYING: Here's how to write recommendations for lousy job candidates.

Excerpts from "The Lexicon of Intentionally Ambiguous Recommendations" (LIAR), by Lehigh University economist Robert Thornton whiz around the Internet. For a candidate with interpersonal problems, he suggests saying: "I am pleased to say this person is a former colleague of mine." For the lazy worker: "In my opinion, you will be very fortunate to get this person to work for you."

The book, published by Meadowbrook Press in Deep Haven, Minn., also suggests recommendations for the criminal: "He's a man of many convictions" and "I'm sorry we let her get away." For the untrustworthy candidate: "Her true ability is deceiving." And for the inept worker: "I most enthusiastically recommend this person with no qualifications whatsoever."

SECURITY GUARDS are hired increasingly to fight crime on the streets.

With police forces understaffed, merchants hire private security firms to patrol their blocks. Guards sometimes monitor entire downtowns, watch parking lots and escort customers to their cars. The private security-guard business will grow to $14 billion in 1994 from $12.7 billion last year. The bulk of the increased demand comes from businesses, says Pinkerton's Inc.

Some businesses pool money to pay for neighborhood guards. New York City lets companies form "business districts" that pay special taxes earmarked for private security. In Houston, even the police department hires guards, who patrol the department's auto-theft storage lot, letting officers devote more time to protecting citizens.

Pinkerton's says its business jumped by 8,000 guard-hours a week after the earthquake, as California companies added security to deter looters.

HI-TECH INTERVIEWS: Job seekers in Pic'n Pay shoe stores must dial an 800 number and answer a 100-question interview via phone mail. A computer compiles responses to the yes/no questions, even measuring how many seconds it takes to answer such queries as "To get a job, would you lie?" Pic'n Pay says the system allows it to centralize personnel operations and ensure no one is asked illegal questions.

DEATH AT WORK: The rate of work-related homicides for black employees was more than twice that of white workers during the 1980s, the National Institute for Occupational Safety and Health says. Black taxi drivers and gas-station attendants have especially high homicide rates. Blacks may work in more dangerous neighborhoods than their white counterparts, experts speculate.

NOTHING COULD BE FINER than to employ in Carolina. North Carolina cuts unemployment-insurance taxes by more than one-third; its unemployment-insurance trust fund has grown to $1.5 billion because its unemployment rate has been low. But more than half of the states have had to raise unemployment taxes in the past year; Connecticut's fund is expected to run a $721 million deficit this year.

LAUGHTER IS big business, as companies seek ways to break office tension.

Companies are increasingly hiring humor consultants to help reduce employee stress and burnout. "Everyone uses the expression 'Someday we'll laugh about this.' Why wait?" says Joel Goodman, director of the Humor Project in Saratoga Springs, N.Y. He suggests workers pretend they are Allen Funt, of Candid Camera fame, for five minutes a day to find humor in stressful situations.

Businesses put cartoon bulletin boards near elevators and play funny videotapes in staff lounges. Some managers wear "Save Time: See It My Way" buttons, while some workers keep props on desks like medicine bottles labeled "Extra Strength Screw-It-All." Ben & Jerry's, which has celebrated Barry Manilow's and Elvis's birthdays, maintains an employee committee dedicated to increasing workplace happiness. It is called the Joy Gang.

More than 1,000 managers, educators and others are expected to attend the Humor Project's Power of Positive Humor and Creativity Conference in Saratoga Springs from April 15-17.

THE CHECKOFF: Among the resume bloopers that have crossed the desk of personnel expert Robert Half: "I am a rabid typist." . . . "Thank you for your consideration. Hope to hear from you shorty." . . . And "Here are my qualifications for you to overlook."

—ROCHELLE SHARPE

Nuclear Diplomacy in North Korea

NORTH KOREA, deliberately or not, has set up a test of the world's determination to enforce the rules on nuclear weapons. The North Koreans have signed a treaty pledging not to build them, but since then they have been harassing and impeding the inspectors who visit the country to see that they are keeping their promise. The latest inspection team pulled out last week, its work unfinished, just as the CIA confirmed the reports that North Korea is working on a missile capable of carrying a warhead a couple of thousand miles.

While the United States is right to proceed with great caution in dealing with North Korea, it is also right to keep pressing steadily ahead. It cannot afford to let this menacing standoff continue indefinitely. However it ends, this case will set a highly influential precedent for arms control everywhere. While they have not been entirely successful, attempts to hold down the spread of nuclear weapons have been much more effective—and have resulted in far fewer governments possessing such weapons—than seemed even remotely possible a generation ago. The diplomacy of dissuasion and prevention is well worth the effort it requires.

As a signal to North Korea, President Clinton will now send Patriot missiles to South Korea. The North Korean government has responded with its usual vehemence, but the Patriots are a good choice. They are wholly defensive, capable only of destroying other missiles.

At the same time, the International Atomic Energy Agency is notifying the Security Council of the United Nations that it was unable last week to complete the mandatory inspections of North Korea's nuclear facilities. The Security Council will presumably respond with a resolution warning the North Koreans that they face sanctions if they persist. China, whose attitude so far has been a study in ambiguity, will have to decide whether it's prepared to support enforcement.

Time is rapidly eroding the foundations of North Korea's Stalinist state, and perhaps a sense of that reality is the reason for the wild and desperate tone of its responses to diplomatic pressure. For the diplomats, the job is to see this dying state through its final months and perhaps years without disaster. One possible disaster would be war with South Korea, and the North Koreans were loudly threatening it over the weekend. But a failure to enforce the world's nuclear agreements would also be a disaster—one threatening, a little farther in the future, the possibility of another kind of war with far more terrible weapons.

Muscle Over Merit

AS CHAIRMAN of the House Banking Committee, Rep. Henry Gonzalez may have had enough Democratic votes in his pocket to thwart a Republican investigation into the Whitewater-Madison affair during Thursday's scheduled semiannual oversight hearings on the Resolution Trust Corp. But his stance was woefully weak on merit. Perhaps realizing that a win in committee might be a loss in public opinion, Mr. Gonzalez relented yesterday—sort of. He summarily postponed this week's statutorily mandated hearings and is now calling for an Iran-contra-style select committee probe. In doing so, however, the chairman may be doing little to shake his stonewalling partisan image.

To be sure, committee Republicans wanted to use the hearings to probe the failure and resolution of the Madison Guaranty Savings and Loan in Little Rock and the propriety of the Clinton White House's involvement in the RTC probe. Both events could prove embarrassing to the president. But that makes them no less legitimate issues for congressional hearings. Given the special counsel's probe, the timing and scope of hearings have to be worked out with Mr. Fiske to avoid impeding his investigation. House Banking Republicans recognized that problem and had offered to delay calling their witnesses for several weeks to allow Mr. Fiske to take their testimony first. Rep. James Leach, the committee's ranking Republican, had already provided the special counsel with a list of proposed witnesses, now pared back to 18 from the original 40. Mr. Gonzalez, who had maintained that he wouldn't allow administration witnesses to be grilled by the Republicans, and had even taken the unusual steps of censoring a member's inquiry and warning witnesses not to answer questions, has now pulled the plug on his own committee's hearings. The principal stumbling block to achieving full public disclosure has been Mr. Gonzalez, the very member of Congress who should be supporting timely RTC oversight hearings.

That is regrettable. In the past the Banking Committee managed to conduct hearings on issues and involving individuals who were subjects of simultaneous Justice Department probes. There are several important nagging questions that Congress ought to want answered. Whether, as Thursday's hearing could have resolved, RTC investigators were pressured by higher ups or political appointees to play down the first family's involvement in their preparation of criminal referrals involving Madison's failure is one such question. Yesterday, Mr. Leach said Mr. Gonzalez's action "raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same party." It is a hard but fair question.

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E. J. Dionne Jr.

Whitewater: Who Made This Monster?

How did the Whitewater land deal get transformed from a story the press felt free to brush off in 1992 into a threat to the Clinton presidency and a gargantuan media industry in 1994? Who's responsible for this?

Not the Republicans. Of course the Republicans, smarting at Clinton's successes, are riding this story for all it's worth. They'd deserve an Academy Award for political incompetence if they weren't.

Sure, some Republicans are not happy that New York Sen. Alfonse D'Amato, hardly Congress's Saint Francis of Assisi, is acting as their ethics front man. Yes, the Republicans pulled a bait-and-switch on Clinton, saying first that he needed to name a special counsel to clear the air on Whitewater and then saying no, that's not enough, we need congressional hearings. And it's true that the Republicans have turned 180 degrees since the Reagan-Bush days on such issues as executive authority and congressional oversight.

But Rep. Jim Leach of Iowa is right about one thing: The job of the opposition party is to kick up a big fuss whenever the party in power gives any sign of straying from the ethical straight-and-narrow. In similar circumstances, the Democrats would do—have done—the same thing.

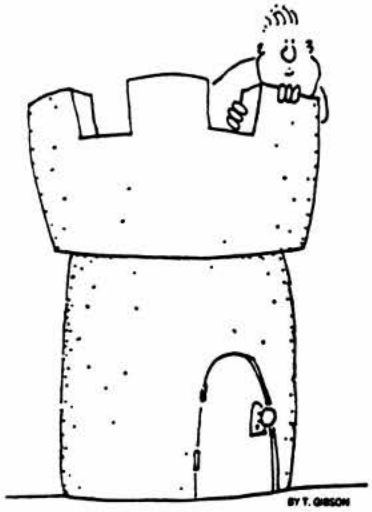
It's much easier to build a case against the media. There is, first, the simple question: If the press saw Whitewater as a trivial matter during the presidential campaign, why did it hyperventilate this year with comparisons of an old land deal to Watergate and Iran-contra?

The press has developed what you might think of as a grammar of scandal, where the same words, tones and gestures are invoked whenever a story like this comes up. As a result, all alleged scandals sound equally horrible, even when it's not clear in all cases just what the scandal is.

The recipe is simple: Pull a few evocative words off the shelf—"shredding" and "White House in disarray" are my favorites—and blend in a portentous tone that mixes astonishment, outrage and studied concern. Bake for a while and—presto!—you have judicial investigations, congressional hearings and an army of reporters assigned to keep the story going.

It is, at best, wildly premature to compare Whitewater to Watergate or Iran-contra. Watergate and Iran-contra began with major abuses of executive power in Washington; the original sins of Whitewater, if they are sins, were committed long before Clinton became president. And the Whitewater damage-control meetings—foolish though they were—were not, from anything we know now, criminal coverups.

But no, the press is not the prime mover here. What turned Whitewater from a complicated and obscure set of financial transactions into a Big Story were a series of steps by the administration that the press simply couldn't ignore. Had it tried to, reporters would rightly have been assailed for pro-Clinton bias.



The Clintons' problem lies in a White House permeated by hatred of the press, resentment of disclosure and an attitude of permanent embattlement.

After Vincent Foster's suicide, there was the removal of the Whitewater papers from his office by the White House counsel, Bernard Nussbaum. The White House did not disclose that fact, and it came to light only months later. When it did become known, it was only natural that people would ask exactly what had been removed, and why.

Then there was word that the Resolution Trust Corp. had urged the Justice Department to mount a criminal investigation of Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater partner Jim McDougal. The Clintons were named as possible beneficiaries of funds diverted from Madison, though not as criminal defendants. A top White House aide denied knowing anything about this, which—in light of those controversial briefings on the case—turned out to be a lie.

Then the Clintons' lawyer arranged to have a subpoena for Whitewater documents broadened, which looked like a way of keeping as many of them out of public view as possible.

All this produced the one question that keeps this story going: If the Clintons have nothing to hide, why do they seem to be hiding things?

Maybe there really is something dreadful underneath all this that goes beyond the excessive chumminess that exists between so many governors and so many state business elites. But so far, the evidence just doesn't support such a dark view. If that's true, then the Clintons' problem lies not with Whitewater itself, but in a White House permeated by a hatred of the press, a resentment of disclosure and an attitude of permanent embattlement.

Mind you, anybody who went through what the Clintons did on Gennifer Flowers, the draft and the other stories would probably hate the press, too. The Clintons are said to be especially upset at the grief a prying press has caused their Arkansas friends. And Clinton still remembers those silly stories that declared his administration dead just two after it started. He never got a honeymoon.

The Clintons have absolutely no obligation to like the press. But they're hurting themselves if they use the media's sins as a moral justification for resisting disclosure even when disclosure is justified. This is a habit rooted in the 1992 campaign. It can be argued Clinton's candidacy was so fragile in the early going that full and immediate disclosure on various topics—especially the draft—could have knocked him out of the race. So Clinton dribbled information out bit by bit, only as he was forced to. His candidacy withstood each incremental disclosure, but neither Clinton nor his war room ever resolved voter doubts about his character. They won by changing the subject, which worked because voters were so unhappy with George Bush. But Clinton is still suffering with both the public and the press from the residue of this campaign habit, and he needs to change it.

He is also being hurt by a staff proclivity that William Safire, in his book "Before the Fall," attributed to the Nixon White House: the "us" against "them" syndrome. This is dangerous because it treats all who do see the world exactly as Clinton insiders do enemies. It's a great way to shrink your ical base fast, and also a method for screening out good but not necessarily pleasant

The truth is that the whole world is *not* out to get the Clintons, nor is most of what es for official Washington, nor—as conservative media critics would be the first to tell them—is the press. On the contrary, a lot of people have repeatedly hailed the Clintons for their willingness to take on so many tough issues—health care, welfare and big-city social breakdown, for starters. Most Americans want to talk about these things and not Whitewater. But to change the subject, the Clintons need to stop seeing legitimate tions as invasions of privacy. They and their lieutenants need to overcome the "us" "them" syndrome, which could do them a lot more damage than Whitewater.

SENIOR DEMOCRATS BACK FULL HEARING INTO WHITEWATER

A SURPRISING TURNABOUT

Move Comes After Cancellation of a Panel Session Certain to Deal With the Affair

By MICHAEL WINES
Special to The New York Times

WASHINGTON, March 21 — In a day of curious political handsprings over Whitewater, senior House Democrats abruptly canceled what was to be Congress's first serious hearing on the affair. But then realizing that they appeared to be concealing something, they hastily called for full-scale hearings as early as next month.

As a result, Democrats, who planned to permit only incidental queries about the affair at a routine hearing on Thursday on the savings-and-loan bailout, now seem to have committed themselves to a far broader hearing with testimony that is potentially more damaging.

If the House leaders endorse the idea, which they seem likely to do on Tuesday, both the House and the Senate would conduct public inquiries into Bill and Hillary Clintons' failed real estate investment in Arkansas.

Amazed Republicans

The Democrats' public fumbling today first amazed and then amused Republicans, who noted that they had long been demanding that Mr. Clinton and his wife Hillary lay bare the details of Whitewater, an Arkansas resort development in which the couple invested in the mid-1980s with a partner, James McDougal. They especially question whether Mr. McDougal's savings-and-loan, Madison Guaranty, put money into the development and whether any money subsequently wound up in Mr. Clinton's campaign accounts.

But any hearings would probably center on a more recent question: whether the Administration has interfered with inquiries into Madison or Whitewater by the Treasury Department or other Federal agencies, as some have alleged.

"This is a very interesting development," Representative Jim Leach of Iowa said of the Democrats' call for hearings. Mr. Leach, a Republican, had planned to delve into the Whitewater issue on Thursday at a routine oversight hearing of the House Banking Committee.

Blistering Letter

Those plans were dashed early today by the Democratic chairman of the Banking Committee, Henry B. Gonzalez of Texas, who sent Mr. Leach a blistering letter in which he postponed the hearing.

Mr. Gonzalez addressed Mr. Leach in the letter only as "Dear Colleague," and called him "obstinate," "obdurate," "in willful disregard" of proper behavior and "premeditatedly" plotting to turn the Thursday hearing into a "judicial adventure" aimed at Mr. Clinton.

Tonight, Mr. Leach said that he had received an apology for the letter's "temperament and tone" from Speaker Thomas S. Foley in a meeting this afternoon.

Continued From Page A1

Within hours after Mr. Gonzalez's letter became public, other House Democrats were publicly urging their leadership to hold a full-blown hearing on parts of the Whitewater affair as soon as the special prosecutor in the matter, Robert B. Fiske Jr., completes the Washington section of his criminal inquiry. That could occur within a month.

Mr. Foley is to meet with Republican House leaders on Tuesday, and Democrats were predicting tonight that the two sides would soon agree to just that. Only last week, the Senate voted unanimously to hold a similar hearing into the involvement of Federal agencies in Whitewater, probably after Mr. Fiske wraps up his Washington work.

"I think there ought to be, and believe there will be full hearings, extensive hearings, and shortly," said Representative Charles E. Schumer, a Brooklyn Democrat on the Banking Committee.

Another Democrat on the Banking Committee, Representative Barney Frank of Massachusetts, said: "The Republicans have succeeded in getting circulation to the charges that something was done in the White House.

"There's nothing to that, but it would be useful to have some hearings on that as long as they don't interfere with the special counsel's work."

Mr. Gonzalez, the abrasive and fiercely independent 78-year-old chairman of the banking panel, went well beyond that. In a letter sent today to Mr. Foley, he proposed House hearings on Whitewater "in a forum of broad reach — possibly a select committee — that can explore all the charges that have been brought."

Mr. Gonzalez cast the request as a means of exposing how baseless were Republican attacks on the President. But among most Democrats, a select committee of specially chosen lawmakers recalls identical panels that explored the Watergate and Iran-contra scandals, to ruinous effect on the Presidents at the time.

The two-step in the House was the low point of an unpleasant day for Mr. Clinton, who lashed out early at reports that a former Arkansas judge, David Hale, was about to provide the special prosecutor with damaging testimony about Mr. Clinton.

Mr. Hale obtained a Federal small-business loan in the 1980's and later lent money to a partner in Mr. Clinton's real estate venture, Whitewater Development Company. Prosecutors are trying to discover whether Mr. Hale obtained the Federal loan under false pretenses and then diverted the money through the partner to Whitewater.

Government lawyers confirmed that Mr. Hale plans to enter a guilty plea on Tuesday as part of an agreement with Mr. Fiske, the special prosecutor.

In Deerfield Beach, Fla., Mr. Clinton labeled "a bunch of bull" the notion that Mr. Hale's plea agreement would prove detrimental to him.

"My faith that the truth will win out has been sorely tested in the last few weeks," he said. "But, it's still there. This is all a bunch of bull. Why don't you guys let the special counsel do his job?"

On another front, Thomas F. McLarty 3d, the White House chief of staff, said he has hired a Washington lawyer, William Taylor, to represent him in the Whitewater inquiry.

"In these types of matters, prudence dictates having an attorney," said Mr. McLarty, who has not been subpoenaed by the grand jury that Mr. Fiske commands..

He also said that the White House has assembled a new Whitewater control team, headed by John Podesta, the staff secretary.

Continued on Page B6, Column 1

bc-whitewater
JUDGE IN FRAUD CASE COULD
BE TROUBLE FOR CLINTONS
UPDATE: Inserts new 9th graf and updates last graph with new information.
Eds: With sidebar, WHITEWATER-SIDE.
By JOHN HANCHETTE=
Gannett News Service=

WASHINGTON Just when the huge cast was confusing enough, another player has tripped upon the Whitewater stage.

This one enters with footsteps that may prove painfully loud for Bill and Hillary Rodham Clinton as they seek to end the drama of a busted Arkansas land and banking deal that still haunts them.

The fresh character is 53-year-old David L. Hale, the former municipal claims judge who insists he was urged eight years ago by then-Gov. Clinton to make a questionable loan to one of the Clinton business partners in the Whitewater realty venture. Hale has been waiting just offstage for months.

Even though a judge, Hale also ran a venture capital company licensed by the Small Business Administration to make loans to minorities and ``socially disadvantaged'' entrepreneurs having trouble with normal financing. The only such SBA charter in Arkansas, it was called Capital Management Services and it is drawing more and more attention from federal investigators.

The affable Hale has been thrust into the limelight this week because his Little Rock lawyer finally succeeded in negotiating a plea agreement that probably didn't trigger much jubilation at the White House.

Hale was facing four felony fraud charges unrelated to Whitewater at trial scheduled for next Monday. He would have drawn a minimum of almost four years in prison if convicted. But his attorney Randy Coleman on Monday confirmed that a bargain has been struck: Hale will plead guilty to a reduced conspiracy charge of trying to mislead the SBA about his qualifications for more funding, and to a ``false statement'' charge of violating mail fraud statutes.

In return, Hale will tell all to prosecutor Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno to get to the bottom of the Whitewater mystery. Hale's lawyer said he will ``cooperate fully in terms of testimony.''

The good news for Hale the plea is expected to allow the former judge to escape time behind bars. The good news for the Arkansas political establishment the deal avoids a messy public trial that would have focused on what one prosecutor in pre-trial hearings called ``bogus loans'' to top politicians of that state.

Hale seemed headed for further notoriety as the week began. He was on the list of invited witnesses for a House Banking Committee session Thursday in which Republicans wanted to focus on Whitewater. But Democratic Chairman Henry B. Gonzalez of Texas, late Monday abruptly canceled the session and promised he would hold a full-blown Whitewater hearing in the future.

Clinton at first claiming he had no recollection has flat out denied that he ever urged Hale to make the 1986 loan of $300,000 to Susan McDougal, at that time wife of James McDougal and co-owner of Madison Guaranty Savings & Loan.

The McDougals and the Clintons fast friends were 50-50 partners in an Ozarks property venture called Whitewater Development. Madison Guaranty was seized by federal regulators in 1989 at a bailout cost of $60 million to taxpayers.

Hale insists that Jim McDougal and the governor twisted his arm to make the SBA loan to Susan McDougal through her advertising firm, since she might qualify for being ``socially disadvantaged'' as a woman. At the time, the McDougals were telling federal banking regulators they had a net worth of $18 million, and she reportedly was driving a Bentley when she went to pick up the check.

She immediately pumped $110,000 back into the Whitewater partnership,

which soon purchased an 800-acre tract from International Paper Co. just south of Little Rock. The SBA-backed loan was never repaid. The Clintons say they knew none of this.

Hale tried to tell his story to a previous federal prosecutor, U.S. Attorney Paula Casey in Little Rock, in return for a plea bargain. She refused, but recused herself from the case after publicity that she had been a law student of Clinton's and one of his campaign workers. White House press secretary Dee Dee Myers has said Hale fantasized the Clinton arm-twisting scenario to ``save his butt.''

Meanwhile, Clinton isn't the only one nervous. Arkansas Gov. Jim Guy Tucker either through his wife or companies he controlled got $250,000 from Capital Management, some at a time when he was acting as the firm's lawyer.

Jim McDougal has stated publicly that, in all, about $900,000 in Madison Guaranty funds flowed through Hale's little company much of which was presented to the SBA as new investment capital so the SBA could match it.

Hale has known McDougal ever since their University of Arkansas days, when Hale was head of the Young Democrats. He was in the insurance business until Clinton appointed him the first claims judge in the state in 1979. He resigned after his indictment a year ago.

Hale has previously described himself as ``no choirboy'' but has complained to associates in Little Rock that he is the designated ``fall guy'' for the Clintons and their friends.

Whitewater investigators are intrigued by one coincidence the FBI obtained a warrant to raid Hale's office on July 20, 1993, just hours before White House deputy counsel Vincent W. Foster apparently committed suicide. The FBI agents seized thousands of pages of loan documents, many of which mentioned Madison Guaranty and prominent Arkansas politicians.

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**** printed by:WHPR(JEL) on 03/22/94 at 08:28EST ****

bc-gaohale
GAO REPORT: HALE'S SHELL
COMPANIES COST GOV'T. $3.4M
Eds: Can twin with WHITEWATER-UPDT and WHITEWATER-SIDE.
By JOHN HANCHETTE=
and CHUCK RAASCH=
Gannett News Service=

WASHINGTON David L. Hale, the former Little Rock judge who has accused the president of pressuring him to make an illegal loan, set up several shell companies that he secretly controlled, according to the General Accounting Office.

The GAO report, released late Monday, several hours after Hale agreed to plead guilty to two reduced federal charges, said more than $3.4 million in Small Business Administration funds was lost through various Hale ventures in the 1980s.

While a judge, Hale operated a company called Capital Management Services, designed to provide venture capital to ``socially and economically disadvantaged'' people who had trouble obtaining money from banks. Through the years, the program Hale was using has provided seed loans nationally to entrepreneurs, many of whom are minorities.

Included in the $3.4 million the GAO says was lost is $300,000 in a 1986 loan Hale made to Susan McDougal, wife of James McDougal and co-owner of Madison Guaranty Savings & Loan an Arkansas thrift that failed in 1989 at a bailout cost of $60 million to taxpayers. The $300,000 loan was never repaid.

The McDougals were 50-50 partners with Bill and Hillary Rodham Clinton in a soured Ozarks realty venture called Whitewater Development. Hale has stated publicly that Clinton, then governor of Arkansas, urged him to make the loan to Susan McDougal. More than a third of the loan was channeled back into Whitewater, according to published reports.

The president on Monday called Hale's accounts ``a bunch of bull,'' and he and Hillary Clinton have denied any wrongdoing in connection with the Whitewater property deal.

But the GAO report said Hale used Capital Management Services set up in 1979 to provide financing both for companies ``he secretly owned'' and that he ``secretly controlled 13 of 57 small concerns that Capital Management had financed.''

Attempts to reach Hale's Little Rock lawyer, Randy Coleman, failed.

Two of the companies GAO labeled as Hale's shells were Retail Liquidators Inc. and Little Rock Clothiers.

Retail Liquidators owner and president Robert Boyce was used by Hale as a ``front to borrow money from Capital Management,'' according to the government watchdog agency.

Boyce told Gannett News Service on Monday he had no knowledge at the ti that Hale had used him as a front or portrayed him as disadvantaged to channel $350,000 in SBA funds to himself.

``David Hale borrowed the money,'' Boyce said. ``I didn't know about it at the time.''

Boyce, who said he met Hale through the Jaycees of Little Rock in 1987, said Hale also owned a clothing store called Little Rock Clothiers, which alsc received $350,000 from Capital Management. Boyce said he was paid $1,000 to $1,500 a month to keep the books of both firms, and another owned by Hale.

The GAO also accused Hale of advancing $150,000 to a building firm Weaver-Baily Contractors that was controlled by the brother of Capital Management's secretary-treasurer. SBA regulations prohibit such transaction , and the GAO further criticized Hale for immediately taking $100,000 of the loan back ``for a few months.''

Hale, according to the GAO, repaid the $100,000 with a cashier's check a year later, and then the Weaver-Bailey firm repaid the entire loan to Capital Management.

The GAO said the SBA's own documents in earlier audits showed Hale in 1983

had financed a residential development by loaning money to a ``Caucasian (with) a master's degree in engineering'' who was ``not socially or economically disadvantaged.''

In 1982, said the GAO, Hale's company made 10 loans, all ``to Caucasians, many with college degrees, some earning in excess of $40,000.'' Hale at the time answered the SBA criticism by saying, ``If the person can't compete, or survive, without the financing, he or she qualifies.''

In 1991, claimed the GAO, Hale loaned money to an unqualified concern whose owner was not a minority, and had a net worth of $2.4 million.

Hale argued the loan was proper because ``Arkansas is the poorest state in the United States with almost one-half of its area included'' in a region defined by Congress as ``economically depressed in comparison with that of the Third World countries.''

The SBA said Hale ``reasoned that any resident of Arkansas qualified for an SBA loan.''

The GAO said the SBA's ``oversight of Capital Management was clearly inadequate,'' and that SBA officials failed to notice ``red flags that Capital Management was improperly managed.''

The GAO said its report was hampered because of ``an ongoing criminal investigation'' in which a grand jury has subpoenaed many of the vital documents and that Hale and the McDougals were ``unavailable for interview'' since they are central to Fiske's probe.

Republicans had sought the GAO report for weeks, but on March 9, Richard Stiener, director of GAO's special investigations office, told the ranking GOP member of the House Small Business Committee he could not provide it until that panel's chairman OK'd it.

Stiener said Rep. John LaFalce, D-N.Y., ``asked that we not brief anyone until our final report is issued to him.'' LaFalce released the report Monday.

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PM-Clinton-Hooey,790
WHITE HOUSE NOTEBOOK: Clinton Raises Cash And Lashes GOP Again
By RON FOURNIER= Associated Press Writer=

WASHINGTON (AP) Poor-mouthing his foes in a speech to big-money friends, President Clinton claimed Republicans attack him because they have no record of their own and dismissed them as ``angry people who want to bring the house down.''

His remarks at a $3.2 million fund-raising dinner Monday in Bal Harbour, Fla., marked the second time in a week Clinton took advantage of a partisan crowd to castigate opponents. He denounced Republicans at a Boston fund-raiser last week, accusing them of fostering ``the politics of personal destruction.''

Picking up where he left off, Clinton told Florida Democrats, ``Don't you forget that when our opponents have nothing else to offer, when they don't have a health care plan, when they don't have an economic plan ... they resort to the politics of division and destraction and destruction almost like angry people who want to bring the house down instead of help bring it up.''

He failed to mention that several Republican lawmakers have offered health care plans and that some Democrats oppose his as too bureaucratic and costly. Republicans also put forth their own economic proposals and Clinton's budget passed by a single vote as some Democrats joined a united GOP in opposing it.

Clinton also suggested Republicans are:

``In a snit because they aren't in the White House.''

Failing to ``offer a lot of new ideas they offer blatant ... partisan opposition.''

Showing signs of ``obsession with obstruction and division and distraction.''

Among the guests Monday night was Hillary Rodham Clinton's brother, Hugh Rodham, who is running for the U.S. Senate against the wishes of some in Florida's Democratic Party and without any sign of strong backing from the first couple. Clinton mentioned that he played golf with Rodham on the trip, but he did not endorse his brother-in-law's candidacy.

He didn't even get him a good seat: Rodham sat in the center of the crowd, about a half a room away from the Clintons.

Mrs. Clinton mentioned the golf game, too, saying of her husband, ``Golf is a passion, to put it mildly.''

No matter where he goes or how hard he tries, Clinton can't get away from the Whitewater affair.

As the crowd filtered into a White House health care rally Monday, three planes flew above carrying banners that asked pointed questions about their taxes and handling of the real estate deal. The planes were out of sight before the Clintons spoke.

After the event, Clinton was asked about the guilty plea entered by a former Arkansas judge who will now testify before a federal grand jury looking into a failed Arkansas thrift and its ties to the Whitewater land venture in which the Clintons were half-owners. The judge has accused Clinton of wrongdoing.

Obviously frustrated by yet another Whitewater questions, Clinton said, ``This is all a bunch of bull.''

Earlier, Clinton used some more barnyard language in scoffing at critici m that his health care plan will deplete the pool of medical specialists.

``A load of hooey,'' is how he summed up the charge.

The demand was as strange as it was loud, coming from a White House aide over the din of a military helicopter.

``Everybody, put your bibs on! Bibs on!''

Some of the reporters and photographers complied, tying the tacky plastic

bibs around their necks advertising ``Joe's Stone Crab Restaurant.''

Journalists assigned to keep a close vigil on Clinton ate dinner at the fancy restaurant with White House staff, waiting for the president to depart exclusive Fisher Island for the fund-raiser. Two eager young aides carried out a box of crabs and pie for Clinton.

They also grabbed a handful of bibs and handed them out to the reporters along with orders to wear them as Marine One landed. An amused Clinton accepted the gift after departing the helicopter. The aides grinned widely, their bibs flopping in the wind.

``Where'd you get these?'' Clinton shouted over the helicopter engine, apparently not noticing the read-lettered slogan on the box that read, ``Eat at Joe's.'

March is proving a good month for the Democratic National Committee in no small part thanks to the fund-raising power of holding the White House.

The Boston fund-raiser generated $1.8 million and the Monday night event in Florida pulled in a whopping $3.2 million. Fifteen percent of the money will stay with the Florida Democratic Party, and the rest goes into DNC coffers to help Democratic campaigns and to pay for a television advertising campaign planned to promote the Clinton health plan.

**** filed by:APE-(--) on 03/22/94 at 02:37EST ****
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bc times-front 1stld-writethru a1910
Editors:

Los Angeles Times first-edition Page 1 for Saturday, March 19, 1994:

Top of page:

Col 1: Once cane was king, but now many of the great mills will close, and the empty fields will leave islanders with empty hearts and hundreds of old-timers without jobs; after 118 years, the Hamakua plantation is scheduled to shut down Sept. 30 the first in a wave of closures that will decimate the industry that helped build Hawaii. (SUGAR, will move Saturday).

Cols 2-4: Photo of marine.

Cols 5-6: After three weeks of intense debate, the U.N. Security Council approves a resolution condemning the massacre of Palestinians in Hebron a step that clears the way for a probable resumption of peace talks between Israel and the Palestine Liberation Organization. (MIDEAST-POLICY-TIMES, moved).

Above fold:

Col 2: Under congressional pressure to better enforce the prohibition of non-emergency quake aid to illegal immigrants, the Clinton administration will direct the INS to conduct random spot of aid recipients. (QUAKE-BENEFITS, moved).

Cols 3-4: Three of South Africa's most senior police officials, as well as scores of other police officers, secretly funneled weapons to the Zulu-based Inkatha Freedom Party and helped train black hit squads involved in political violence and terrorism, the country's most respected judicial commission announces. (SAFRICA, moved).

Col 6: Bosnian Muslims and Croats sign an agreement on a new Bosnian federation that stirs hope of progress toward a solution of the brutal civil war but also deep concern inside the Clinton administration of the military role the United States may have to assume. (BOSNIA-TIMES, moved).

Below fold:

Col 3: The Rose law firm has decided to file an ethics complaint against former Associate Attorney General Webster Hubbell and some partners in the firm are urging an investigation of the expense account and billing records of other current and former Rose lawyers, including first lady Hillary Rodham Clinton. (WHITEWATER-ROSE, moved).

Cols 5-6: There's something logical about disassembling a massive fighter-jet manufacturing facility like Grumman Corp. that sits in the middle of a prosperous, densely populated suburb on Long Island just 30 miles east of Manhattan; a Grumman transformed into a specialized subsidiary employing thousands of computer engineers would be far a better fit in the evolving local economy. (GRUMMAN, moved).

Bottom of page:

Cols 1-2: Photo related to UCLA basketball team losing to Tulsa in the NCAA Tournament.

Cols 5-6: Feature on local contaminated water wells.

Sent: 10:10 p.m. EST. For questions, call (800) 283-NEWS, ext. 77832.

Los Angeles Times-Washington Post News Service=

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The Des Moines Register

White House
News Summary
Page 3

SURPRISE PETITION

Winekauf files to run against Jim Leach

By PHOEBE WALL HOWARD
Register Staff Writer

The petitions are in, and the race is on.

A surprise emerged Friday — the deadline for Iowa's political candidates to file their nomination petitions — with the arrival of Democrat Glen Winekauf, who recently resigned from the staff of U.S. Sen. Tom Harkin. He said he decided two weeks ago to run against U.S. Rep. Jim Leach, the Republican pointman leading the push to examine President Clinton's involvement in the Whitewater controversy.

A relative unknown, Winekauf stood at the filing site beside the chairman of the Iowa Democratic Party, who eagerly introduced the 30-year-old Army veteran from eastern Iowa's North Liberty.

"Whitewater isn't the reason I'm running, but it's the reason I think I can win," said Winekauf, who grew up on a farm. He said the heavily Democratic district has grown angry with Leach.

Another Democrat, Jan Zonneveld of Cedar Rapids, also is seeking Leach's seat.

Voters will have choices in all statewide races for the general election Nov. 8.

But in the Legislature, voters will be left without choices in many districts. The seats left vacant by opposing parties leave incumbents a free ride to re-election. Thus, a power struggle continues for control of both the House and Senate.

Republicans hold a 51-49 majority in the House. Meanwhile, 25 lawmakers — 12 Republicans and 13 Democrats — are leaving. Democrats control the Senate with a 27-23 majority. That chamber bids farewell to 10 lawmakers — seven Democrats and three Republicans not seeking re-election — plus two Republicans not up for re-election who are seeking non-legislative offices.

low number of candidates from which to choose this year.

"We think it's symptomatic of several things — the expense of campaigns, the inability to have a job for eight months while you're a legislator for four months, the negative campaigns, and apathy about politics in general," said Tim Waddell, deputy for elections for the secretary of state.

Two years ago, more than 320 people filed. This year, fewer than 270 have filed, Waddell said.

Of 125 seats up for election, 59 districts left a single party with a lock on the seat; 35 Republican candidates and 24 Democrats will be unopposed for legislative seats.

On another matter, Joe Condo — a campaign aide working to elect Attorney General Bonnie Campbell to the state's highest office — said the organization doesn't plan, as previously warned, to challenge the petitions of fellow Democrat Bill Reichardt.

Waddell said Reichardt clearly submitted enough petition signatures. His campaign aides said petitions contained nearly 6,000 signatures, or twice the required number.

THE REGISTER'S EDITORIALS

Jim Leach's 'blockbuster'

Tell us the details, Congressman.

"Blockbuster," by definition, is "something notably outstanding, effective or violent." It's the term Iowa Congressman Jim Leach used to describe the bomb he predicted could be dropped upon the Clinton administration during Whitewater hearings.

So drop it already, Congressman. If ever an issue needed a shot of something "notably outstanding," it is Whitewater, which among many viewers outside the D. C. beltway could be upstaged by a fourth or fifth rerun of an "I Love Lucy" show.

Leach, characterized as a Republican moderate who eschews partisan hyperbole, seems eager to perpetuate that image while at the same time blistering the Clintons. In a conversation with The Register, he said Whitewater would be just "a bump of a scandal on the American political landscape" but for Clinton's foot-dragging response to congressional inquiries. But apparently it's a bump worth exploiting.

In a speech to Illinois Republicans thi month, Leach used Whitewater as the pe for a sweeping assault on White Ho eth ics:

"Can a president credibly advance ethic of national service if his own model i one of self-service? . . . Can a presiden credibly ask teen-agers to take responsibili ity for their own lives if he refuses ar adult to discipline his own?"

Nothing in the interval since the "block buster" comment seems likely to trigger a stampede to the air-raid shelters.

The bomb, Congressman. The Register extends to you an invitation to touch it off on the editorial page of your home-state newspaper. Let your 1st District constituents and the rest of your fellow Iowans in on the secret. Your colleagues in D. C. will get the message quickly enough.

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Rocky Mountain News

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"Give light and the people will find their own way"

EDITORIALS

Moving closer to hearings

THE ISSUE
Whitewater hearings in Congress

OUR VIEW
Unanimous Senate provides example for the House

Now that the Senate has bought itself time on Whitewater with a unanimous vote to hold hearings at some unstated future point, all eyes are on the House of Representatives. There, the posture of those calling loudest for hearings belies the complaint that this exercise is purely partisan.

Jim Leach, R-Iowa, and Lee Hamilton, D-Ind., are the leading proponents of hearings in their respective parties. Both men are generally seen as the opposite of partisan pitbulls: thoughtful, independent members whose positions on issues are arrived at on the merits and thus are capable of swaying others.

Leach is the ranking Republican on the committee overseeing the Resolution Trust Corporation, which disposes of failed savings and loans. Sensibly, he proposes to use a routine RTC oversight hearing this Thursday to probe the S&L aspects of Whitewater, a complicated tangle of potentially sleazy or illegal business, financial and political dealings back in Gov. Bill Clinton's Arkansas in the 1980s and their recent repercussions in Washington.

Such probing needn't serve crudely political ends, as Lee Hamilton proved in chairing an inquiry into even more sensational allegations against a president of the opposite party: The House "October Surprise" investigation concluded in January 1993 that "all credible evidence" contradicted the charge that George Bush and others in the 1980 Reagan campaign conspired with Iranians to delay release of Americans held hostage by Islamic radicals. Hamilton now seeks the same fair-minded airing of the facts that he exemplified then.

Both Leach and Hamilton agree, as did the Senate, that hearings should be managed so as not to impede Special Counsel Robert Fiske. But they also rightly stress the unique benefit of hearings: public testimony for the information of legislators and voters.

Fiske may or may not uncover lawbreaking he deems worth prosecuting. In fact, disclosure is probably sufficient cure for any trimming or abuse of power that may have gone on. But the sooner questions are answered, the sooner Whitewater will be dispelled or otherwise resolved.

Oddly, a third House figure noted for his independence — Henry Gonzalez, D-Texas — stands in the way. As chairman of the banking committee, he vows to prevent Leach from raising Whitewater at the upcoming RTC hearing — even though Deputy Secretary of the Treasury Roger Altman, scheduled to testify, has already been interviewed by Fiske's grand jury.

In this stand-off, Jim Leach and democratic openness deserve to prevail.

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Senate should wait on Whitewater

The U.S. Senate's insistence on holding hearings on the Whitewater affair is ill-advised and unnecessary. It's up to Senate leaders to see that the move doesn't jeopardize the best chance of getting to the bottom of the matter.

That best chance is the investigation by special counsel Robert Fiske, who certainly has shown no shyness in digging into details of the land deal that involved President Clinton and his wife while he was governor of Arkansas. In fact, Fiske has been busy gathering documents and calling top White House aides before a grand jury.

Fiske gives every indication of conducting the kind of thorough, aggressive investigation he was appointed to provide. At this point, he is leaving no slack for Congress to step in and take up.

The Senate's action cannot aid Fiske's important work. It can do a great deal to hinder it, however, as Fiske made clear in asking that Congress hold off on hearings. He fears that congressional grants of immunity to witnesses and the possible contamination of evidence will make it much more difficult to pursue criminal charges if his investigation points in that direction.

Anyone who doubts that Fiske's fear is justified need only look back on the Iran-contra scandal. Convictions of major figures in the illegal arms sales scheme were overturned because congressional hearings had tainted key testimony. That must be avoided in this case.

The language of the Senate resolution that calls for the hearings leaves it to Majority Leader George Mitchell and Minority Leader Robert Dole to work out the hearings' timing and other details so as not to interfere with Fiske, who has said that in a matter of weeks or months he will be finished with the phase of his inquiry that overlaps Congress's interest.

The logical scenario, then, is to hold hearings after Fiske is done. But Dole's Republican forces have made clear their desire to get Whitewater before the television cameras early and often, preferably through this year's elections.

Will Republicans allow Fiske to investigate or will they push ahead for hearings that would place his work at risk? How they answer that question will show whether their primary interest is in finding the facts about Whitewater or gaining political advantage from it.

Whitewater wisdom



People are always complaining about the quality of education our kids get, and one of the main points of contention is that our students don't know enough about current events.

Is that because our adults don't know much about current events and it rubs off on the kids? Let's test this theory. Let's do a Monday Morning News Quiz.

That's right, Mom and Dad, quit fussing about your children's teachers. Take out your own pencil and get ready.

This morning's news quiz is brought to you by the Clinton administration, with special help from the good folks at Madison Guaranty Savings and Loan. That's right — every single question is about Whitewater.

Aw, quit groaning and get to work.

1. The most photographed scenic spot in Arkansas right now is:

A. An aerial view of a bend in the White River in Marion County.

B. The view from a bluff overlooking a bend in the White River in Marion County.

C. A scrubby pine clinging to the rocky face of a bluff overlooking a bend in the White River in Marion County.

D. Six old-timers whittling outside the courthouse in Yellville, which is close to a bend in the White River in Marion County.

E. Any of the above.

2. The most photographed scenic spot in Little Rock right now:

A. The front of the Rose Law Firm building.

B. The back of the Rose Law Firm building.

C. The stoop of the Rose Law Firm building.

D. The parking lot of the Rose Law Firm building.

3. Informed sources have said that Rex Nelson, political editor of the *Arkansas Democrat-Gazette*, is writing another book, the title of which would be:

A. "The Bridges of Marion County."

B. "The Real Estate Flops of Marion County."

C. "The Property Tax Rolls of Marion County."

D. "The Home-Baked Cookies Served at the Teas of Marion County."

4. One of the senators who wants congressional hearings on Whitewater is Alfonse D'Amato. If a book were written about him, the title could be:

A. "One Senator's Ethical Code."

B. "How the Pot Called the Kettle Black."

C. "Big Al: New York's Finest."

D. "Morals Schmorals: Ethics Schmethics."

5. The hottest ticket to a social event in Arkansas right now would be entry into the:

A. Supreme Court Committee on Professional Conduct Annual Bake Sale.

B. Rose Law Firm Spring Equinox Goat Ropin' and Barbecue.

C. Maple Creek Farms Block Party and Lynching.

D. Salvation Army Auction of Used Underwear of Important People.

C. Fiske Family Reunion.

6. Nearly every single agency in Washington is now involved in Whitewater investigations. The only federal agency not involved is the:

A. FBI.
B. RTC.
C. NOAA.
D. S&L.
E. NCAA.

7. Every time the president has a press conference with a foreign dignitary, the press ignores the dignitary and asks about Whitewater. Match the dignitary with his country.

A. Shevardnadze	1. Georgia.
B. Rabin	2. Israel.
C. D'Amato	3. Bronx.

8. The name of the special prosecutor is:

A. Robert Fiske.
B. Archie Cox.
C. Leon Jaworski.
D. Wyatt Earp.
E. Perry Mason.

Assistant Managing Editor Frank Fellone's column appears every Monday and Thursday.

TOTAL P.

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122

bc-hale - a2214
(ATTN: National editors) (Includes optional trims)
Editors: Betsey in 5th graf is correct.
Ex-Judge, Accused of Fraud, Tries to Implicate Clinton (Little Rock)
By Sara Fritz and William Rempel= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. David Hale seems like the last person who should be hurling unsubstantiated accusations of criminal wrongdoing at the president of the United States.

A former municipal court judge, Hale himself stands charged with conspiring to defraud the government of $900,000 through phony financial transactions. By his own admission, the case against him is strong.

``I haven't been a saint,'' he concedes.

Yet despite his own legal problems, Hale has been successful in getting people to listen to his allegations that President Clinton was a co-conspirator in some of his financial misdeeds.

The White House has discounted Hale's story as a complete fabrication. Betsey Wright, a top aide to Clinton when he was governor of Arkansas, says the tale is ``filled with absolute lies.''

Nevertheless, legions of Democrats, Republicans and other interested observers are watching to see if Hale, who goes on trial here on March 28, can back up any of what he has alleged with hard evidence.

His story has already caught the attention of Robert B. Fiske Jr., the special counsel appointed to investigate Clinton's role in the Whitewater case. Fiske has identified Hale as a potential witness in his probe of whether Clinton improperly benefited from his investment in an Ozarks real estate development company when he was governor.

Hale's will be the first Whitewater-related case to be tried by Fiske, and the defendant has declared his intention to use the trial as a forum to air his charges against the president.

To date, Hale, who served as a municipal judge (appointed by then-Gov. Clinton) until he was indicted, has not had an opportunity to tell his story in detail to Fiske or any other authorities only to members of the news media who have come to Little Rock to cover the Whitewater controversy.

Hale went public with his charges late last year after federal prosecutors refused his efforts to use the information to negotiate a plea bargain.

As Hale tells it, his financial and legal troubles stem directly from his allegiance to Clinton and his willingness to help what he describes as the president's ``political family'' in Arkansas. It was out of loyalty to Clinton, he says, that he began making improper loans from his family's investment company to friends and associates of the then-governor.

While also working as a judge, Hale ran Capital Management Services Inc., a firm subsidized by the Small Business Administration to loan long-term venture capital to minority and disadvantaged borrowers. Together with his wife and sister, he said, he invested about $500,000 in the firm and the SBA had added $1.5 million to create the investment pool he managed.

Hale says he was approached for money in late 1985 by attorney Jim Guy Tucker, now the governor of Arkansas, and James B. McDougal, owner of Madison Guaranty Savings & Loan. McDougal and Tucker were partners in several business deals, just as McDougal and Clinton were joint investors in the real estate venture known as Whitewater Development Corp.

Hale says McDougal's real estate deals had put Madison Guaranty on the brink of insolvency and he wanted loans from Hale to help save it. Eventually, Hale would lend a total of $700,000 to McDougal-related enterprises, none of which was ever repaid.

Clinton's name was mentioned in connection with the initial loan request, according to Hale. When Hale ran into Clinton in the rotunda of the state Capitol a short time later, he said, the governor made it clear that he wanted the loans to be made ``to help Jim (McDougal) and me out.''

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-------- AUTOBREAK (2)--------
Both Clinton and McDougal deny they attended the meeting at the center of Hale's story. McDougal concedes that $110,000 of the loan money was diverted to Whitewater Development, but he insists that Clinton knew nothing about it and that he was managing the investment.

Fiske, a Republican appointed by Attorney General Janet Reno to investigate the Whitewater case, has said that looking into Hale's story will be a ``fundamental part'' of his investigation. After his trial is over, Fiske said, Hale will be summoned before a grand jury looking into the Whitewater case.

(Optional add end)

At the same time, Fiske said he is skeptical of Hale's effort to use the story about Clinton as a defense against charges pending against him. If Hale acknowledges that he defrauded the government in 1989 in order to cover up for a similar fraud three years earlier, he risks being prosecuted by Fiske for the first scheme as well.

``I don't see how that is a defense,'' Fiske said.

Hale admits that he is trying to trade his testimony against Clinton for leniency. But so far Fiske has not approached him with a deal, and it is not known whether Hale can provide any evidence to substantiate his story.

Nor will it be easy for Hale to establish his credibility. Evidence collected by Fiske includes a 1987 financial report that quotes Hale defending the soundness of a loan now known to be a phony transaction.

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LEISURE & ARTS

TV: Whitewater Boils, Floods Media

By Dorothy Rabinowitz

It's been obvious for some time now, as the Whitewater saga rolls on, that the seizures of moral indignation that periodically afflict various quarters of the media are becoming more frequent.

These episodes, which have all the earmarks of an obsessive disorder—and which are characterized by repeated hand-wringing about "excessive coverage" and the like—can by now be predicted well in advance. That is, their pattern of recurrence shows that these fits almost invariably strike whenever the nation's press is onto a significant and substantial story eminently worth the attention it is getting, such as violent crime—such as Whitewater.

We are just now beginning to hear the first rumblings of agitation and accusation that television news is devoting too much time to reporting violent crime. This plaint was triggered by a new study from the Center for Media and Public Affairs, which holds that the statistics don't bear out the picture of a crime-ridden society seen so often on the evening news. Neither these statistics nor the journalists gathered recently on CNN to bemoan excessive crime coverage are likely to impress citizens living in the real world.

As to Whitewater, it began to be clear a week or so ago (as the Whitewater coverage hit the screen full stride) that feverish charges of "feeding frenzy" and "excess coverage" were on the rise. That Sunday, on CNN's "Informed Sources"—where journalists gathered to discuss this grave issue—media critic Ellen Hume delivered an impassioned assault on the Whitewater coverage. Such was her excitation that Ms. Hume, whom the fevers seemed to have carried off altogether, plumb near bounced off her chair while decrying the lack of restraint shown by fellow journalists. Still, none of the hair-tearing about media overkill could stop the surge of Whitewater reportage and debate.

This is not to say that coverage didn't have its lighter moments. On NBC's "Meet the Press," the same Sunday, former New Yorker Washington columnist Elizabeth Drew succeeded in publicizing one of the sharper political rejoinders of the week—uttered by New York Sen. Alphonse D'Amato. The senator had been moved to respond (on the Senate floor) to President Clinton's ringing defense of the first lady ("I have never known anyone with a stronger sense of right and wrong than Hillary Clinton"). "That," retorted Sen. D'Amato, "would seem to be the problem."

"What had he meant by that?" asked the sly Ms. Drew, who knew exactly what he had meant. Mr. D'Amato proceeded, as expected, to recite a list, by no means complete, of some of the tawdrier characters with whom the Clintons have had dealings one way or another.

Meanwhile, administration spokesmen were busy making appearances of their own, and occasionally showing some strain. The new presidential counsel, Lloyd Cutler, lost his temper on "This Week" and proceeded to lecture David Brinkley on journalistic ethics. Presidential Counselor David Gergen showed up at a Los Angeles Times editorial breakfast (carried on C-Span), where, looking a trifle dazed, as is only natural for one recently emerged from hiding, he spoke of fire walls and judgment calls and generally labored diligently to answer questions on Whitewater and the Clintons.

Other supporters of the first couple took to the airwaves as well, New York Times columnist Anna Quindlen among them. On the syndicated radio show "Imus in the Morning," Ms. Quindlen, only one among many journalistic sages who have taken to giving the Clinton's media advice, said she didn't think the first lady should hold any press conferences. She did, however, make the high-minded suggestion that Mrs. Clinton find some TV show where she could answer viewers' questions. This strategy, the columnist earnestly explained, would help the first lady create "the illusion" that people were partaking in the questioning.

Both the first lady and the president indeed had some need of advice last week, as talk of White House-related scandals reached their peak with the resignation of Webster Hubbell. On all three networks, this was the story that led the evening news. "Good evening," began the NBC news with Tom Brokaw. "This must be one of those days when the Clintons wonder whether it's all worth it. . . . Whitewater washed all over them and their carefully arranged new jobs agenda." On CBS, Dan Rather began with word that "Another high-ranking member of the Clinton administration was pulled down today in the spreading undertow of Whitewater." Stranded in Detroit, where the big story was supposed to be jobs, Peter Jennings instead found himself anchoring an extended lead item about Mr. Hubbell and the Rose Law Firm, all against a wonderfully irrelevant background of cars rolling off an assembly line.

"World News Tonight" nonetheless remains the first network news show to have provided a lengthy overview of Whitewater (reported by James Wooten), which served notice that reportage on this affair wasn't going to go away any time soon. Another report, by ABC's Cynthia McFadden, provided one of the more eloquent testaments to the current condition of the once-proud Rose law firm. The setting was a large charity benefit in Little Rock—where the cameras caught the Rose table entirely surrounded by empty chairs. For sheer toughness and color, though, no Whitewater reporting exceeded that of NBC's Lisa Myers. The high point of her two-part series, aired last week, had James McDougal (the Clintons' former business partner) holding forth in his softly menacing voice and looking for all the world as though he had stepped out of "Citizen Kane."

The watchdogs of journalism howl, but the Whitewater caravan rolls on.

* * *

Awards time has come round again, this time with the Rabbi Baruch Korff Citation for Meritorious Service. This award, presented to journalists who have distinguished themselves by zealous and unflagging devotion to a sitting president, is named for the Providence, R.I., rabbi who became Richard Nixon's most ardent champion, even unto the final hours of his presidency.

It can come as no surprise to her many fans that the hands-down winner of the Korff award this year—and probably next year—is Eleanor Clift of "The McLaughlin Group" and Newsweek, the most tireless of the first couple's cheerleaders. We could cite, in particular, the heartwarming Newsweek interview with the first lady, wherein journalist Clift assured Mrs. Clinton, in effect, that inquiries into her Whitewater dealings all came from people who wanted to launch careers, who wanted to burn witches, who didn't share Ms. Clift's own theory that the first lady resisted making her records public because "you have a thing about privacy."

Congratulations, Eleanor. Nobody could be more deserving.

Estimate of Claims Due to Earthquake Rises to $4 Billion

By Greg Steinmetz
Staff Reporter of The Wall Street Journal

Even before Los Angeles was jolted by another aftershock yesterday, insurance experts were raising their loss estimates from the January earthquake to about $4 billion.

The aftershock shook the area for about 30 seconds in the early afternoon. Police and fire officials said there were no reports of fatalities or major structural damage to buildings, although preliminary reports indicated that the area's already-damaged highway network experienced some additional damage. The magnitude of the aftershock was put at about 5.3 on the Richter scale, compared with 6.7 for the Jan. 17 quake.

The $4 billion loss estimates, which are at least $1.5 billion higher than the most recent estimates, are based on late Thursday's surprise announcement by **Twentieth Century Industries**, a Woodland Hills, Calif., insurer, that its volume of claims on the California quake would more than double, to $325 million.

Trading in the company's stock was halted before the announcement. When it resumed trading on Friday, it ended the day down $3.625, or 14%, at $21.50, in New York Stock Exchange composite trading.

Twentieth Century said damage from the quake was "more severe and widespread" than originally estimated, resulting in a higher number of claims. The damage includes such things as cracks in building foundations that weren't immediately apparent but that can result in extensive repairs and even a building's demolition. There was no immediate indication whether yesterday's aftershock would boost that total even higher.

Still, analysts said Twentieth Century's announcement made it likely that other insurers would boost their loss estimates.

"It's going to be in the neighborhood of

Please Turn to Page A9, Column 6

Estimates of Claims In Los Angeles Quake Increase to $4 Billion

Continued From Page A2

$4 billion," said John Snyder, senior vice president for A.M. Best Co., an insurance-rating agency. "It's just like in Hurricane Andrew, where the numbers kept getting higher."

Sean Mooney, economist for the trade group Insurance Information Institute, agreed that the number will climb. "Everything we've heard from companies is that the number will go higher," he said.

A $4 billion loss would approach the $4.2 billion of claims paid for Hurricane Hugo in 1989, the second-largest disaster in U.S. history. But it still would be far below the $16.5 billion from 1992's Hurricane Andrew. Even a $4 billion loss would be relatively small for an industry with more than $163 billion in capital, although it would further depress the first-quarter results of many property and casualty insurers.

The American Insurance Services Group, a trade organization and the official scorekeeper for insurance claims in disasters, last estimated the total for the quake losses at $2.5 billion. The biggest total reported by a single company so far is the $600 million announced by **State Farm Mutual Automobile Insurance Co.** On Friday, a State Farm spokesman said the company remains "comfortable" with that estimate, but he didn't rule out the possibility of an increase.

As a result of the higher-than-expected claims, Twentieth Century expects to take a first-quarter charge of $161.7 million, or $3.15 a share. In the year-earlier period, the company reported profit of $23.9 million, or 47 cents a share.

A company spokesman said Thursday that the company remains financially strong despite the charge, which will wipe out 26% of its net worth. At year end, the company had capital and surplus of $655.2 million. The loss is the largest related to a single disaster in the company's 36-year history.

—Rhonda Rundle contributed to this report.

hitewater Figure to Plead uilty to Defrauding SBA

a Wall Street Journal *Staff Reporter*

LITTLE ROCK, Ark. — David Hale, a get in the Whitewater investigation, is pected to plead guilty to one count of il fraud and one count of conspiracy, cording to a lawyer involved in the se against him.

Mr. Hale, a former municipal judge, accused of committing fraud against e Small Business Administration in a se that has little to do with Whitewater. it Mr. Hale has become a target of the vestigation by special counsel Robert ske because he has alleged that Presi- nt Clinton, while governor of Ar- nsas, pressured him into making a 00,000 loan to Susan McDougal, a part- er in Whitewater Development Corp.

The Hale case previously had been rosecuted by Justice Department offi- ials, but Mr. Fiske took it over after his ppointment in late January because of Mr. Hale's allegations against President Clinton. Mr. Hale's trial was set to begin next Monday.Mr. Fiske's staff had hoped to try the case expeditiously so that Mr. Hale could be a witness in the Whitewater investigation.

The Hale case involved a tangled web of financings that the government alleged was used to prove to the SBA that Mr. Hale's Capital Management Services was entitled to about $900,000 in federally backed loans.



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Rose Law Firm to File Ethics Complaint In Arkansas About Hubbell's Expenses

By ELLEN JOAN POLLOCK
And KENNETH H. BACON
Staff Reporters of THE WALL STREET JOURNAL

The Rose Law Firm has decided to file a complaint with Arkansas ethics authorities about undocumented expenses incurred by former Associate Attorney General Webster Hubbell.

According to a lawyer familiar with the Rose inquiry, the firm's partners agreed to send a letter to disciplinary officials of the Arkansas Supreme Court.

Mr. Hubbell failed to document roughly $100,000 in expenses, said a person at the Rose firm, and the firm is concerned that they were personal charges. Mr. Hubbell, who announced his resignation from the Justice Department last week, wrote checks on the firm's bank account to cover these expenses. Most of the checks were made out to credit card companies, said the lawyer familiar with the inquiry.

The ethics complaint focuses on expenses reimbursed to Mr. Hubbell by the Rose firm. The charges weren't passed on to clients, according to the lawyer, but they were incurred while doing client work. The lawyer said the Rose firm was concerned that Mr. Hubbell had violated an ethics rule barring misrepresentations by a lawyer and decided it had "an obligation to report" the possible breach.

John Nields, Mr. Hubbell's Washington lawyer, declined to comment. Ronald Clark, the law firm's managing partner, didn't return phone calls.

Rose partners have also been mired in a dispute with Mr. Hubbell about his handling of an unsuccessful lawsuit for P.O.M. Inc., an Arkansas company owned by his brother-in-law. The P.O.M. case isn't an issue in the ethics complaint.

The Rose firm is the target of investigations by Whitewater Special Counsel Robert Fiske and the Resolution Trust Corp., which is auditing the firm's bills. Mr. Hubbell was one of several Rose lawyers who did RTC work. Mr. Fiske isn't looking into questions involving Mr. Hubbell's expenses, but is likely to do so if asked by the Justice Department, according to a person familiar with his operation.

On another front in the Whitewater case, Deputy Treasury Secretary Roger Altman told the Senate Banking Committee that his contacts with the White House over the Whitewater issue were more extensive than he had initially revealed.

In a March 11 letter to committee Chairman Donald Riegle (D., Mich.), Mr. Altman said he had talked briefly last month with Harold Ickes, President Clinton's deputy chief of staff, about recusing himself from dealing with any matters concerning Madison Guaranty Savings & Loan. Madison Guaranty is a failed Arkansas thrift that has been linked to Mr. Clinton's political campaigns and his investment in Whitewater Development Co., a land venture.

Mr. Altman is acting chairman of the RTC, which last year recommended a criminal investigation of Madison's 1989 failure. The referral mentioned Bill and Hillary Rodham Clinton as possible beneficiaries of allegedly illegal acts. The Clintons have denied any wrongdoing.

The March 11 letter, which was disclosed Friday by Sen. Alfonse D'Amato (R., N.Y.), marks the second time that Mr. Altman has written Mr. Riegle since his Feb. 24 testimony to report additional meetings between Treasury and White House officials. "This has been nothing less than a pattern of deception," Mr. D'Amato said of the letter.

Mr. Altman has told associates that he didn't mention the Ickes meeting during the hearing because he didn't consider the five-minute discussion substantive. "There was no discussion whatsoever of the case itself," Mr. Altman said in his letter.

News of a series of meetings has triggered concerns that the White House or the Treasury may have been trying to halt or stall the Madison investigation. As a result, Mr. Fiske has called all the Treasury and White House officials involved to testify before a federal grand jury in Washington. Mr. Altman has said he's confident that the grand jury will clear the Treasury and White House of suspicion that they attempted to manipulate the case.

Separately, Rep. James Leach (R., Iowa) has charged that officials in Washington may have "gagged" RTC officials in Kansas City, Mo., where the Madison investigation was taking place. Last week the RTC's spokesman dismissed the charge, which Mr. Leach hasn't backed up. "I don't know what Congressman Leach is talking about," Steve Katsanos said. "If he would bring any specific examples or concerns to our attention, we would be happy to respond."

Mr. Leach may try to substantiate this and possibly other allegations at a House Banking Committee hearing scheduled for Thursday. But the Chairman, Rep. Henry Gonzalez (D., Texas), is determined to prevent Madison from becoming an issue. Mr. Gonzalez has told witnesses to deal only with such questions as the progress the RTC is making in selling the assets of failed thrifts.

On NBC News' "Meet the Press" yesterday, House Majority Leader Richard Gephardt (D., Mo.) said the House might be able to hold Madison-related hearings after Mr. Fiske completed the Washington portion of his inquiry. "I think we're going to be talking to the Republican leadership early in the week; we'll be talking with Mr. Leach," Rep. Gephardt said. "If there's a way to coordinate what they're doing, even in this RTC oversight hearing, with what Mr. Fiske is doing, that's what we ought to do."

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What's News—

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Business and Finance

A GLOBAL SATELLITE communications system is planned by William Gates and Craig McCaw, who will seek to raise capital and attract dozens of partners to build the $9 billion system. The system would involve hundreds of small satellites circling the Earth in a low orbit, offering a broad array of interactive voice, data and video services at prices similar to conventional wired services. The plan is expected to be disclosed today.

(Article on Page A3)

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GE Capital asked Kemper for a list of its shareholders, setting the stage for what could be a lengthy battle for control of Kemper. The request came in response to Kemper's rejection of GE's $2.2 billion bid to buy the firm.

(Article on Page A3)

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Clinton's welfare-reform working group plans to recommend a gambling tax as part of a proposal to the president at a cabinet meeting tomorrow. The 4% excise tax on net gambling revenues, except state lotteries, is expected to raise $4 billion in five years.

(Article on Page A2)

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The bond market faces a major test this week as the Fed's policy-making arm meets. Many expect the Fed to tighten credit again. The benchmark 30-year bond fell nearly ⅞ point Friday. Its yield rose to 6.90%, mainly in reaction to news of a meeting between Fed Chairman Greenspan and Clinton. Aides called the meeting routine.

The Dow Jones industrials surged 30.51 to 3895.65 in late trading amid very heavy volume tied to quarterly expirations of futures and options.

(Articles on Page C1)

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Macy's efforts to remain independent could be threatened by a rift between Laurence Tisch and other members of the board, people familiar with the board's discussions said. At issue is the valuation Macy intends to place on itself, which will be critical in determining who ends up with control.

(Article on Page A3)

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Ford received two bids for its unprofitable First Nationwide Financial thrift unit, each estimated at about $1 billion, people close to the offers said.

(Article on Page A4)

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Japanese computer-chip imports rose, easing the U.S. trade battle with Japan somewhat. But neither side is ready for a truce as the U.S. awaits Tokyo's market-opening initiatives.

(Article on Page A2)

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UAL said it plans to withhold promised severance payments to some members of its machinists union, in an effort to step up pressure to force a closing of its $5 billion buyout accord.

(Article on Page B3)

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Sears plans to launch a toy catalog this year, taking another step to restart part of its failed catalog unit.

(Article on Page B4)

* * *

Pacific Bell is expected to unveil plans today for a test of a service that will transmit digitized movies directly to a few neighborhood theaters.

(Article on Page B10)

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Sony plans to launch a multimillion-dollar campaign next month aimed at boosting sales of its newly redesigned MiniDisc player.

(Article on Page B6)

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Markets—

Stocks: Volume 446,361,670 shares. Dow Jones industrials 3895.65, up 30.51; transportation 1732.74, off 14.79; utilities 206.24, off 1.38.

Bonds: Lehman Brothers Treasury index 5287.21, off 52.87.

Commodities: Oil $14.88 a barrel, up six cents. Dow Jones futures index 143.49, off 0.56; spot index 131.85, off 0.43.

Dollar: 106.10 yen, up 0.25; 1.6965 marks, up 0.0075.

World-Wide

THE U.S. READIED military and diplomatic steps to punish North Korea. Secretary of State Christopher said the U.S. plans to seek a Security Council resolution calling on North Korea to permit inspections of suspected nuclear arms facilities. The U.S. plan apparently is to lay the groundwork for a resolution on trade sanctions, and in the meantime to persuade China to abstain in the vote. President Clinton said there appeared to be some support in Pyongyang for allowing the inspections. (Article on Page A2)

The U.S. is expected to announce the revival of joint military exercises with South Korea and is preparing to ship Patriot antimissile batteries.

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Israel offered to speed up withdrawal of its troops from parts of the West Bank and Gaza Strip if talks with the PLO this week lead to the revival of stalled peace negotiations, Israeli officials said. Israeli radio said Foreign Minister Peres could meet with PLO leader Arafat this week if preliminary talks taking place in Tunisia succeed.

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A U.N. relief convoy reached the Bosnian city of Maglaj, which has been cut off from food shipments since October. The mostly Muslim city of 103,000 has been largely reduced to rubble in a nine-month siege by Bosnian Serbs. In Sarajevo, a soccer match drew a crowd of 20,000, the largest gathering since a Serb siege began two years ago.

* * *

Zulu leaders rejected charges by a South African judicial panel that they colluded with police for years in mounting terror attacks against the African National Congress in an effort to stall political reforms. Armed Zulus occupied a stadium yesterday to keep the ANC from campaigning in Kwazulu ahead of next month's elections.

* * *

Salvadorans voted in the first presidential elections since a 12-year civil war ended in 1992. The elections, which also include balloting for the National Assembly, are the first in which leftist rebels who fought the government in the war are participating. If no presidential candidate receives a majority, a runoff will be held next month.

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The Rose Law Firm has decided to file an ethics complaint over undocumented expenses incurred by former Associate Attorney General Hubbell, a lawyer familiar with the firm's inquiry says. The dispute, involving about $100,000 in expenses, led to Hubbell's resignation from the Justice Department last week. (Article on Page A14)

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A strong aftershock to January's earthquake struck Los Angeles, shaking the metropolitan area for about 30 seconds. There were no reports of deaths or major damage from the aftershock, which measured 5.3 on the Richter scale. Insurance claims from the earlier quake are now expected to total about $4 billion. (Article on Page A2)

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Senate Finance panel members began two days of meetings on health-care reform at a Virginia conference center, a forum intended to allow members of the key committee to outline positions before legislative work gets under way. GOP leaders signaled they will resist requiring employers to pay to insure workers. (Article on Page B10)

* * *

Two Italian journalists were killed in Mogadishu when gunmen apparently tried to hijack the truck in which they were riding. The journalists were in the Somali capital to cover the withdrawal of the Italian troops who are part of the U.N. peacekeeping force there. All remaining Italian and U.S. peacekeepers are scheduled to depart this week.

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Cambodia's government said it captured the headquarters of the Khmer Rouge, but the guerrilla group denied it had been driven out of its Pailin base near the Thai border. Loss of the stronghold would be a major blow to the rebels, who have lost thousands of fighters in a government push to consolidate its control following elections last year.

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The leaders of Japan and China met in a sign of a warming trend between the two big Asian economies, even as the relations of each with the U.S. have hit rocky patches. Premier Hosokawa's meetings in Beijing touched on human rights, and Japan expressed concern over China's growing military spending. (Article on Page A6)

* * *

German voters handed Chancellor Kohl's governing coalition another setback in local elections in Schleswig-Holstein, further dimming his prospects for fall federal elections. In the voting, left-wing Greens won double the number of votes they got in 1990.

Thoughts of sin, redemption and Whitewater

In all the details about shredding, subpoenas, sackings, and other scandalous revelations of Whitewater & Co., Charles Colson, the born-again casualty of Watergate, may offer the only perspective that's been missing from nearly every discussion:



Suzanne Fields

Our reaction — the press's feeding-frenzy and politicians' posturing — reveals how deluded we are about the most pernicious myth of this century: that man is good, and that with technology and education we can achieve utopian societies," he writes in the Wall Street Journal. "So we regard Watergate and Whitewater and all 'gates' in between as dreadful aberrations. Our founders were not so naive. They understood the Judeo-Christian truth that man is a sinner."

Without the Judeo-Christian tradition informing public debate, the language of virtue and vice is reduced to the "politics of meaning," and the sins, including pride, greed, envy, avarice and lust, are hidden by sanctimonious and self-righteous posing.

Imagine how differently we might frame questions from a religious point of view. Instead of talking about Vincent Foster's suicide, as the result of depression and overexposure to the cold cynicism of Washington, we might ask what brought him to such deep despair? What was so horrendous that he felt the need to take his life, that life was without hope, existence without redemption?

A perspective of faith deepens an understanding of the enormity of the act, rendering secular politics superficial and even unimportant by comparison. But psychiatrists, not ministers, priests or rabbis were asked to give their "expert" opinion on Vincent Foster's death, as if medicine has greater access to the soul of man than faith.

Those who question the circumstances of his death are criticized for being "unfeeling" toward the man's family, but those who took Whitewater files from the dead man's office were "protecting" the president. Neither excuse offers a clue as to why a close friend and aide of the president and the first lady with a wife and a young family, would kill himself. Could it have been remorse, of sinful behavior — his own, or someone close to him? The mere mention of sin sounds quaint in the warrens of Washington, where people come and go, making fun of Sen. Alfonse D'Amato, who, for whatever reason, is asking the relevant questions.

Imagine how differently we might frame questions from a religious point of view.

A religious perspective might reveal Whitewater to be a confusing tale of greed and corruption, irreverence for the Golden Rule. One of the nastiest charges has been made against David Hale, a former municipal judge and dispenser of federal loans in Little Rock, who goes on trial on March 28. He's accused of fraud, of helping Susan McDougal, a Clinton partner in Whitewater, to a Small Business Administration loan of $300,000 which was reserved for members of minorities and aspiring entrepreneurs who couldn't qualify at banks where McDougals and Clintons were always welcome. Mr. Hale says Bill Clinton "leaned" on him to make the loan to save Whitewater. The White House dismisses the accusations as those of a corrupt man trying to save himself.

But greed, in the religious sense, refers to more than money. A person can be greedy for power, for status, for the right kind of reputation, and sometimes money and unsavory connections are required to satisfy that kind of greed. Why would the Clintons be such good friends with such sleazy people if they didn't see something they liked?

Lust from a religious perspective is a grievous sin. Jimmy Carter acknowledged "lust in his heart," but not in his behavior. He was ridiculed because the words stuck out strangely in a soft porn magazine, but he did not use the phrase frivolously. He held himself to absolute standards, acknowledging human weakness.

The sordid sexual accusations that have been levelled at our current president are dismissed as the lies of his enemies, of women and men who want to take advantage of his power. They are also dismissed by the irreverent as not very important — even if true — after the liberation of the Sexual Revolution.

Faith once served as the guidepost to moral action; the recognition of sin and man's imperfection required strict restraints of both society and the law. But after the 1960s, as James Q. Wilson remarks in his book "On Character": "God was dead, society rather than man was the problem, social restraint was insufferable, and activism was the only form of purity." Man was measured by materialistic values, by what he might accomplish, and not by the appraisal of his character.

Religious perspectives, as Stephen Carter observes in "The Culture of Disbelief," are the source of moral understanding and provide an intermediary voice between the citizen and government institutions. Moral perspectives may not change the facts, but they can change the way we understand them. That makes the crucial difference.

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

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Wounds with side effects

Twenty years ago, Richard Nixon was at the summit of his career, his presidential popularity and worldwide prestige at record highs.

"Peace with honor" was at hand. Saigon held every provincial capital, was armed to the teeth and had a pledge that Mr. Nixon would send the B-52s back to Hanoi, should Hanoi violate the Paris accords.

In mid-March, the smoldering Watergate volcano erupted. For the next 17 months, the Nixon presidency guttered out. Hanoi began infiltrating troops, and, after Mr. Nixon resigned, threw its entire army into a war of conquest. Congress, which had stripped Mr. Nixon of power to bomb, cut Saigon's miliary aid to 1 percent of what the United States had spent fighting the war in 1968, washing its hands of a bloodbath that its abandonment of these brave people had guaranteed.

That history is worth recalling as Whitewater unfolds.

Lost because of Watergate was a decade-long investment of blood and treasure sunk into saving South Vietnam. America has yet to recover from the psychic wounds inflicted by our longest war.

Nothing like that is at stake today; and Whitewater is far from Watergate. But it is not all that far.

Recall: Watergate was, at first, about a third-rate burglary, then, about the efforts of Mr. Nixon's men to contain the damage. Not until a full year after the break-in, with John Dean's testimony, did the issue become: "What did the president know?" Whitewater from the beginning has been about the integrity of the Clintons. Were they complicit in unethical or illegal conduct? The tumor of suspicion has grown since December, and it may no longer be benign.

We have, then, the makings of crippled presidency.

Consider the impact that could have in a world where many determine what they can get away with, by what they perceive as the potential reaction of the United States.

• Already the Chinese have grossly insulted the secretary of state — rounding up dissidents on his arrival in Beijing — daring Mr. Clinton to end China's most-favored-nation trade status.

• If North Korea wanted war, we would be at war. But she does want recognition, aid and respect, and is willing to play cat-and-mouse with nuclear weaponry to achieve it. With Pyongyang defying U.N. nuclear inspectors, Mr. Clinton will have to make good on last fall's loud ultimatum — or publicly climb down. The U.S. nonproliferation policy is on the line.

• Our new Persian Gulf policy of "dual containment" of Iran and Iraq is unsustainable, given the rising power of Iran, her drive for nuclear weapons and continued cuts in U.S. defense. Mr. Clinton is even now being tested by Saddam Hussein's steady war of attrition against the marsh Arabs in the Shi'ite south of Iraq.

• In Russia, the question is no longer whether Moscow is going chauvinist and imperialist, but how far. All her leading politicians — Boris Yeltsin, Alexandr Rutskoi, Vladimir Zhirinovsky — look to an enlargement of Moscow's influence and restoration of the old nation.

• With Ukraine's economy in near-barter condition, spring may see Crimea secede and millions of Russian-speaking Ukrainians demand to go home to Mother Russia. A Ukrainian civil war bringing Moscow's intervention is possible.

• In Algeria, an assault on a major prison that freed 1,000 Muslim radicals and terrorists could prove to be the Bastille Day of Islamic revolution. In Egypt, attacks on tour boats, buses and trains have killed off tourism. If Algeria falls to Islamic revolution, the impact would be dramatic; should Egypt follow, it would be cataclysmic.

• While Israeli Prime Minister Rabin is doing his bravest to prevent peace talks from collapsing, he and Yasser Arafat have been politically crippled by the Hebron massacre. Far from being deranged, Baruch Goldstein was a purposeful fanatic who may have achieved his goal: drowning present hopes of a Palestinian homeland in Muslim blood.

That history is worth recalling as Whitewater unfolds.

• If peace comes to Bosnia, Mr. Clinton has promised 25,000 U.S. troops to police it, a promise that may be as difficult to keep as his promise of renewed aid to Russia after the Aldrich Ames episode.

When the Cold War's end came into view, some urged a new America First foreign policy, rooted in the national interest and informed public opinion, where Cold War commitments would be handed off and Cold War allies begin to undertake their own national defense.

We did not get it. Rather, we got half a decade of spluttering nonsense about "The End of History," "Crusades for Democracy" and the United States as the "great hegemonic superpower" destined to lead all mankind into an age of global democacy called the New World Order.

Now, instead of a non-interventionist foreign policy by decision and design, we may get it by debacle and default — or worse, we may get a weak president lurching into crisis after crisis to recapture his lost luster.

Patrick Buchanan is a nationally syndicated columnist.

The Netsch attack

When political consultants from Chicago, Philadelphia and Springfield sat down last fall to fashion the image of Comptroller Dawn Clark Netsch, they didn't have a lot to work with, reports the Chicago Tribune.

"A candidate with a drastic message (raise taxes), abysmal name recognition (last in private polls), very little money (fund-raising — what's that?), even less charisma (even her advisers found her stuffy) and an overburdened, unfocused staff."

In the Democratic primary last week, she became Illinois' first female gubernatorial candidate from a major party, in large part because of an ad campaign that combined her candor with an old hobby — shooting a little pool.

The ads proclaimed her a "straight shooter" and showed her making a number of trick shots. Then the campaign gambled again and flooded the airwaves in January instead of the sprint toward the finish line.

Mrs. Netsch's opponents, Cook County Board President Richard Phelan and Attorney General Roland Burris, waited for the usual last-minute push to the finish — and never caught up.

On Webb's behalf

On "Inside Washington," National Public Radio's Nina Totenberg offered this take on Webster Hubbell's conflict with the Rose Law Firm and his departure as associate attorney general:

"Webb Hubbell got involved in the nastiest of all kinds of fights, a law firm fight over who gets how much money. And he realized, according to his friends, that he was being blackmailed by his former partners . . .

"I must tell you that within the Department of Justice, the non-political people thought this man just walked on water, that he was a straight shooter, that he was a stand-up guy, and when they sent out an e-mail saying come say goodbye to Webb Hubbell, 1,000 career lawyers showed up."

Crisis of character

Robert Bartley, editor of the Wall Street Journal's editorial page, made a rare television appearance yesterday on NBC's "Meet the Press." Like the page he edits, Mr. Bartley didn't pull his punches when asked about the Whitewater-Madison affair.

"It's a character issue that we knew from our acquaintance with Arkansas that it's a place where they cut a lot of corners. And now, are they going to . . . behave the same way . . . in Washington? And now we're starting to get stories that suggest that it goes beyond Whitewater."

Mr. Bartley was then asked if the Whitewater-Madison matter might lead to Mr. Clinton's removal from office.

"I think that is not impossible if more things develop, but as of now, no, I don't — I don't think this would remove him from office, though it's likely to cripple him," he responded.

Another guest, columnist David Broder of The Washington Post, interceded at that point, saying, "I have to say as a reader, a regular reader [of the Journal's editorial page], I have the feeling that behind all of this, there is a kind of a political or ideological agenda, that you really don't accept the legitimacy of Bill Clinton's being in the presidency."

Said Mr. Bartley: "Well, he won the election with 43 percent of the vote. . . . I kind of tend to blame that on George Bush. . . . I think modestly that if Bush had followed our advice, he probably would have won election again."

Futures

Former Phoenix Mayor Paul Johnson officially joined the race for the Democratic gubernatorial nomination in Arizona, blistering GOP Gov. Fife Symington for insufficient support of the state's children.

Arkansas State Rep. Ted Mullenix, a Republican who had said he would run for governor, last week announced he will run for re-election instead, citing lack of funds for a credible race against Democratic Gov. Jim Guy Tucker.

Nevada Assemblyman Jim Gibbons will run against Secretary of State Cheryl Lau to be the Republican challenger to Democratic Gov. Bob Miller. Mr. Gibbons says he will sign a contract with voters if elected.

In Utah, lawyer Pat Shea of Salt Lake City filed as a Democratic candidate against GOP Sen. Orrin Hatch. Several other more visible Democrats had earlier flirted with running and then developed cold feet.

Carville redux

From the Here-We-Thought-It-Was-Bob-Packwood Department:

Clinton adviser James Carville appeared on TV last week to say Whitewater is "just politics . . . nothing but a Republican extension of the campaign."

He said life must go on: "You got to live with it [the controversy], just like I've got to live with the fact I don't have any hair."

CBS' Harry Smith then ventured that Mr. Carville looked like a "Billiken," the mascot for Saint Louis University.

Mr. Carville responded: "I'm the ugliest man in Washington. . . . Just ask my wife."

Citizen Perot

Ross Perot, asked for his impressions of Whitewater: "I don't talk about it. We as an organization . . . don't spend a minute on it. I find it sad that these things distract us from the issues. . . . It diverts us from the real issues that face our country. . . . It's like Tonya Harding again, we've got some little thing here that will preoccupy us for weeks."

Never too early?

David Sarasohn of the Portland Oregonian wonders about states rushing to move up their 1996 presidential primaries. "Where does that leave a small state like Oregon, with a May primary likely to be held not only after the candidate has been chosen, but even after the candidate has stopped spending money?

"What's a good date" for the next president primary? "How about next month? . . . Even New Hampshire probably won't chase us back two years.' "

Wilson rebounds

As a KCAL poll showed GOP Gov. Pete Wilson trailing Democratic Treasurer Kathleen Brown 42-to-48 percent, there was increasing speculation the man who was once the nation's least popular governor cannot be counted out this year.

Writing about the one-term Republican, George Skelton of the Los Angeles Times observes that California's series of reversals and voter malaise suggest Mr. Wilson should be "dead meat." But many pros are rating him an even bet for re-election.

"Wilson had a good year as governor in 1993 after a disastrous 1992. Now he's into the campaign and voters not only are looking at him, but the alternatives. And apparently they're not that impressed."

Singel in

In a field of great uncertainty, Lt. Gov. Mark S. Singel still appears to be the front-runner in the race for the Democratic gubernatorial nomination in Pennsylvania, the Philadelphia Inquirer reports.

Mr. Singel got points for serving as acting governor during Gov. Robert Casey's absence, writes the Inquirer's Robert Zausner. "He scored not so much for what he did but what he didn't do — screw up."

Mr. Singel's campaign says its polls show he would win fairly easily if the election were held today. It is in fact six weeks away, and that may give his five opponents a chance to make some points of their own.

Lynn Yeakel defeated Mr. Singel for the Democratic Senate nomination two years ago. But she is no longer the same fresh face, the only woman in the race and only major candidate from the Philadelphia area.

Nor has she found the equivalent of the emotional issue that charged her 1992 campaign against Republican Sen. Arlen Specter — Anita Hill.

Innovative government

Marty Ryall, executive director of the Arkansas Republican Party, complained to the New York Times that "Arkansas is controlled by a few powerful people that call the shots."

"Every press agency in the world has called wanting to know if we have Clinton's campaign reports back in '84 and '82, which we don't.

"Those things are destroyed. Arkansas is the only bureaucracy in the world that destroys more paperwork than it creates."

Prayer resurgence

A fresh push for prayer in public schools is gaining momentum, USA Today reports.

Behind this movement are new state laws permitting prayer under certain conditions, court rulings about when it is acceptable and the religious right's aggressive effort to defend it on free-speech grounds.

"School prayer is extremely popular with people," Robert Peck, American Civil Liberties Union legislative counsel, told USA Today. "Politicians do the popular thing and let the courts take the heat."

Coattails get longer?

"Among Democrats in Congress, the message from Rosty's survival is that the president . . . went out on a limb for a key supporter and ally when the chips were down," say columnists Jack Germond and Jules Witcover.

Referring to the primary victory of Rep. Dan Rostenkowski, they add, "That fact should bolster Clinton's support in Congress as he pressed for legislative initiatives and as fellow Democrats face re-election."

Observering that Mr. Clinton's effectiveness will be affected by Whitewater developments, the Baltimore Evening Sun columnists add that nevertheless Mr. Clinton can be a "strong spokesman for re-election of supportive Democrats."

Altman-bashing

Deputy Treasury Secretary Roger Altman, whose contacts with White House officials fueled Whitewater clamor, appears to be under no pressure to leave the government, the Wall Street Journal reports.

But Resolution Trust Corp. employees, complaining about his "arrogant attitude" in taking over as acting RTC chief, savor his difficulties. Some began voicing criticism once kept to themselves; others circulate old memos to try to embarrass him.

Stop whining

Boston Globe columnist Mike Barnicle complained last week that the presidency is a pretty good job, what with living rent free, your own air force and never getting stuck in traffic and all that stuff.

"That's why, when you consider how the vast majority behaves, it is kind of disappointing to see the president of the United Stateas acting as if he ought to be wearing a pair of industrial-strength Pampers . . .

"So how come the man is running around the country, banging on podiums and screaming that the Republicans and the provincial rubes in the White House press corps are being nasty to him and his wife? . . .

"So, what's the deal with the crybaby act? Is it the weight of Whitewater or is it merely who Bill Clinton is: A guy who enjoys wallowing in the type of self-pity most people are not allowed because they are too busy with their own troubles."

Full court in Texas

In his piece in the Christian Science Monitor on how the Republican Party became competitive in Texas, Scott Pendleton notes the GOP's new appeal for the state's Hispanic voters.

In the 1960s, the liberalism of the national Democratic Party made the GOP more attractive to Texans, 60 percent of whom tell pollsters they regard themselves as conservative or somewhat conservative.

At the same time, high-tech industry lured to Texas by Democratic leaders brought Republican workers, and in 1980 many of the state's youth began a lasting connection with the GOP because of Ronald Reagan.

Ed Martin, state Democratic Party executive director, told the Monitor, "There's been a natural evolution from being . . . two parties within the Democratic Party, to becoming a two-party state."

Mr. Pendleton says the GOP could become the dominant party an unthinkable possibility three decades ago when the state's 5,000 political offices wouldn't have "mustered enough elected Republicans for a half-court basketball scrimmage."

Incumbency today

It is far too early to draw any broad conclusions from the two primaries that have been held this year except to say the anti-incumbent mood may be losing some bite, says analyst Charles E. Cook in Roll Call.

Although Democratic Rep. Craig Washington lost in Texas, Illinois victories for Rep. Dan Rostenkowski, Rep. Philip M. Crane and Rep. Robert H. Michel's protege Ray LaHood may mean "time for a change" sentiment is losing a bit of potency.

Street frisks

"Our goal should not be the disarming of law-abiding citizens. It should be to reduce the number of people who carry guns unlawfully, especially in places — on streets, in taverns — where the mere presence of a gun can increase the hazards we all face," writes scholar James Q. Wilson.

Writing in the New York Times Magazine, Mr. Wilson adds: "The most effective way to reduce illegal gun carrying is to encourage the police to take guns away from people who carry them without a permit. This means encouraging the police to make street frisks."

• *Compiled by Alan McConagha.*

There sits Bentsen, untouched by controversy, above the fray

By Nancy Mathis
HOUSTON CHRONICLE

Houston Chronicle

As controversy and intrigue batter the White House and swirl around the Treasury Department, Lloyd Bentsen stands tall without a rumpled hair on his graying patrician head.

The treasury secretary and former senator from Texas, now 73, is once again displaying his knack for avoiding political storms — even when they envelop his own agency.

NEWS ANALYSIS

President Clinton and first lady Hillary Rodham Clinton struggle to keep their heads above Whitewater, the failed Arkansas land project. Four Treasury Department staffers, including a former official who was closest to Mr. Bentsen, are under subpoena for questionable meetings with six White House staff members.

The Resolution Trust Corp., an agency under Mr. Bentsen's shop, sparked the episode by making a criminal referral to the Justice Department, suggesting the Clintons possibly benefited from misspent funds by a failed thrift.

But nary a finger has been pointed at Mr. Bentsen.

"You can't survive South Texas politics for nearly 50 years without a pretty good nose," said John C. White, a Texan and former Democratic Party chief. "Politics is a game of sensitivities, antennae and smell, and he's got them all."

"He's been around this city for a long time," said Stephen Hess, a Brookings Institution expert on presidents. "He knows what's coming around corners, and I think that's very important. Maybe if we had more Lloyd Bentsens, there would be less problems in this administration."

Mr. Bentsen also is, as one Democratic aide called him, "the invisible man" when controversy breaks, disappearing from public view at the hint of trouble.

"It's that cautious nature of his," said another Democratic staffer. "How many times when he was in the Senate did he get out front on an issue? Almost never, unless he was bulletproof on it."

When Mr. Bentsen's longtime spokesman Jack DeVore, now a political consultant in Austin, and others were subpoenaed by Whitewater special counsel Robert B. Fiske Jr., Mr. Bentsen issued a statement distancing himself from the fray. He said he had no prior knowledge of the meetings and called for an internal ethics investigation.

Roger Altman, the deputy treasury secretary and acting RTC director, gave White House officials a "heads up" about the RTC's investigation into Madison Guaranty Savings and Loan Association, which had ties to the president and his wife.

Mr. Bentsen has declined to answer further questions from the media or Republicans in Congress about the issue. He's refused even to reconfirm his original statement that he did not know about the meetings.

Then, there was Treasury's Bureau of Alcohol, Tobacco and Firearms raid on the Branch Davidian compound near Waco last year.

Mr. Bentsen was out of the country during the raid but months later publicly read a statement condemning ATF's handling of it. There was no backlash on Mr. Bentsen.

Long the quiet diplomat in the Senate, where he served as chairman of the tax-writing Finance Committee, Mr. Bentsen gave up his congressional career in January 1993 as Mr. Clinton took office.

His acceptance of the treasury secretary post was seen as a fitting cap to his distinguished career, one that would make him the nation's chief economic spokesman and give him an international stage.

But sniping by White House youngsters began before Mr. Bentsen even took office; they appeared intent to capitalize on his reputation. "He'll play to history," one Clinton adviser told Time magazine in December 1992, suggesting they would soothe Mr. Bentsen's ego by naming a policy initiative after him. "We'll call it the 'Bentsen Plan' or something."

Early last year, Mr. Bentsen was rumored to be frustrated with his job and on the verge of leaving. The White House ignored his warnings about a controversial economic stimulus package and tried to pass it without compromise, failing on the president's first major legislative initiative i Congress.

And Mr. Altman, a Clinto friend assigned as Mr. Bentsen deputy but largely thought of a Mr. Bentsen's potential successo took the out-front role in gettin the administration's budget pla passed.

"I think he [Mr. Bentsen] had right to believe he would be th chief economic spokesman for th administration. That is traditio ally the role of the secretary c treasury," Mr. Hess said. "Ther are a lot of aggressive people wh always seem to be standing in lin in front of him."

Rep. Charles Wilson, Texa Democrat, believes Mr. Clinto has always listened to Mr. Ben sen's counsel, though.

"I always felt like that Bentse was a symbol of mature r spectability in the White House. I never did believe he was in da ger or wasn't being listened to Mr. Wilson said.



Treasury Secretary Lloyd Bentse is the administration's Teflon mar

Eyes on banking panels for Whitewater hearings

By Andrew Mollison
COX NEWS SERVICE

Cox News Service

As Congress wrestles over the form and timing of Whitewater hearings, history and tradition suggest that a thorough and wide-ranging probe is possible despite the highly charged partisan atmosphere.

But there probably won't be a special committee like the ones that probed Watergate or looked into the Iran-Contra affair.

NEWS ANALYSIS

Some information will emerge through routine hearings, such as the one scheduled for Thursday by the House Banking Committee on oversight of the thrift industry.

In the Senate, which voted 98-0 Thursday night to hold hearings, leaders of both parties will meet this week to discuss the details of timing and scope.

It seems likely that two sets of formal Whitewater hearings, one by the Senate Banking Committee and the other by its House counterpart, are likely before midyear. The banking committees have expertise and jurisdiction in three areas at the heart of the Whitewater affair: financial institutions, federally backed business loans and the Treasury Department.

Whitewater has two angles, according to Robert Fiske, the special counsel named by Attorney General Janet Reno after President Clinton said such a probe could clear the air.

The Arkansas angle concerns the Clintons' involvement in the Whitewater land deal. Their partners in that deal later became involved in Madison Guaranty Savings and Loan, which went bankrupt, and Capital Management Services, which received loans from the Small Business Administration.

The Washington angle concerns what went on when Treasury and White House officials met to discuss the Arkansas angle.

History and tradition are pushing Congress to investigate. Among the biggest reasons:

- As an institution, Congress is inclined to distrust any administration and wants to double-check its actions.

The executive branch is the main or secondary target for most of the investigations that the legislative branch conducts each year, at a cost of $50 million.

That puts pressure on Senate Banking Chairman Don Riegle, Michigan Democrat, and House Banking Chairman Henry B. Gonzalez, Texas Democrat, to conduct their own investigations, rather than let a special committee or task force get under way.

- As public curiosity and media pressure grow, more and more members of a president's own party worry that failure to investigate would look worse than whatever they could find.

Republicans controlled Congress when it embarrassed Republican President Warren G. Harding in the 1920s by investigating oil lease sales at Teapot Dome. Democrats controlled Congress in the 1970s, when its investigations cost Democratic President Jimmy Carter the services of his first budget director, Bert Lance.

- Answers often come far more swiftly in congressional hearings than they would in civil or crimina cases winding their way slowl through the procedural hurdles i court.

- Most important, congre sional hearings address politica ethical and policy-making que tions that are ignored by a speci prosecutor whose narrower a signment is to find out whethe anyone violated laws.

A congressional inquiry into th Arkansas angle "would pose a s vere risk to the integrity of ou [criminal] investigation," M Fiske complained in a letter to co gressional leaders.

Even hearings on the Washin ton angles "will inevitably lead the disclosure of ... informatic relating to the underlying gran jury investigation," Mr. Fisk maintained.

Such complaints are traditiona and they seldom cut much ice.

Two decades ago, Watergat special prosecutor Archibald Cc sought a court order to keep th Senate Watergate Committee fro holding public hearings during h probe.

Federal Judge John J. Siric turned him down flat in a decisio upheld on appeal. And the Sena hearings continued without paus

Do e shrugs o f Go dwater's needi ig

By Ronald A. Taylor
THE WASHINGTON TIMES

Senate Minority Leader Bob Dole yesterday dismissed former Sen. Barry Goldwater's call for easing up on Republican criticism of President Clinton and continued to press for hearings on the Whitewater-Madison affair.

"He forgot what he said in 1973," Mr. Dole said of the one-time conservative leader on NBC-TV's "Meet the Press."

"If you read his book on Nixon, he said just the opposite, that Nixon should get off his . . . and tell the American people all he knew about Watergate. So either he was right then and wrong now or wrong then and right now. He was probably wrong both times."

Hearings are part of Congress' mandate to resolve unanswered questions about the land deal and Madision Guaranty Savings and Loan Association, Mr. Dole said.

"That's where Congress has a responsibility, just as they had for about 25 times with the Republican presidents. Congress investigated the executive branch 25 times during the Reagan and Bush years, and you can't hide behind the special counsel," he said.

Appearing with him on the program, House Majority Leader Richard Gephardt said the Whitewater-Madison affair should be a limited element in the annual oversight hearings into the operations of the Resolution Trust Corp.

"Mr. Fiske says he's going to be finished with the Washington part of the Whitewater case in three or four weeks. Why would we want to put witnesses on next Thursday that would injure or damage what he is trying to find out about and will report on in three or four weeks? It just doesn't make any sense," Mr. Gephardt said.

Mr. Dole responded: "We don't want to interfere with his investigation, but we don't believe we have to wait till he shoots the firing pistol and says, 'OK, you can start now.' "

In his remarks, Mr. Dole reasserted the need for hearings into President and Mrs. Clinton's ties to a failed land deal and the bankrupt thrift institution in their home state, drawing a distinction between the congressional oversight about to get under way this week and the mandate of special counsel Robert B. Fiske.

The Kansas Republican referred to the special counsel as "a government employee" and said, "Our responsibility is greater than Mr. Fiske's.

"Is it more important to have somebody prosecuted or is it more important to make certain that the laws are upheld?" he said.

"The important thing is that Congress has a responsibility and the longer we wait, the more it's going to smell to the American people."

Mr. Gephardt who continued to soft-pedal the extent to which the Whitewater land deal and the Madison S&L will be examined during RTC oversight hearings before the House Banking Committee set to begin Thursday.

The Missouri Democrat said the upcoming hearing should be limited to Resolution Trust Corp. matters.

"Some questions which relate can be brought up and probably will be brought up. I think most of it has to happen after Fiske finishes that part of it, and then the rest of the case as he finishes different parts of the case," he said.

Mr. Gephardt's concerns center on the announced intention of Rep. Jim Leach, Iowa Republican and banking committee member, to ask pointed questions about Madison Guaranty and the Whitewater deal.

Mr. and Mrs. Clinton have claimed losing $68,900 on the deal. Their former partner and owner of Madison Guaranty puts their loss at $13,500.

Speculation is increasing, too, that the Clintons may have underpaid their income taxes over the past 15 years.

Concerned RDA employees seek to delay reorganization

By Ruth Larson
THE WASHINGTON TIMES

Rural Development Administration employees say they are being offered nonexistent jobs and unfairly being denied the right to retain their current grade levels in the agency's upcoming reorganization.

The charges come as the RDA attempts to close its seven regional offices by March 31. The offices, which employ about 185 workers, offer loans and technical assistance to rural communities that are improving businesses, community facilities, and water and waste systems.

In a letter to the special counsel's office, obtained by The Washington Times, RDA employees from several regions voiced concerns about the planned reassignments. They also asked that the closings be postponed until the special counsel's investigation is completed.

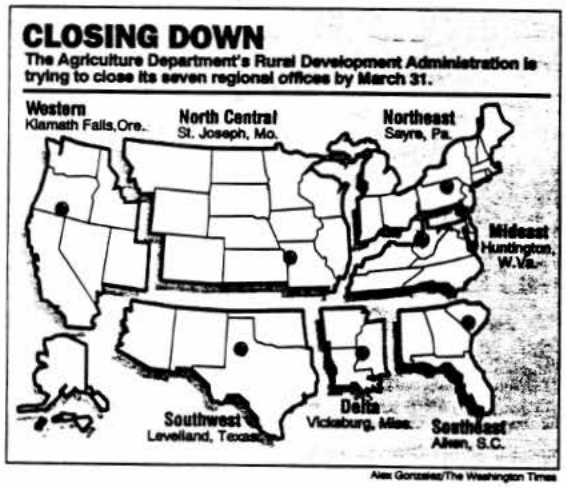
"We resent the fact that we have become pawns in a game we do not understand and which is costing the agency the services and loyalty of a number of dedicated employees who disrupted their lives a little over one year ago to make the Rural Development Administration a viable entity," the letter said.

The U.S. Department of Agriculture established the regional offices in March 1992 — at a cost of nearly $3.5 million — to eliminate duplication with the Farmers Home Administration in processing loans to rural communities.

But last fall, only a year after most regional offices became operational, Congress decided to close them — the first installment of the department's "reinvention," which will reduce the number of USDA agencies from 43 to 30.

The RDA closings will cost an estimated $4.2 million, and would save only $3.6 million over five years, according to figures compiled by Agriculture Secretary Mike Espy's office.

Paul Ellis, a spokesman for the special counsel's office, confirmed that a complaint had been filed by RDA employees, but said he could not comment on the specifics of the case. It has been referred to an examiner to determine whether the charges warrant further investigation, he said.



Alex Gonzalez/The Washington Times

"People often feel put upon in cases of reassignments and rifs [reductions in force], but they aren't necessarily the victims of improper procedures," Mr. Ellis said.

The USDA did not respond to repeated requests for comment.

The employees' charges include:

- Regional employees in managerial positions — grades GM-13 and GM-14 — were offered nonexistent positions in Washington.

"We understand that the agency may be preparing position descriptions at this time to cover the fact that none exist," the letter said.

Employees say RDA's reassignment policy amounts to a "bait and switch" scheme: offer workers an assignment at a distant location, hoping they will decline and instead "volunteer" to take a position closer to home but at a lower pay and grade level — actions prohibited under civil service rules.

- RDA employees were deliberately misled.

For example, employees in the Pennsylvania office were told they were not eligible for severance pay because they were not being laid off. They were also told they must resign if they do not accept the positions they were offered. "Both of these statements are patently false," the letter said.

- Some state rural development coordinators, who have nothing to do with the regional offices, were told they were being reassigned because of the regional office closings.

"In order to 'get' certain individuals — the majority of whom are females — they have directed these individuals' assignments under the guise of the regional office closure. These assignments appear to have tones of both sex discrimination and discrimination based on partisan political issues," the letter said.

Many of the RDA employees previously worked for the Farmers Home Administration, and may return to that agency. But their problems may not end with that move — the FHA is due to be eliminated in the next phase of USDA reorganization.

"At least they could have announced the moves all at once — that would have helped some," one RDA employee said. "It's a morale problem, not just in RDA, but act Farmers Home, too, because they know they're next in line."

MONDAY, MARCH 21, 1994 The Washington Times

Hou se pane. seeks health care accord

Senators go behind closed doors

By J. Jennings Moss
THE WASHINGTON TIMES

The task of developing a consensus on health care continues this week as a House Ways and Means subcommittee tries to finish crafting a bill and the bipartisan membership of the Senate Finance Committee goes behind closed doors to find common ground.

No one is expecting a breakthrough on either front, but backers of health reform say both events play important symbolic roles — they point to needed momentum in Congress to pass a health bill by the November elections.

President Clinton wants to spur the process along. Last week he gave an interview to wire-service reporters covering health care. This week he takes his health care message on the road, with a forum today in Deerfield Park, Fla.

Last week the House Ways and Means health subcommittee became the first congressional panel to begin writing health legislation, and Chairman Pete Stark hopes to take the final votes on the package by midweek.

Rep. Benjamin L. Cardin, Maryland Democrat and member of the Ways and Means health subcommittee, said of the panel's work: "Whether it's done anything to hurt or help pass a bill in full committee is suspect."

Mr. Stark's bill would guarantee health coverage to all Americans by imposing a mandate on employers to provide insurance and by folding the poor and uninsured into a new Medicare plan. One of the remaining issues for the subcommittee is whether it should take a stand on how to pay for health reform; Mr. Stark has proposed a payroll tax, which has little support.

Mr. Cardin said the subcommittee's work has been important because it has brought "rough edges" to the surface, such as the debate over including mental health care as part of a basic benefits package, which the subcommittee voted to do.

"I think this bill is going to evolve and it's going through that evolution and it's going to change," Mr. Cardin said.

With one Democrat and all four Republicans on the subcommittee already opposing the Stark approach, the California Democrat cannot lose a single vote of the remaining five members.

The two votes most in question are those of Rep. Sander Levin, Michigan Democrat, who is concerned about the bill's impact on businesses and families, and Rep. Jim McDermott, Washington Democrat, who is the chief author of the single-payer health care approach.

Rep. Mike Andrews of Texas, a Democrat on the panel who is opposed to the Stark bill largely because of the employer mandate, said he is not sure Mr. Stark will get the votes.

"The only bill that passes is one that's bipartisan," he said. "Much will depend on the president and on the [various committee] chairmen. This has always been and always will be counting to 219 votes. If this bill is handled like NAFTA, it will pass. If it is handled like the president's budget, it will fail."

A bipartisan coalition of lawmakers passed the North American Free Trade Agreement last year by 234-200 in the House and 61-38 in the Senate. But Mr. Clinton's budget passed with only Democratic votes and won by the narrowest of margins.

So far, Republicans and Democrats in the House have not sequestered themselves in a closed room to see if they can reach a compromise.

But members of the Senate Finance Committee are trying that approach as a prelude to crafting a bill in late April. The committee wraps up a two-day retreat in Leesburg, Va., today.

Senate Minority Leader Bob Dole, a Finance Committee member, said he believes Congress eventually will vote on a comprehensive health bill that does not contain employer mandates, price controls or health care alliances.

"I'm fairly optimistic, and it's got to be a plan that has broad bipartisan support. If not, we're going to be back here next year repealing something. So that's why it's necessary that we all get together," he said on NBC's "Meet the Press."



Rep. Pete Stark hopes to get his panel's final votes by midweek.

INSIDE THE BELTWAY

Passing the torch

If only to have been a fly on the wall above two plates of lunch at the Metropolitan Club last Friday, where temporary White House Counsel Lloyd Cutler and White House counsel of late Bernard Nussbaum huddled in the members' grill.

"I'm surprised they would be seen in public like this," one member told Inside the Beltway. "Maybe they were making a statement."

Washington humor

The Associated Press filed this report on Saturday night's Gridiron dinner here in Washington: " 'Louise' Rodham Clinton was aghast. Did you know, she asked concerned husband 'Harry' Clinton, that under the administration health care plan 'We could get sick?'

"It gets worse, the first lady told the president in a video spoof of the Harry and Louise television ads being run by opponents of the Clintons' health reform proposals. . . .

"The Clinton video was the surprise hit Saturday night at the 109th annual Gridiron Club dinner at which journalists and the nation's political elite join in an evening of gentle fun-poking."

Reuters saw it this way: "Bill and Hillary Rodham Clinton may have plenty of political headaches, but they still have a sense of humor about death and taxes.

"The Clintons showcased their wit in a videotaped spoof of 'Harry and Louise' — a couple featured in commercials paid for by foes of the Clintons' health care reform plan, the Health Insurance Association of America."

Sam Donaldson was a dissenting voice on ABC's "This Week" yesterday: "I've only seen one or two comedians in my life who could talk about death and make it funny. And they weren't them."



White House Counsel Lloyd Cutler breaks bread with his predecessor.

White House censors

President Clinton paid a visit to Keene, N.H., last week. The following day:

The Keene Sentinel reported on its front page: "A woman holding a sign that read, 'Abortion is not Health Care,' was kept about 30 feet away from the president. Clinton aides . . . grabbed signs from the Girl Scouts and held them in front of the abortion sign. All the president saw was smiling, happy constituents."

Just a thought

President Clinton, no doubt, was touched by a two-page letter he received over the weekend from Rep. Rick Santorum, Pennsylvania Republican.

"A number of confusing reports have appeared recently in the press concerning your tax filings during the past few years, with a variety of questions raised about deductions for interest and property tax payments, discharge of indebtedness income and similar matters," the congressman wrote. "I am writing to suggest a way in which you might be able to answer those questions and dispel public doubts by following a precedent set by former President Nixon in similar circumstances in 1973."

Mr. Santorum noted that Mr. Nixon had the Joint Committee on Taxation review his tax returns and then issue a public report on them.

You know what I mean

"Dear Inside the Beltway," writes Tammy Walters of Manassas. "Who says Whitewater is nothing like Watergate?

"I was watching Chicago's WGN News 'Decision '94' last night on cable when the male anchor said, 'Coming up next, one of President Clinton's own is calling for him to fess up on Watergate . . . uh, I should say, Whitewater.' "

Coast Guard project

The Coast Guard writes in an internal memo that a male member recently "expressed feelings that requiring women to wear the Coast Guard stripe ascot was grading since men aren't required to wear any uniform it with the stripe on it.

"A rep from G-PMP, the di sion handling the Women's U form Improvement Project (WUIP), related that three ti are being wear-tested with th new women's uniform. . . . In mation from the Diversity S and from the WUIP survey i cate women are pretty evenl vided on like/dislike of the a

Legal backing

A list of co-chair of th Kyle McSlarrow campaign t unseat Democratic Rep. Jan Moran of Alexandria i s like a who's who of former f eral law enforcement officia William P. Barr, Edwin Mee Kenneth Starr, Henry Huds and Jay B. Stephens.

Finally, some resp

In our column last May, w wrote of local resident Willi Langhorst's efforts to have a bridges referred to by their nal names. Naming the "P ge Bridge" over the Ch River as one forgotten brid

"I've got some good news you," Mr. Langhorst now wr "The Virginia Department Transportation has installe large and very legible signs ing 'Purple Heart Bridge a ends of the bridge span."

Bad hair days

There's a list circulating around Washington titled " Ten Top Similarities Betwe lary & Tonya."

Out of respect for the fir lady's office, we've chosen nore everything on the list than the last portion of No. "Both have routine bad hai sodes that coincide with ne closures."

Opposites for he opposit on: Sen. D'Amato, full of bluster ...

By Liz Trotta
THE WASHINGTON TIMES

A1

NEW YORK — With more than a hint of disdain, public television interviewer Charlie Rose glided down the crowded corridor minutes before a recent taping session was to begin.

"Who are these people?" he sniffed, noting the various acolytes who usually accompany talk-show guests.

What he didn't notice was that the junior senator from New York, smoldering under an apron in the makeup room, was about to erupt.

Sen. Alfonse M. D'Amato had just learned that Sen. John Breaux, Louisiana Democrat, would be sharing the broadcast with him. D'Amato aides, who seem to wear a uniform look of pale terror, tried to explain how it happened, clearly placing the blame on Mr. Rose's staff.

In Alfonse D'Amato's book, spotlights are not for sharing.

The program's officious executive producer, distinguishable by his blue blazer and clipboard, pulled up a chair and leaned toward the senator to explain. His patronizing plea was met with fury.



Photo by Peter A. Harris The Washington Times

On a mission: Sen. Alfonse M. D'Amato skips the niceties in his pursuit of Whitewater truths.

"I don't like your attitude," roared Mr. D'Amato. "I'm not doing the show. With that, he tore off the apron, grabbed his jacket and stormed toward the exit.

"But I did a profile on you," implored the producer, as though admission of such journalistic effort would endear him to the raging D'Amato. "Please, please. . . ." But this senator, who proudly displays a sign in his office that reads "Dragon Killer," was not impressed.

"Damn it, I was set up," he bellowed as program assistants ran for cover. While Mr. D'Amato continued to fume (but stopped short of getting on an elevator), a frantic Mr. Rose arrived with soothing — begging — words.

"Well, all right, I'll do it," said Mr. D'Amato, certain that he had extracted the proper amount of deference. Later, he said: "You saw that ostentation, that talking down to me."

Some observers say that Al D'Amato enjoys his famous temper tantrums and that they are more frequent as he continues to walk point for the Republicans in the Whitewater-Madison affair. Riding the biggest issue of his career, Mr. D'Amato is clearly on a Rambo-like mission, and the pressure may be taking its toll.

In fact, the night before his outburst at Mr. Rose's office, he created a stir at the annual Inner Circle Dinner, a high-profile roast staged by New York reporters. Mr. D'Amato, a supporter of state Sen. George Pataki's bid to run against Gov. Mario Cuomo, was shaking hands when he saw Angelo Mangia, a key aide to state GOP Senate Majority leader Ralph Marino,

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D'AMATO

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who is expected to back a Conservative Party candidate.

"You think you run the Republican Party in this state? Well, you don't," Mr. D'Amato shouted as he was physically restrained from moving toward his adversary. Later he says ruefully, "I didn't get near him."

The volcanic senator from Long Island, who is now in his third term, does not seem ruffled by the perception that he may well be the rudest man in the gentlemen's club of the U.S. Senate. As he preaches his message of "doing the right thing" — which is how he views his pursuit of Whitewater truths — Mr. D'Amato, 56, is confronting the phantoms of his own past ethics problems.

From the academic formality of a college seminar to a raucous appearance on "Donahue," Mr. D'Amato is relentlessly quizzed about his rebuke by the Senate Ethics Committee in 1991 for running his office in an "improper and inappropriate manner."

The resurrection of his rocky past began when the chairman of the Democratic National Committee, David Wilhelm, accused Mr. D'Amato of committing perjury before a grand jury 19 years ago when he was questioned about contributions by public employees to the Nassau County Republican Party.

Clinton political consultant James Carville, among others, is asking why Mr. D'Amato won't release his testimony before the Ethics Committee.

Moreover, when President Clinton remarked that the Republicans in Congress had apparently chosen Mr. D'Amato as the "ethical spokesman," his sarcasm was not lost on the party. One journalist-turned-pundit dubbed him an "ethical eunuch."

"He ought to tone it down by 10 degrees," says William J. Bennett, a director of the conservative advocacy group Empower America. Mr. Bennett is the author of "The Book of Virtues," a best-seller about moral stories derived from history.

"Because he's so emotional, people think there's something personal involved," says Mr. Bennett. He accords Mr. D'Amato credit for uncovering the Resolution Trust Corp. meetings with the White House but says, "Al D'Amato needs to ask himself when he goes out front if he's advancing the inquiry or creating a distraction."

Mr. D'Amato insists his eruptions are not a loss of self-control, but a deliberate tactic.

Stretched out flat on a leather chair in his Capitol Hill office, he complains of pain in an arm broken on a ski trip, cradles a phone to his neck and takes on the air of a furious turtle lying on its back. "Hi, sweetheart," he growls into the mouthpiece. "Crush him!" he directs another caller. "He's a snake," he hisses to another.

Although he wears the costume of the Washington realm — gray pin-striped suit, red-patterned tie and tassled loafers — it seems an off-the-rack version. Sartorial grace, like hair transplants and eye tucks, are not part of his bullying New York style.

"Losing my temper? Absolutely not; it's deliberate. It's my way of saying, 'You want to play games? Get ready,' " he says. "These people don't just edge up to the line — they go in and cross over and do what they want and say they have a right to do it. It seems they have no conscience."

One recent early morning the senator was prowling the aisle in his classroom at the C.W. Post Campus of Long Island University in Greenvale. He teaches a course in politics. Pointing to a student, he asks: "There are those who say my call for hearings is political. What do you think?"

"Yes, it is," replied the student.

The senator repeated the question five times, and each time the answer was the same. Hovering over the last student to be called, he demanded: "Well? Is it political?"

Another "Yes."

"The answer is 'Of course it is!' " bellowed Mr. D'Amato. "I'm proud of you. You wouldn't let me browbeat you into saying otherwise."

Then, rhetorically, he added: "Is it fair? That's another matter. But it falls within the business of the body politic."

He walks to the window, sips coffee and declares to no one in particular, "I don't really know what transpired, but the conduct of these people has created the atmosphere."

Without any warning, he practices the opening line of a speech he has to deliver that evening. "I want you to know that I gave up an invitation from the White House to be here with you tonight. Bill and Hillary wanted me over for dinner."

Sensing a lukewarm reaction, he adds: "Or 'They wanted me for dinner. I understand they developed a fondness for Italian food, washed down with white water.' BOOOO."

Still, the phantom that dogs him is never far away. "I have become the object of attacks on ethics. You don't like the message, let's get the messenger," Mr. D'Amato tells his class. "Whether or not I have had my own ethical lapses, or made my own bed and made mistakes along the way, is not really the issue."

Like a lawyer goading a jury, he goes on, "They'd love me to say 'That's bunk,' because the next thing you have to do is defend yourself, even though it's totally outrageous. They say you didn't tell the truth to the grand jury. How the hell would they know that — what I said and what I didn't say — because it's secret."

On the following day, the issue rears up again on "Donahue" before an obviously handpicked audience that is blatantly pro-Clinton. Announcing that "I have fished the White River and it is beautiful and pristine," the manicured and manic host charges Mr. D'Amato with hiding the facts of his own ethics quagmire. "Your moral fundamentalism is destroying the White House staff," shouts Phil Donahue. And on it went.

Mr. D'Amato is savvy enough to know that the phantom will not go away and sufficiently battle-hardened to tough it out. "The more they assail me personally, the more I think their motivation should be questioned. The more vicious their attack, the more determined I am to go forward."

He pauses to gather steam. "They will say anything — or do anything to escape the consequences of their own acts — I like that. Write that down."

MONDAY, MARCH 21, 1994 The Washington Times

... and Rep. Leach, soft-spoken moderate

By Rod Dreher
THE WASHINGTON TIMES

"The voice Bill Clinton hears in his sleep is not Hillary's," claims a placard campaign for a local talk radio station. They mean Rush Limbaugh, the booming conservative cannon of the airwaves.

A good case could be made, however, that if anyone's voice bothers the president these days, it's the still, small and very persistent one belonging to Rep. Jim Leach.

The Iowa Republican, 51, is no Al D'Amato. He's no Bob Dole, and he's no Newt Gingrich. Rhetorical bomb-throwing is not his style. In his 17 years in Congress, Mr.

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LEACH

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Leach has eschewed partisan bickering while quietly building a reputation as a thoughtful moderate of unfailing decency and impeccable ethical standards.

That's why the Democrats are so worried by his simmering outrage over the Whitewater-Madison affair and his insistence that Congress hold hearings into the matter. If Jim Leach sees smoke, many members fear there must be fire.

"Jim Leach does not engage in hyperbole, nor does he engage in political vendettas," Sen. Tom Harkin, Iowa Democrat, has said. "When Jim Leach does something like this, it has a serious tone, and it can't be dismissed lightly."

ABC-TV commentator Cokie Roberts, emceeing a January congressional dinner, called Mr. Leach "the Democrats' favorite Republican — until recently."

Mr. Leach appears to have taken the lessons taught by his high school civics textbook to heart. A multimillionaire, he doesn't take PAC money, contributions over $500 or donations from those who don't live in Iowa. His office is as bright as a classroom and depends heavily on artistic renderings of Abraham Lincoln for its decor.

When the white-haired Mr. Leach shambles in and takes a seat, the room takes on the more settled, pensive air of a professor's office or a parson's study. In a town where most politicians announce their presence by their often bombastic bearing, Mr. Leach, sleepy-eyed son of a banker, appears almost spectral.

The congressman credits growing up in a strong family for forming his conscience. His "particularly upright" father, a son of small-town Iowa, was possessed of an understated nature that he clearly passed on to his son.

"He never told a falsehood or exaggerated," Mr. Leach says. "It was just his way. It makes me think in all of this, that the saddest thing for me is on [Whitewater-Madison], not to have him around to talk to."

The elder Leach died several years ago.

As a high-schooler in Davenport, Mr. Leach was the captain of his wrestling team and state champion in his weight class.

"Wrestling is all about individual accountability," he states. "There are some analogies here about standing on your own, on your individual convictions, versus the need to structure oneself along the outlines of a team setting."

It was a lesson that clearly stuck with him. Since junior high days, Mr. Leach wanted to be in the Foreign Service. After earning degrees from Princeton, Johns Hopkins and the London School of Economics, he received an appointment by President Nixon to the Foreign Service. He quit in protest after 1973's "Saturday Night Massacre," in which the president, besieged by Watergate, forced the attorney general to resign so he could fire the special prosecutor.

"To resign from the Foreign Service was very hard for me," he says. "I felt Mr. Nixon put himself above the law when he fired Elliott Richardson and Archibald Cox. This is a country of laws, not men."

In Mr. Leach's view, Whitewater-Madison is about upholding this principle, though at this point he believes Watergate was a much more serious matter.

"Whitewater to me is about arrogance of power rather than a breach of the Constitution to such an extent that extraordinary steps have to be taken," he explains. "The line I'm trying to walk is between holding a public official responsible for public acts, and jeopardizing and debilitating the presidency. That's a tough line to walk."

As one of a handful of moderate Republicans in Congress, Mr. Leach — elected to Congress from the Davenport area in 1976 — has been walking a tough line since the ascendancy of Ronald Reagan.

The Iowan claims allegiance to the Barry Goldwater wing of the GOP, which he characterizes as conservative on economics and libertarian on social issues. Mr. Leach, whose voting record earns him one of the lowest American Conservative Union ratings of any Republican in Congress, was president of the Ripon Society, a small band of liberal Republicans, for most of the 1980s.

Dennis Ryerson, editorial page editor of the Des Moines Register, remembers seeing Mr. Leach for the first time at the 1984 GOP convention in Dallas, which anointed the extremely popular Mr. Reagan for a second term in office.

"There was a small cell of people at the Dallas train station: Republican for Choice," Mr. Ryerson says. "And Leach was there, standing by Faye Wattleton of Planned Parenthood. That's him."

Mr. Leach was out of step with the Republican mainstream when he excoriated the Reagan administration for its policies on Central America and the Iran-Contra debacle. His repudiation of the behavior of a popular Republican president made Mr. Leach "a philosophical pariah" within his own party.

"I suspect no one [in Congress] had greater concerns for the legal and constitutional dimensions of Iran-Contra than I," Mr. Leach says. While he respected the goal of stopping communist infiltration into Central America, it wasn't worth subverting the Constitution to achieve that end, he adds.

Mr. Leach was one of the few in either party during that go-go decade to warn against savings and loan deregulation, which he prophesied would become a disaster. He and House Banking Committee Chairman Henry Gonzalez, Texas Democrat, have been allies in the recent past, when it came to rooting out S&L chicanery, even w it invol the son of Mr. Leach's cl friend George Bush.

Now Mr. Gonzalez is refusing to allow Mr. Leach, the ranking Republican member of the Banking Committee, to call Whitewater-related witnesses to a committee hearing this week. When asked last week why he was abandoning Mr. Leach now that the S&L monkey was on the back of a Democratic president, an irritated Mr. Gonzalez jumped onto a House elevator muttering something about not understanding "the new Leach."

"The interesting thing about this is you have the minority party standing up for the interests of Congress, while the majority party, in the desire to protect their president, is dismissing their own obligations," Mr. Leach says.

In recent speeches and interviews, Mr. Leach has come down hard on what he calls "megeneration public ethics." He takes a dim view of politicians who preach one thing such as demonizing the 1980s as a decade of greed while practicing just the opposite. The idea that one should live one's convictions instead of merely running on them is the foundation of Mr. Leach's political ethic.

"I put a great emphasis on family values as reflected by family people, not as argued in the political process. Sometimes, those that argue the most strenuously are those that are the least attentive in their own lives."

Though Mr. Leach, who is married and has two children, does not posture as a Diogenes from the Heartland, who came from the Iowa wheat fields searching Congress in vain for one honest man, there are some who think he's a bit full of himself. The New Republic's Michael Kinsley, for one, says in his latest column that Mr. Leach is full of sanctimony.

When told of this, Mr. Leach's eyes widen. He says he is sorry to hear that, because he thinks Mr. Kinsley is one of the most intelligent columnists going. "Of all the things I've aspired not to be, it's sanctimonious," he says, laughing softly.

As Washington moves inevitably toward some sort of public airing of the Whitewater-Madison affair, Mr. Leach will almost certainly be thrust into the public spotlight more and more. A savvy politician would capitalize on this to prepare the way for higher office. That's not likely to happen with Mr. Leach, some say.

"He's the kind of guy who has no illusions of grandeur. He might run for the U.S. Senate, but he gives every indication of wanting to stay right where he is," says Mr. Ryerson.

What stokes Mr. Leach's passion to get to the bottom of Whitewater is a sense that Bill Clinton did not play fair during the 1980s, and he's not playing fair now. Unlike some of his more partisan colleagues, Mr. Leach evidences no desire to undo the president, but he does not intend to let Mr. Clinton and his congressional allies undo the presi cy.

MONDAY, MARCH 21, 1994 The Washington Times

Congress mapping Whitewater inquiry

By Leslie Phillips
USA TODAY

Republicans try to tighten the screws on President Clinton and Hillary Rodham Clinton this week as Congress inches closer to hearings on the Whitewater land deal.

Senate leaders will meet to chart a course for future hearings, while a House panel holds a session on the oversight of failed savings and loan institutions, during which Whitewater is expected to come up.

At issue is the Clintons' investment in the Whitewater Land Corp., with partner James McDougal, head of the defunct Madison Guaranty Savings & Loan, and whether administration officials tried to head off a federal investigation of the institution.

Senate Minority Leader Robert Dole, R-Kan., said Sunday on NBC's *Meet the Press* that he and Majority Leader George Mitchell, D-Maine, will meet Tuesday and Wednesday "to try to structure hearings and to figure out when they would start."

"We've got to get ready," Dole said. "It's going to take some time. ... Let's get the facts out. If there's nothing there, there's nothing there."

Special counsel Robert Fiske has asked Congress to hold off on hearings until he's completed his initial questioning of White House and Treasury officials who met last fall and this spring about the federal probe of Madison.

On Thursday, House banking committee Chairman Henry Gonzalez, D-Texas, is expected to convene a hearing, required by law, to monitor the Resolution Trust Corp., the agency responsible for the savings and loan cleanup.

Ranking Republican Rep. James Leach, R-Iowa, issued a list of 40 people connected to Whitewater whom he wants to call as witnesses. But Gonzalez has said he will not allow the hearing to veer off track.

If witnesses are barred, Leach said he will "lay out the precise reason for their relevance." Other developments:

▶ Amid growing indications the Clintons underpaid some past income taxes, the White House said "any amounts underpaid will be paid."

The April issue of *Money* magazine, which reviewed the Clintons' taxes for the past 12 years, says they underpaid by about $16,000.

According to a White House statement, the Clintons' tax returns "have been professionally prepared by qualified CPAs, and we have confidence that they were correctly done. Should any facts emerge that indicate that they owe more or less in taxes, any amounts underpaid will be paid."

▶ Hillary Clinton reaped $100,000 in the commodities market with the help of a close family friend who also was a top lawyer for a major Arkansas employer, it was reported.

The New York Times reported Friday James Blair, chief outside lawyer for Tyson Foods Inc., the nation's largest poultry company, advised Hillary Clinton shortly before her husband became governor in 1978.

Tyson subsequently benefited from state actions, including environmental regulations. The U.S. Agriculture Department has delayed tightening the standards for poultry contamination.

▶ *The Washington Post* reported Saturday that the Rose Law Firm asked the Arkansas bar association to investigate Webster Hubbell, who resigned last week as associate attorney general, for overbilling and other expense irregularities.

First lady 'holding up' but allegations hurt

By Elizabeth Neus
Gannett News Service

ARLINGTON, Va. — Hillary Rodham Clinton says public suspicions about Whitewater have left her saddened, but confident of vindication.

"I'm holding up fine, except that it's lonely in the bunker," she told a Gannett Co. and USA TODAY luncheon on Saturday.

"You know, it breaks my heart for people to think that either my husband or I did anything wrong," she said. "It's very painful. But I guess that's they way it's played today."

▶ On a *New York Times* report she made $100,000 by taking investment advice from a lawyer for Arkansas' largest employer while Bill Clinton was governor:

"When I'm asked if I made money in commodities trading in 1978 and 1979, the answer is yes," she said. "I didn't know there was anything wrong with having a stock account and trading futures."

She stopped trading, she said, "because I got pregnant and had a baby and couldn't stand it — it was too nerve-wracking. So I don't know where the story is there."

She added: "I suppose the headline would be, 'Don't make money and don't lose money.'"

▶ On Whitewater:

"We made a land investment when land looked like it was going to keep going up in Arkansas, and it went down, and we lost money. And we didn't pay much attention to it, because we weren't responsible for it."

▶ On the investigation:

"We've waived every privilege known to man or president; we have given every scrap of paper. I wish the (special counsel's) report could be written tomorrow.

"We did not keep the books and records of that little company; we never had an S&L loan; we never did any business with an S&L; we had commercial bank loans; we paid every one of them back.

"We turn over all our tax information every year to certified CPAs; they fill out our tax returns for us.

"I don't know what else to say."

MONDAY, MARCH 21, 1994 • USA TODAY

Robert D. Novak

Damming Whitewater

Chairman Henry Gonzalez hit unprecedented heights in his efforts to prevent his House Banking Committee from probing Whitewater at regular thrift-oversight hearings Thursday when he instructed Clinton administration officials not to answer any questions about the failed Madison Guaranty Savings and Loan.

Those officials are reading from the playbook as the chairman. They have informed the committee's senior Republican, Rep. Jim Leach, that they grant requests for documents unless the whole committee or its chairman agrees. Old Capitol Hill hands cannot recall a previous case of any congressional majority collaborating with the administration to stifle an inquiry demanded by the minority.

That suggests this committee scene for Thursday: Leach asks whether Madison funds were poured into the Whitewater land development venture, Gonzalez rules the question out of order. Considering the vagueness of the bipartisan Senate "agreement" to hold hearings, the dam Gonzalez is building against Whitewater could prevent show hearings from preoccupying the capital and the nation.

This is the devout desire of House Democratic leaders, and Gonzalez is their point man. He has been on a letter-writing tear, denouncing the "jackal press" and hypocritical Republicans.

The 77-year-old, 17-term veteran is an old-fashioned Texas populist in the tradition of his Banking Committee predecessor, Wright Patman, inveighing against bankers and the Federal Reserve Board. Gonzalez is also one of the last true eccentrics in Congress, refusing to participate in the daily pledge of allegiance to the flag—comparing it to Hitler's "Sieg Heil."

While during the Bush administration Gonzalez was ferocious in hounding Neil Bush and other private citizens caught up in the savings and loan mess, he resisted any congressional investigation when Whitewater began emerging late year. But when Republican Rep. Robert Walker cornered Gonzalez on the House floor Feb. 1, the chairman stated no fewer than 10 times that he would hold hearings. That created speculation on the Hill that this doughty warrior perhaps had lost a step.

When Leach on March 8 requested 40 witnesses to be asked Whitewater questions at the committee's scheduled oversight hearings on the thrift industry, however, Gonzalez fired off a heated response on his personal—not Banking Committee—stationery in language members of Congress never put on paper in addressing a colleague.

"Frankly," he wrote Leach on March 9, "there's nothing more absurd—even repugnant—than the spectacle of you bunch of Republicans . . . in fits and paroxysms of morality." As for the hearings request, he was icy: "It will get the due consideration it merits."

On March 10, Gonzalez wrote federal regulators that Leach's request two days earlier for access to documents concerning Madison does not constitute an "investigation" under House rules.

On March 11, he told Independent Counsel Robert Fiske that "I would never permit" the Banking Committee's March 24 hearing to "encroach" on the Justice Department's Whitewater investigation, adding: "One witch hunt is enough." Asserting that the committee "is a legislative body, not a prosecutorial or a judicial one," Gonzalez continued, "I regret that Mr. Leach . . . and elements of the jackal press refuse to see this."

Bolstered by Gonzalez's prompting, the federal regulators on March 11 sent letters to Leach turning down his request for documents. One of them—Jonathan L. Fiechter, acting director o the Office of Thrift Supervision—ed that "a request come from the ing] Committee as a whole or the man before providing non-public information."

The clincher came March 14 in iden tical letters sent by Gonzalez to Trea sury Secretary Lloyd Bentsen, Deputy Secretary Roger Altman and other administration officials. Any to dc with Madison, he said, "will not be considered pertinent at the ng need not be answered by you." There is no known precedent for this remarkable instruction from a congressional committee chairman to dummy up.

Nevertheless, that does not definitively dam up Whitewater. H Republican Whip Newt Gingrich threatened to block funding for congressional committees if the h ngs are barred. Speaker Th Foley asked for a meeting Tuesday between the House leaders of both parties to try to sort things out. The Republicans then will make a simple demand: that Henry Gonzalez permit questions to be asked and answers to be given.

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THE FEDERAL DIARY

The Transit Grab Bag

By Mike Causey
Washington Post Staff Writer

If you paid full fare, out of pocket, on the bus or subway this morning you obviously work for the wrong federal agency.

About 22,000 of the Washington area's 365,000 U.S. employees will get to work today using tokens or Farecards supplied by their agencies. The amount employees receive ranges from $20 to $60 a month. It depends on the agency's commitment to public transportation and how much it can afford.

Thousands more federal workers—from Harpers Ferry, W.Va., Fredericksburg, Va., Annapolis and Bowie—also benefit from the program. It permits any employer—not just Uncle Sam—to give workers tax-free subsidies of up to $60 a month for public transportation.

The amount of the transit benefit varies from agency to agency and sometimes within departments. The Department of Transportation gives a $60 monthly subsidy to workers in the Federal Highway Administration, Federal Aviation Administration and Federal Maritime Administration, but Coast Guard civilians in Arlington get $21 a month, as do employees of the National Transportation Safety Board.

The CIA, White House, Customs Service and Congressional Budget Office give employees $21 a month, according to Metro records. The Federal Emergency Management Agency gives workers $60, and the Office of Government Ethics gives $21 a month to eligible employees. Some agencies restrict the benefit to lower-grade, lower-paid workers, and some use it to reward employees for outstanding service.

Agencies involved in the transit subsidy program—including the National Aeronautics and Space Administration, parts of the National Institutes of Health, Selective Service System, Tax Court, Senate and Treasury Department—have almost 56,000 eligible workers. About four of 10 eligible people participate in the program, agreeing not to drive to work and to use the Farecards or tokens for commuting.

Government workers in New York, Denver and other cities also participate. In California, agencies are testing a program in which they pay employees not to drive to work—whether they take public transportation, bike, run, skate or walk. That is part of a tough California clean air program that requires government agencies and private employers to do everything possible to keep people off the freeways.

Metro will have a series of workshops next week to tell federal agencies and private employers how to take part in the transit subsidy program. For details, call 202-962-1326.

Buyout Update, Day 148

The House is to vote tomorrow on a compromise buyout package approved last week by Senate-House conferees. The proposal, which would authorize agencies to pay employees up to $25,000 to quit or retire, could run into trouble. Conferees knocked out a provision favored by President Clinton and the Senate that would put savings from the elimination of 252,000 federal jobs into the proposed Violent Crime Reduction Trust Fund. If the conference report passes the House, it could run into trouble in the Senate.

Each day that buyouts are delayed reduces the number of workers who will be offered them this year. For buyouts to be most cost-effective, workers must be off the payroll in October, November and December. As the fiscal year gets older, the cost-effectiveness of buyouts depends increasingly on their being offered to higher-salaried employees. If you are a worker at Grade 11 or below, therefore, you can probably forget about buyouts this fiscal year, even if they are approved.

THE WASHINGTON POST MONDAY, MARCH 21, 1994

IN THE LOOP

Warming Up in the Counsel's Bullpen?

By Al Kamen
Washington Post Staff Writer

Lloyd Cutler's arrival as temporary White House counsel has not dimmed speculation about who might be taking the coveted job on a more permanent basis.

Cutler on Saturday said he would recommend someone to succeed him. If history is any guide, Cutler might suggest another veteran Washington lawyer, **Stephen J. Pollak.**

Seems the last time Cutler was in the White House as counsel to **Jimmy Carter**, Pollak, a longtime friend and colleague from their days at the Lawyers Committee for Civil Rights Under Law, was called upon, at Cutler's suggestion, to represent Carter chief of staff **Hamilton Jordan** and later brother **Billy Carter.**

Pollak, who headed the Justice Department's civil rights division in 1968-69, also represented 1984 vice presidential nominee **Geraldine A. Ferraro,** appearing with her at the famous news conference she held to discuss allegations involving her and her husband's business dealings.

Policy Rotation at the Pentagon?

■ Names are already circulating at the Pentagon about who will succeed Undersecretary for Policy **Frank G. Wisner,** who is in line to be ambassador to India. The most likely in-house candidate is Wisner's top deputy, **Walter B. Slocombe.** Pentagon folks say the outside names being talked about for the job include CIA policy planning chief **Joseph S. Nye,** Center for Naval Analyses head **Robert J. Murray** and Washington lawyer **Jeffrey H. Smith,** formerly at State and on the Senate Armed Services Committee staff who worked on the Clinton Pentagon transition. Nothing is going to happen on this front until Defense Secretary **William J. Perry** returns this week from Russia.

Pique Over Blocked Passage to India

■ Speaking of Wisner to India, at least one senator is mighty put out at the administration's backing away from former representative **Stephen J. Solarz's** candidacy for the job.

Sen. Paul Simon (D-Ill.) says that administration sometimes "hasn't shown the backbone that it should" in standing by nominees. Solarz's chances were derailed by questions about his dealings with a Hong Kong businessman with underworld ties.

"Those of us who work with him know he's a completely honorable guy," Simon said, adding that Solarz cut ties with the businessman after confirming the unsavory connections. "He would be a superb asset to the administration and to back off because there has been a little bit of flak is a mistake," Simon said.

The administration "can't be spineless in this," Simon said. "There's nothing dishonorable about losing a battle on some of these things."

Meanwhile, it's not that Solarz will not get any administration work. He says he is mulling an offer to be special envoy to the Sudan. No confirmation required.

Environmental Lobbyists: No Green Lights

■ Those of you who imagined that Washington's ecology lobbyists were toiling to push through new environmental laws have been suffering under an awful delusion, according to a memo circulating in town.

The enviros' Capitol Hill strategy is to try to kill proposed legislation to overhaul the oft-criticized Superfund policy and maybe even the bill to reauthorize the Clean Water Act, the memo says.

Natural Resources Defense Council staff member **Erik D. Olson** penned the memo following a meeting environmental lobbyists held with pro-environmental California Democratic Reps. **Henry A. Waxman** and **George Miller.**

For starters, the memo, sent to the heads of most major environmental groups, suggests that the Endangered Species Act, due to be reauthorized this year, should be "taken off the table," apparently because congressional opponents are mounting a strong and popular campaign to weaken it.

Also, on the proposed new Safe Drinking Water Act, the lobbyists conceded that "it is probably not within our power to stop this legislation from moving in the Senate."

Enviros think the bill isn't tough enough on polluters and suggest a big effort would be needed to make it acceptable. "The community must put substantial media, grass-roots and lobbying effort into this bill or we could take a major loss, which would set a bad precedent," the memo says.

There are also substantial doubts among the enviros about a bid to elevate the Environmental Protection Agency to Cabinet status now, although they have hopes of reviving this campaign later in the year.

There is a feeling among enviros, not expressed in the memo, that the administration, while with them on many of these issues, is not in a position to help in this session given some of the distractions caused by other initiatives on health and welfare reform and the Whitewater tangle.

Postcard From Ex-Congressman at 'Club Fed'

■ Anyone who thinks prison will dull a good sense of humor should talk to former representative **George V. Hansen** of Idaho. The seven-term Republican did about six months in the "honor camp" in Petersburg, Va. (the section reserved for lawyers, bankers and politicians), in 1985-86 after a conviction for violations of federal ethics rules.

Hansen then went into business and the next thing you know he was convicted of bank fraud and sentenced to four years. That conviction is on appeal, but he's been back in Petersburg for about a year.

Even so, the indomitable Hansen wrote Post staff writer Howard Kurtz recently to press his campaign for alternative sentencing for "non-violent low-level offenders in federal prisons."

"Dear Howard," Hansen writes, "you may recollect that I'm a longtime whistleblower who occasionally earns an invitation to 'Club Fed,' where I am (temporarily, I hope) at this time."

Essay

WILLIAM SAFIRE

Leach Vs. Gonzalez

WASHINGTON

Eight members of the great Chicago White Sox team had just been indicted for conspiring with gamblers to throw the 1919 World Series. A young fan, tears in his eyes, ran up to Shoeless Joe Jackson and pleaded: *"Say it ain't so, Joe."*

I feel that way about House Banking Chairman Henry Gonzalez. He was my hero. For years, while Beltway elitists joined bankers' lobbyists to scoff at his ponderous style, I admired his courage in taking on the titans of the executive branch and the regulatory agencies.

Long before the Banca Lavoro affair blossomed into the Iraqgate scandal, it was San Antonio's Henry Gonzalez who saw through the flimflam of the U.S. Attorney in Atlanta. Chairman Gonzalez, droning on late at night to an empty House chamber, put into the Congressional Record evidence of the Justice Department's connivance in silencing inquiry into President Bush's misbegotten financing of Saddam Hussein.

That was during a Republican Administration. Surely, I thought, when the moment came for investigation into the savings and loan debacle and abuse of Federal power in discouraging and "monitoring" of criminal referrals of bank regulatory agencies, Chairman Gonzalez would see his nonpartisan duty and lead the way in Whitewater, no matter what the pressure from Democratic satraps.

Last month, as evidence mounted of White House and Treasury meddling in a banking prosecution — and as the need for the Banking Committee's oversight became urgent — I called my frequent source and asked: Henry, where are you?

"As soon as I see some legislative purpose to hearings," he promised, "I'll hold them." Pressed about the oversight responsibility of his Banking Committee, Chairman Gonzalez pointedly noted that "several crack staffers" from the Republican minority were hard at work and he would study their findings. I wrote reassured; Henry might not be in the forefront, but would do the right thing.

What a foolishly idealistic pundit am I. That was before staffers working for Representative Jim Leach, the soft-spoken Iowan who is the Banking Committee's ranking Republican, began hitting pay dirt about the costly manipulation of Madison Guaranty by the Clintons' lawyers and partners.

At that point, Henry the Unstoppable was transformed into Henry the Stopper. Nothing is subtle about the Gonzalez stonewalling: never in the history of the United States Congress has there been such a blatant effort by a committee chairman to protect the White House by strangling a needed investigation in its crib.

Say it ain't so, Henry.

Hearings? Henry won't hear of them. Although he cannot block the lawfully mandated semiannual oversight hearing of the Resolution Trust Corporation, he insists that all the witnesses be jammed into a single day on Thursday of this week. When Jim Leach offered to postpone this hearing a few weeks to accommodate the nonindependent counsel's desire for first bite at the testimony apple, Henry said nothing doing: one day, now or never.

Worse, by notifying Administration witnesses called by Representative Leach that they do not have to cooperate, he undermines the House's power to check the executive branch. This is unprecedented partisanship, probably against House rules, but the Democrat in the Speaker's chair, Tom Foley, isn't enforcing rules that might embarrass Democrats.

Who is this Leach? He's the last of the Rockefeller-Javits Republicans, a pariah at national conventions; yet this unreconstructed moderate is shrilly denounced as politically motivated by Clinton crony David Wilhelm, the Democratic National Committee's pit chihuahua.

Henry, listen to your longtime admirers: you are turning Thursday's hearing into a televised trial of the Democratic stonewall. Every time Leach asks a searching question on C-Span, and you rule it out of order as not germane — that will infuriate the watching public. Every wrongful rap of your gavel will drive a nail in the Administration's coffin.

Repent before it's too late. Don't fall for "unless it's criminal, it remains secret." Remember Shoeless Joe, acquitted by a jury, but driven from the playing field forever by the overseer demanded by the fans.

Do not bring shame and obloquy on the good citizens of San Antonio, and on Clinton voters everywhere, by exchanging your hard-earned reputation as fearless maverick for the shoddy shield of partisan hypocrite.

Say it ain't so, Henry.

Whitewater Prosecutor Agrees on Plea

By JEFF GERTH
Special to The New York Times

WASHINGTON, March 20 — David Hale, a former municipal judge in Little Rock, Ark., who was facing trial on fraud charges later this month, has reached a plea agreement with the special prosecutor investigating the Whitewater affair, said Mr. Hale's lawyer, Randy Coleman.

Mr. Hale has said that Bill Clinton as Governor of Arkansas twice pressed him in 1985 and 1986 to make a loan from the federally sponsored lending company he then operated. The loan would have indirectly helped the Whitewater Development Company, the real estate venture involving Mr. Clinton and his wife, Hillary, as well as Madison Guaranty Savings and Loan.

Both Madison Guaranty, an Arkansas savings and loan that later collapsed, and Whitewater are part of the investigation by the special prosecutor, Robert B. Fiske Jr., as is Mr. Hale's case.

The White House has said President Clinton has no recollection of any conversation with Mr. Hale about loans.

Mr. Coleman, in an interview today, said that Mr. Hale would plead guilty to one count of conspiracy in connection with his lending company and one count of mail fraud in connection with his dealings with Madison Guaranty. Mr. Hale had been indicted on charges of fraud, conspiracy and making false statements to the Small Business Administration. Mr. Coleman's description of the plea agreement, which he said would be presented in Federal District Court in Little Rock, on Tuesday, could not be confirmed with Mr. Fiske, who did not respond to telephone messages left for him today.

Working With Prosecutor

Mr. Coleman said Mr. Hale had been cooperating with investigators working for Mr. Fiske for the past two weeks. The significance of Mr. Hale's plea agreement is not clear. Mr. Coleman said his client was barred from talking to news reporters as part of the plea agreement.

Mr. Hale had been active in Democratic politics and campaign fund raising and was elected a municipal judge running on the Democratic ticket. In addition, the current Arkansas Governor, Jim Guy Tucker, also a Democrat, did legal work for his company.

Given Mr. Hale's wide knowledge of Arkansas Democratic politics and his past dealings with Madison and its owner, James B. McDougal, his decision to cooperate with Mr. Fiske's inquiry means that investigators now have a former insider able to describe for them many financial and political relationships in Arkansas in the 1980's.



Associated Press

David Hale

An Arkansas insider will work with an inquiry.

Mr. Hale owned and operated Capital Management Services, which received financial backing from a Small Business Administration program intended to provide capital for businesses owned by socially or economically disadvantaged people.

Mr. Hale, in interviews before his recent plea agreement, said Mr. McDougal, the owner of Madison Guaranty and the person who brought the Clintons into the Whitewater venture, asked him in late 1985 to make loans to help the "political family" of Arkansas Democrats.

Questions on Land Deal

In February 1986, Madison financed a land deal for Mr. Hale, which he says led to his receiving hundreds of thousands of dollars more for his property than it was worth. Court records show that a Madison loan to finance the purchase of the land from Mr. Hale was never repaid, resulting in a loss to taxpayers of $672,000.

With profits from that deal in hand, Mr. Hale's company made a number of loans to people connected to Arkansas Democratic politics. The largest was a $300,000 loan in April 1986 to Mr. McDougal's wife, Susan. Mr. Hale has asserted that both Mr. Clinton and Mr. McDougal pressed him to make the $300,000 loan, knowing that it would not be used by Mrs. McDougal.

Mr. Hale said he understood that the purpose of loan, as described by Mr. McDougal with Mr. Clinton present, was to help conceal questionable transactions by Madison, including indirect financial help for Whitewater.

Mr. McDougal, when asked last September in an interview about Mr. Hale's version of the loan and the role of Mr. Clinton, said he had a memory loss for the years 1985 and 1986. Subsequently, Mr. McDougal denied Mr. Hale's account and said that Mr. Clinton had never met with Mr. Hale.

Money Tied to Whitewater

It is not clear what happened to the $300,000. But some money from the loan appeared to wind up for a while in 1986 in Whitewater as part of a land deal. Mr. McDougal has said that the Clintons, his partners in Whitewater, were unaware of that transaction.

Mr. Hale's own legal problems, which originally involved transactions unrelated to Madison or Whitewater, became enmeshed in the more politically sensitive Whitewater case after he was indicted last September by the United States Attorney in Little Rock, Paula J. Casey.

Before the indictment, Mr. Coleman, Mr. Hale's lawyer, questioned Ms. Casey's independence. She was a volunteer in Mr. Clinton's Arkansas campaigns and was his student at the University of Arkansas Law School. The case was eventually transferred to the special prosecutor, Mr. Fiske.

More recently, Congressional Republicans who have been clamoring for hearings on Whitewater and Madison have sought to have Mr. Hale tell his story before a Congressional committee.

Representative Jim Leach, the Iowa Republican who is the ranking minority member on the House Banking Committee, has listed Mr. Hale as his first witness in committee hearings scheduled for Thursday. It is not clear whether the Democratically controlled committee will allow Mr. Hale to testify or whether Mr. Fiske will want a potentially useful witness to be talking in an open forum.

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PM-AR--Ark Wkd Briefs, 1st Add,650
UNDATED: Dan Ferritor.

= Nelson to Run for Governor, Newspaper Says

LITTLE ROCK (AP) Republican Sheffield Nelson plans to make another run for governor, according to a newspaper report Saturday.

In letters to Republican activists, Nelson said he would seek the governor's office, the Arkansas Democrat-Gazette reported.

Nelson lost to Bill Clinton in 1990, after switching from the Democratic Party. In that race, he received 42 percent of the vote.

The 51-year-old lawyer is also a national committeeman for the Republican Party and a former Arkla Inc. chairman.

Nelson was out of town Saturday and not available for comment, his wife, Mary Lynn, said.

In the letters, Nelson apologized to party activists for his belated entry into the race, saying family considerations delayed the decision. He and his wife have two children and five grandchildren.

= Rose Law Firm to File Formal Complaint

LITTLE ROCK (AP) The Rose Law Firm decided Friday to file a formal ethics complaint with state officials against former partner Webster Hubbell, according to a source familiar with the proceedings.

Hubbell resigned his Justice Department post earlier this week amid reports of billing disputes with his former firm, where Hubbell and Hillary Rodham Clinton were partners.

Hubbell could not be reached for comment Friday night.

According to a firm attorney familiar with the matter, the complaint will be filed with the Arkansas Supreme Court's committee on professional conduct, the panel that reviews the conduct of attorneys who practice in the state.

The move, which had been widely expected for nearly two weeks, comes after news reports that Hubbell may have overbilled clients and used firm money to pay personal expenses.

= Tyson Official Acknowledges SEC Insider Trading Probe

LITTLE ROCK (AP) A Tyson Foods Inc. official confirmed Saturday that the Securities and Exchange Commission is conducting an insider-trading probe of Arkansas investors that reportedly includes a group once headed by a White House aide.

The investigation, which centers on a suspicious surge in stock buying, involves Tyson Foods' June 1992 acquisition of a Seattle-based food processing company. The Wall Street Journal, which disclosed the probe Friday, said those under investigation include the Phoenix Group, an investment concern then headed by Patsy Thomasson, now the White House director of administration.

``We're aware that an investigation is going on, and we're cooperating,'' said Archie Schaffer III, communications director for Tyson Foods Inc., the nation's largest poultry processor. ``I've known about it for about six weeks.''

= Journalists, Clinton Supporters Discuss Media Coverage

LITTLE ROCK (AP) The line between reporting on politicians' public and private lives disappeared seven years ago, Jeff Eller, media affairs director of the Clinton Administration, said Saturday.

That was when reporters asked Democratic presidential candidate Gary Hart if he had ever committed adultery, he said.

``There's no standard now. No story's off-limits.'' said Eller, who took part in a forum with journalists, a lawyer and a Clinton advise at a regional meeting of the Society of Professional Journalists.

``We're in for a rough period through the life of the next set of presidents. I don't see a time when the trend toward personal scrutiny will back off,'' said Eller, a former television anchor.

Intensive media scrutiny demands such inordinately high standards that only those who train ``like gymnasts'' for political perfection will measure up, said presidential adviser James L. ``Skip'' Rutherford of Little Rock.

AP 3/21/94

PM-IA--Leach-Whitewater, Bjt,860
Amidst All the Attention, Leach Can't Wait to Put Whitewater to Bed
Eds: First moved for Mon AMs

DAVENPORT, Iowa (AP) U.S. Rep. Jim Leach is performing a balancing act when it comes to the Whitewater investigation.

``It's very awkward for me because the president is involved and when you involve the president you involve the presidency.'' the Republican from Davenport said. ``So there's a very narrow line that I'm trying to walk here in holding a public official accountable but doing it in such a way that the presidency is neither jeopardized nor debilitated.''

And he cannot wait until his role as the GOP point-man in the fight for congressional hearings into President Clinton's role in the failed land deal is over.

``I've never felt anything but saddened by this whole chain of events,'' Leach said last week in Washington D.C. ``I have an obligation, a constitutional duty, to pursue congressional oversight in this matter. Not to accept that obligation would be a dereliction of duty.''

Leach is calling for a full-blown investigation of what could be the loss of millions of dollars of taxpayer money because of a failed Arkansas savings and loan. And that failure may have been triggered by the diversion of S&L funds to Arkansas insiders like Bill and Hillary Clinton.

For the past few months, a team of four investigators working for Leach's office has shuttled between Washington D.C. and Arkansas, digging into the complex financial dealings that link a failed savings and loan to the Clinton's Whitewater Development Corp.

The consensus is that these four investigators two are lawyers and two are longtime House Banking Committee staffers have unearthed something significant. Leach isn't giving out specifics. But he has gone on record as saying that the House hearing he envisions for Thursday has the potential to be of ``blockbuster proportions.''

``This is a bump of a scandal on the landscape of political scandals, but it does have some mountainous implications,'' he said.

The ``bump'' is the Whitewater-Arkansas dealings of a few individuals 10 to 15 years ago. The ``mountains'' are the ethical and legislative issues raised by those dealings and by recent White House response to federal inquiries.

``I've never been more perplexed, though, because there are implications in all of this that aren't favorable to the president of the United States,'' he said. ``And I mean it when I say I've never known of a president who is better able to put embarrassment behind him. I've always thought of Bill Clinton as an open political figure, so I thought he'd respond in an open fashion to all this. And by not doing that, I think he's made a major mistake.''

While the White House complains that Leach and others are simply trying to embarrass Bill Clinton by dragging up old, insignificant issues, Leach claims he's trying to preserve the integrity of the system by ensuring that Congress fulfills its constitutional duty of overseeing the Executive Branch.

His relentless push for congressional hearings has earned him the scorn of many Democrats, he never personalizes his differences with others even when confronted with direct attacks on his character.

So while Democrats on the extreme left accuse Republicans of ``sliming'' the White House with unsupported accusations and while a few Republicans mutter darkly about such things as impeachment, Leach remains anchored squarely in the middle of the political spectrum.

And although his political standing almost certainly will suffer if Whitewater eventually is written off, that doesn't appear to be a concern of either Leach or his supporters or some of his colleagues.

``The only risk to Jim would be if he were wrong on all this,'' said Sen. Chuck Grassley, R-Iowa. ``But he is so cautious when he approaches things that I don't think he's apt to make mistakes. He's not going to open up the paper

some morning and read, `Jim Leach was all wrong and here's the proof.' You know, that's just not going to happen.''

But Leach is no stranger to political controversy. His 17 years in the House have been marked by independence. He's a Republican who has fought vigorously for campaign finance reform, a freeze on nuclear weapons and passage of the Equal Rights Amendment. He was a vocal critic of many Reagan policies, particularly the administration's support of the Nicaraguan Contras.

``Certainly on some issues I've been somewhat out-of-step with other members of my party,'' he said. ``There is an element of public life that involves teamsmanship. But I've always thought that it's my obligation to reflect my own individual views along with those of my constituents. But again, it comes down to how you do that.''

Asked if he's looking forward to Thursday's hearing, Leach said he's looking beyond that to the day Whitewater can be put to rest.

``When this is all over it will be my intent to help put this behind us,'' he said. ``And I will continue to support the presidency with respectful difference with the president.''

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PM-NY--D'Amato-Whitewater,440
D'Amato Likens Whitewater to Watergate
tpnyc

NEW YORK (AP) Sen. Alfonse D'Amato, R-N.Y., says that, while there may be nothing at the core of the Whitewater affair, it has some similarities to the Watergate coverup.

D'Amato is leading the charge for a Senate investigation of Whitewater. He predicted Sunday on WNBC-TV that hearings would begin in late April or early May.

``I never said I expected any substantial wrongdoing, or any at all,'' he said.

Nevertheless, D'Amato said President Clinton and Hillary Rodham Clinton probably would be asked to give sworn statements. The Senate voted 98-0 last week to hold hearings on Whitewater, an Arkansas land deal in which the Clintons say they lost money.

The investigation also will look into the actions of top White House and Treasury officials in dealing with that and related issues.

D'Amato said the key question would be ``whether or not the presidency, and the office of the president, has been conducted properly, whether those who have served the president have abused the power.''

``It's a question of what does he know and when did he know it. It goes back to the old Watergate days.''

D'Amato, the ranking Republican on the Senate banking committee, said he demanded hearings after the Resolution Trust Corp., a government agency overseeing savings and loan companies, ``stonewalled'' on questions about the 1989 failure of the Madison Guaranty Savings and Loan in Arkansas.

An independent counsel already is investigating Whitewater, including whether funds were improperly diverted from Madison to Clinton's business interests or 1984 campaign for governor.

D'Amato said it was ``clearly wrong, clearly in conflict'' for administration officials, including Deputy Treasury Secretary Roger Altman and recently resigned White House lawyer Bernard Nussbaum, to have taken part in private briefings on Whitewater-related issues.

He said there were questions about documents being shredded or denied to the FBI after the death of White House lawyer Vince Foster. But D'Amato said he was not suggesting there was ``something more'' than has been revealed about Foster's death in July, pronounced a suicide by police.

D'Amato acknowledged that Democratic Party officials and others have said it was inappropriate for him as a senator who was investigated for ethics violations to serve as GOP point man on Whitewater.

But he said there was no basis for this, because he was cleared of wrongdoing and then re-elected.

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PM-Ticker Talk,0677
Markets Bounce Around In Whitewater Rapids
Eds: Also in Monday AMs report.
By CHET CURRIER= AP Business Writer=

NEW YORK (AP) The political storm known as Whitewater is evoking unpleasant memories on Wall Street of the rocky times the stock and bond markets went through during the Watergate scandal two decades ago.

But many analysts still believe the current controversy needn't have many pervasive or long-lasting financial effects.

They also offer the reassurance that the U.S. economy appears in much better shape than it was in the Watergate years of 1973 and 1974.

As both stock and bond prices have bounced around erratically in recent days, many analysts have attributed the edgy atmosphere to concern about the Whitewater case, growing out of an old Arkansas real estate deal in which President Clinton and Hillary Rodham Clinton invested.

``Whitewater could weaken the Clinton administration's ability to push through key programs,'' said Sung Won Sohn, economist at Norwest Corp. in Minneapolis. ``The muddy political water and the partisan wrangling in Congress won't help financial markets.''

In the eyes of a good many observers, however, so far the situation looks like an excuse for an overdue market ``correction'' rather than any cause for alarm over the banking and credit outlook.

``We find it hard to imagine that a small real estate deal in the South could really push interest rates up,'' joked Jay Donnaruma at First Albany Corp. in Albany, N.Y.

Or as Thomas Gallagher, political analyst at Lehman Brothers, put it in more serious terms, ``We think the markets clearly overreacted to a perceived political crisis.

``Based on what is known now and what can be speculated about reasonably, Whitewater won't cripple the Clinton presidency. Many investors are using Watergate as a one-size-fits-all model for political scandals, and Whitewater is a long way from Watergate.''

If market participants are easily spooked by Watergate recollections, though, they have some cause. That scandal occurred in the midst of one of severest bear markets for stock prices in modern times, which drove the Dow Jones industrial average down from 1,051 in January 1973 to 577 by December 1974.

However, the last 200 points of that slide came AFTER President Nixon resigned in August 1974, bringing the situation to its denouement. The country was also dealing in those days with a crisis in world oil politics and a domestic recession that had a big impact on investment decisions.

``Today's economic backdrop is completely different,'' said Greg Smith, market strategist at Prudential Securities, in his current market commentary.

``In 1974, the economy was starting to unravel and inflation was accelerating beyond what anyone thought possible. Watergate slowly and painfully developed over a very difficult period when many people felt the need for a government in a position to provide some reassurance.

``Today the Federal Reserve is worried about inflation, but I continue to argue that we do not have an inflation problem. The economy continues to chug along at a very sustainable pace, but it's not too fast, in my opinion.

``Liberals and conservatives will see the Clinton struggles in different lights, but the bottom line is that their floundering is an unimportant event for the U.S. stock and bond markets unless it starts to affect the economy i.e., undermine consumer or business confidence.''

Still, with ``unlesses'' like that, market participants seem likely to stay closely tuned to Whitewater developments in the weeks ahead.

``Assuming the President, his wife and their associates can put Whitewater behind them soon, and that may be a big assumption, the bond market looks seriously oversold and should rally,'' said William LeFevre at the investment firm of Ehrenkrantz King Nussbaum Inc. ``Stocks, under the same scenario,

would resume their rally back up to and over 4,000.
``But if the uncertainty surrounding Whitewater drags on and on, as Watergate did 20 years ago, then not just Wall Street but the nation is in for a hard time.''

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Whitewater grand jury, hearings top week

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — Two more Clinton administration officials appeared before a federal grand jury, and special congressional hearings became virtually certain as the Whitewater Development Corp. affair dominated White House activities again last week.

Bernard Nussbaum, the former White House counsel, and Harold Ickes, the deputy chief of staff, testified before a federal grand jury Thursday in Washington. The grand jury is investigating White House contacts with the Treasury Department concerning the federal investigation of Madison Guaranty Savings & Loan Association.

Madison failed in 1989 at a cost to the taxpayers of at least $47 million. The S&L was owned by James McDougal.

President Clinton and first lady Hillary Rodham Clinton were partners with McDougal in Whitewater, a 230-acre real estate venture along the White River in Marion County.

"I responded to every question they put to me," Nussbaum said in a brief statement upon leaving the federal courthouse Thursday. "I was happy to be able to cooperate. I believe that I and everybody in my office acted at all times legally, ethically and in accordance with the higher traditions of the bar."

Late that day, senior administration adviser George Stephanopoulos became the seventh White House official to be subpoenaed. Five of the other six White House officials have testified before the Washington grand jury in the past two weeks.

The other White House official, former Little Rock lawyer Bruce Lindsey, is expected to testify this week.

Special counsel Robert Fiske Jr. met with congressional Republican leaders late in the day Thursday. By day's end, a deal had been struck with Senate Democrats, allowing Whitewater hearings at an unspecified date. Republicans promised not to seek immunity from prosecution for witnesses.

Fiske wants Congress to hold off on hearings until after he has finished the Washington phase of his investigation, a process expected to take about two more months.

The first lady came under additional scrutiny last week. *The New York Times* published a lengthy article Friday about commodities trading in 1978 just before her husband became governor. Hillary Clinton made almost $100,000 with the assistance of lawyer Jim Blair, now the counsel for Tyson Foods Inc. at Springdale.

Also last week, the president attended a meeting in Detroit on job growth. Clinton said he saw no need for the Federal Reserve Board to continue to raise interest rates. He repeated that statement Friday when he met with Federal Reserve Chairman Alan Greenspan.

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Strategy on Whitewater shifts to damage control

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — Within the Clinton administration, there no longer is much of a debate about whether there will be congressional hearings concerning the Whitewater Development Corp. affair.

Administration officials say the debate now is over who will say what and when.

With the Senate cutting a deal on Whitewater hearings — and with the House virtually certain to call for hearings of its own — plans are being made for the inevitable trudge of administration officials to Capitol Hill.

What they say will depend, in a large part, on another Whitewater investigation.

Special counsel Robert Fiske Jr. is examining contacts between administration aides and Treasury Department officials concerning a federal investigation of Madison Guaranty Savings & Loan Association. The failed S&L was owned by James McDougal, a business partner of President Clinton and first lady Hillary Rodham Clinton in Whitewa-

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Whitewater

• Continued from Page 1A

ter, a 230-acre real estate development along the White River in Marion County.

"What we say probably will depend on what (Fiske) says," an administration official said.

If Fiske clears administration officials of obstruction-of-justice charges, they are more likely to be cooperative with congressional committees, sources said.

If charges are filed, even aides who aren't named in those charges might fight any appearances on Capitol Hill.

Publicly, the president seems not to care about the possibility of hearings.

"It's up to the Congress," he said last week. "They're an independent and co-equal branch of government, and they ought to do whatever it is they think is the right thing to do."

Privately, White House aides worry about style and substance.

"We know how it will look if someone takes the Fifth," one aide said, referring to the Fifth Amendment right not to answer self-incriminating questions.

If Fiske does not file obstruction-of-justice charges, Whitewater hearings probably will center on the Clintons' past investments in Arkansas rather than the meetings that took place late last year and early this year in Washington. That prospect, aides note, is considerably less telegenic.

"Sometimes, the handling of something can be infinitely worse than what it is that's being investigated," Vice President Gore said earlier this month in a television interview.

That view is shared by other administration officials. Whitewater disclosures had little effect on the president's approval ratings until news of the clandestine White House meetings with Treasury Department officials became public.

Another concern of administration officials involves Republican attacks on the president's friends and associates. Some officials believe those attacks go beyond partisan politics and are intended to embarrass the president personally. They worry that congressional hearings would be used by Republicans to further such attacks.

Clinton has referred to a "meanness" in recent GOP criticisms. Republicans have responded by saying they were walking down a road paved by Democrats in the 1980s during hearings about the Iran-Contra affair.

Once Whitewater hearings do occur, congressional Democrats will try to keep them as tightly focused as possible. That looks to be an easier task in the Senate, where Majority Leader George Mitchell, D-Maine, and Minority Leader Bob Dole, R-Kan., are negotiating the ground rules for hearings.

The House is a different matter.

House Republicans are aggressively vying for a piece of the action. House Minority Whip Newt Gingrich, R-Ga., has outlined Whitewater-related investigative paths. They range from questions about the first lady's investment activities in Arkansas to questionable Small Business Administration-backed loans. Gingrich was instrumental in bringing down former House Speaker Jim Wright, D-Texas, in 1989.

Arkansas Democrat - Gazette

Clinton Hears Adults in Kids' Voices



President Bill Clinton listens to a youngster's question, standing with Beth's Annie Nichol, sister of Polly Klaas

Riding Whitewater

Clinton backers hint at conspiracy to undermine him

By Charles V. Zehren
WASHINGTON BUREAU

Washington — In his lectern-pounding speech at a Democratic Party fund raiser in Boston last week, President Bill Clinton, showing the scrait from relentless Republican attacks over the Whitewater affair, angrily denounced his critics as "committed to the politics of personal destruction."

In an interview several days before that, first lady Hillary Rodham Clinton went further, intimating a conspiracy. "This is a well-organized and well-financed attempt to undermine my husband and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

Clearly, in the case of Whitewater, the personal is political. Although offering no evidence of an organized effort to destroy the president and first lady, Democrats and Republicans inside and outside of government said last week that longtime Clinton critics, loosely networked, are exploiting Whitewater.

Republican Minority Leader Bob Dole (R-Kan.), who has presidential aspirations, has jumped on the Whitewater issue. Conservative House Republicans, with an eye on the November elections, take the floor nearly every day to express outrage over Whitewater. And career Clinton detractors, such as Floyd Brown, champion of the alleged Clinton-Gennifer Flowers tapes during the 1992 campaign, are working overtime to generate and distribute information to the media and Capitol Hill that is embarrassing to the president.

Clearly, Republicans are having a field day taking the White House off its game. And with last week's Senate promise of congressional hearings into the Arkansas land ventures and the Clintons' financial dealings connected to it, and the ongoing probe by special counsel Robert Fiske, Whitewater has taken on a political life of its own.

"The president was getting very strong and . . . [Whitewater] fell into the Republicans' lap," said former Democratic Party chairman John White. "And now, . . . the Republicans are doing what any opposition party would do, just pressing as hard as they can and hoping that someone in the administration will make some serious mistakes. It's part of political life."

"The Republicans in Congress are so mortified that this president is succeed-

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WHITEWATER from Page 1

ing, that his agenda and his policies are triumphant, that their say, 'We've got to throw a road block in the way,'" said James Carville, political field general in Clinton's 1992 campaign. "That's all this is. It's pure politics."

John Deardourff, a Republican political consultant who has known Hillary Clinton since college, agreed that the timing of the GOP's Whitewater attacks is "probably more than an accident." And now, he said, the party's leadership "is doing everything it can to keep the public's attention focused on Whitewater."

The political drumbeat seems to be having an impact. Although the polls show that the public generally is not interested in Whitewater, Clinton's approval rating has dropped, in January, it was 58 percent; now it is 50 percent, according to the latest CNN/USA Today Poll.

Republican spokesmen on Whitewater, such as Marty Gen, William Cohen, say they are simply trying to ferret out the facts of the Clintons' Arkansas investments, fulfill their constitutional oversight responsibility and determine whether White House power has been abused. The Clintons have steadfastly denied any wrongdoing connected to Whitewater.

"Nothing in my judgment . . . would warrant a special [counsel]. Nothing," Cohen told his Senate colleagues Thursday. "The issue of politics has been raised, and indeed there is something political about this. That goes to the heart of our political system — namely, the rule of law."

Surely there is some revving in a Republican psyche. Dole pointed out before the Senate agreed last week to hold Whitewater hearings, what's fair is fair: Democrats conducted at least 20 hearings on alleged executive branch wrongdoings during Republican administrations between 1981 and 1993, he said.

Still the Republicans deny they are engaged in an orchestrated effort to discredit the president. Officials of the Republican National Committee, for example, are quick to talk about Whitewater, leaving the frontal assaults to congressional Republicans and the media.

"If anything, it's interesting how this is not orchestrated, but disorganized," said Joe Pinder, spokesman for Rep. Jim Leach, ranking Republican from Iowa on the House Banking Committee, who has launched his own investigation into Whitewater. "This is not some cold strategy."

Nevertheless, retiring House Minority Leader Bob Michel from Illinois has acceded to both Leach's aggressive tactics and to virulent Whitewater attacks by House conservatives aligned with Rep. Newt Gingrich (R-Ga.). House Republicans who call themselves the Theme Team have coordinated efforts in the House to do almost daily administration-bashing on Whitewater.

In recent weeks, political intelligence bulletins from the House Republican Conference have been filled with Whitewater talking points as well as lists of Democrats who might be inclined to support hearings and seek more disclosure by the White House. And GOP candidates in several House and Senate races nationally say they intend to raise Whitewater as an issue with the voters.

Republican senators and their staffs have been busy comparing Whitewater notes, as well. And they have taken the good-cop, bad-surrogate-cop approach to delivering the Whitewater warnings by pairing the excitable Cohen with the fiery and at times outrageous Sen. Alfonse D'Amato (R-N.Y.).

Some help is coming from outside the traditional lines of the Republican party apparatus, particularly in Floyd Brown.

A former Ronald Reagan and Dole campaign worker, Brown is a conservative gadfly who helped Democratic presidential candidate Michael Dukakis with the Willie Horton ad-campaign ad in 1988 and tried to tar Clinton in 1992 with tapes alleging a longtime affair between him and singer Gennifer Flowers.

From the Citizens United office in Fairfax, Va., Brown, a syndicated radio host and Citizens United president, is helping quarterback the Whitewater opposition by gathering documents, briefing the press and sending information to and meeting with GOP lawmakers and staff. He also has been fighting the Clinton health care plan.

Brown, author of "Slick Willie Way Are you Can not Trust Bill Clinton," is associated with Jack Sheffield Nelson, the wealthy Arkansas Republican businessman who fought Clinton for the statewide governor's job in 1990, and archconservative members of the American Conservative Union.

Brown and Nelson, says John White, are part of a "systemic attack group" targeting Clinton. "There's always a little money around for any cracked idea, and there is right-wing money available for this kind of stuff."

Although Republicans dismiss much of what they publish in his "Clinton Watch" newsletter as inaccurately packaged gossip that Brown's operation — staffed [illegible] — valuable clearinghouse for Whitewater documents and a bulletin board for those probing the Clintons.

In an interview last week, Brown said he is eager to destroy "Whitewater myths," including that the entire affair is a "Republican creation." His only desire, Brown said, is to prompt "complete and full exposure" of the Clintons, and he is "consistently willing" to brief any member of Congress. "This is my business," Brown said. "Politicians come and go, but we stay forever."

Tyson Foods Confirms SEC Probe

[illegible]

Little Rock, Ark. — A Tyson Foods Inc. official confirmed yesterday that the Securities and Exchange Commission is conducting an insider-trading probe of Arkansas investors that reportedly includes a group [illegible] by a White House aide.

The investigation, which centers on a suspicious surge in stock buying, involves Tyson Foods June, 1992, acquisition of a Seattle-based food processing company. The Wall Street Journal, which disclosed the probe Friday, said those under investigation include the Phoenix Group, an investment concern then headed by Patsy Thomasson, now the White House director of administration.

"We're aware that an investigation is going on, and we're cooperating," said Archie Schaffer III, communications director for Tyson Foods Inc., the nation's largest poultry processor.

Schaffer said he could provide no specifics about the SEC probe, adding that as far as he knew, no company officials had yet been subpoenaed.

Tyson's acquisition of Arctic Alaska Fisheries Corp. of Seattle was handled by the Rose Law Firm, Hillary Rodham Clinton's former firm.

SEC investigators are looking into a suspicious surge of Arctic Alaska stock purchases during the week before Tyson's acquisition announcement.

Schaffer also stressed that the Phoenix Group Inc., where Thomasson was working at the time, provided no investment advice to Tyson and was not in any other way involved in the transaction.

The Washington Times SUNDAY, MARCH 20, 1994

CAL THOMAS

When the trickle becomes a torrent

During Republican administrations when congressional Democrats hold hearings, call for special prosecutors, seek indictments (even impeachment), characterize officials as "sleazy" and a decade as "greedy," we are to believe that they are simply doing what the voters elected them to do: Hold the president accountable under our system of checks and balances.

But when Republicans attempt to hold a Democratic president accountable — at least this Democratic president — they are mean-spirited, engage in personal attacks, don't want to debate issues and hate the idea that a strong woman is first lady.

The affair known as Whitewater is not a plot by congressional Republicans, and it certainly was not egged on by the mainstream press, most of which is only now, and with great reluctance, entering the fray.

It is not about "outsiders" who are not versed in the ways of Washington. To suggest that Southern boys and girls can't play in the big leagues because of their frail nature is a slander on Arkansas and the entire region. It presumes that rules are different there. But ethics and morals know no regional boundaries. Jimmy Carter of Georgia had his problems, but the closest he got to wrongdoing was occasionally lusting in his heart.

And Whitewater will not go away by pounding lecterns or suggesting that people are out to "pillory Hillary."

In Colorado last week, the first lady tried to deflect questions about Whitewater by suggesting that because the Clintons supposedly lost money on their real estate venture they couldn't have done anything illegal or unethical. Yes, they could have. The question is not whether a profit was made, but whether taxes were filed in an appropriate fashion. Remember, the Clintons were going to make sure everyone paid his or her "fair share" of taxes. If it turns out they didn't pay their fair share, how will that look?



The President refuses to release his '78 and '79 tax returns, which are crucial to understanding the Clintons' financial role in Whitewater. Mrs. Clinton hinted of tax problems to come when she indicated she didn't know all the details of their possible tax liability. That's pretty hard to accept from "one of the best lawyers in the country," to quote Sen. David Pryor, Arkansas Democrat. And the president had no trouble with finances when it came to precise deductions for the used underwear he donated to charity.

Then there are the departures, which are contributing to the impression that something is amiss: Webster Hubbell and Philip Heymann, Nos. 3 and 2 at the Justice Department; White House counsel Bernard Nussbaum; Vincent Foster, who died under mysterious circumstances, and the earlier disappearance of Harry Thomason and Linda Bloodworth Thomason, who once enjoyed special White House access but returned to Hollywood after they were accused of cronyism in the affair known as "Travelgate."

These 14 months have not been good for the "ethics president." And administration spokespersons have tried everything — except full disclosure — to deflect public and congressional attention.

We are finally getting the ethics and character debate we were denied in the 1992 campaign because the press mostly helped the Clinton people chant their political mantra, "The economy, stupid." It turns out it was stupid to focus only on the economy, particularly when character issues — including Whitewater and "bimbogate" — were even then being raised.

Republican congressional leaders have been right to demand hearings now. During the Reagan and Bush presidencies, there were 25 congressional hearings on various questions related to behavior and policies in those administrations. They included hearings when Republicans controlled the Senate for six of those years.

To keep from undermining the investigation of the independent counsel, witnesses should not be granted immunity. Public hearings would allow the American people to judge for themselves how forthcoming witnesses are.

Rep. Lee Hamilton, Indiana Democrat, who co-chaired the Iran-Contra hearings in the House, now thinks Whitewater is worthy of a congressional hearing. Mr. Hamilton's stance will make it more difficult for the administration to continue hiding behind independent counsel Robert Fiske, hoping an "interim report" might allow for further stonewalling.

It would be wonderful if we could return to debating issues, as the president says he wants to do. And the biggest issue of all is now Whitewater: Not much else will get done until that issue is dealt with promptly, honestly and thoroughly.

Cal Thomas is a nationally syndicated columnist.

The Washington Times SUNDAY, MARCH 20, 1994

Hill panel divided on S&L hearing

Gonzalez tries to limit probe

By Donald Lambro
THE WASHINGTON TIMES

A1

The widening government investigation into the Whitewater-Madison affair begins this week on Capitol Hill, where leaders of the two parties are locked in a bitter political battle over how far their inquiry should go.

NEWS ANALYSIS

A House Banking Committee hearing set for Thursday has turned into a political test of wills between the panel's ranking Republican, Jim Leach of Iowa, and the panel's chairman, Henry Gonzalez, Texas Democrat.

Mr. Leach is pressing for full-scale hearings on the failed Madison Guaranty Savings and Loan Association of Arkansas and whether the Clintons played any role in its mismanagement and demise, which cost $50 million.

Mr. Gonzalez wants to limit the hearings to a few narrow issues.

The two congressmen clashed Friday on the ground rules for the hearings after Mr. Gonzalez wrote an unusual letter to Jonathan Feichter, acting director of the Office of Thrift Supervision. The chairman said S&L regulators would not have to answer all of GOP members' questions.

"Any questions regarding Madison Guaranty Savings and Loan, matters that are the subject of pending investigations" by Whitewater-Madison special counsel Robert B. Fiske Jr. "or other extraneous matters ... will not be considered pertinent at the hearing and need not be answered by you," Mr. Gonzalez said.

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HOUSE

From page A1

Earlier in the week, he said Mr. Feichter need not comply with Mr. Leach's requests for documents on Madison.

Mr. Leach was described by colleagues as "incensed" over the Gonzalez letters. He and other GOP leaders believe that the chairman was carrying out the wishes of House Democratic leaders who want to limit the committee inquiry to avoid further political damage to the administration.

"You are hereby put on notice that you must address your obligations to respond to the legitimate information requests ... as required by the law and the Constitution, not in conjunction with an arbitrary and capricious desire" of the chairman, Mr. Leach said in a letter to the top thrift regulator.

The Leach inquiries this week will focus on potential wrongdoing at the Clinton White House rather than on the period when the Clintons invested in Whitewater Development Corp., a real estate deal in which Madison owner James B. McDougal put up most of the money.

Mr. Leach has promised that the hearings will result in major disclosures, and a chief aide Friday said, "Next week will be a week to remember."

But White House Counsel Lloyd Cutler yesterday said "it is not clear that hearings will be held" Thursday.

"I believe the Democratic and Republican leaderships are still in discussions as to whether the regular six-month supervisory hearing of the RTC [Resolution Trust Corp.] should be held at that time or whether it should be put off to comply with ... Mr. Fiske's request, the special counsel, that no hearings on the subject of Whitewater be held until he has finished the investigative phase of his inquiry," Mr. Cutler said.

Mr. Leach wants to question S&L regulators about allegations that the administration tried to interfere with the regulatory investigation of Madison.

The grand jury has begun taking testimony from some of President Clinton's top aides on briefings White House officials received about a criminal referral the RTC sent to the Justice Department.

Mr. Leach has promised major disclosures, and a chief aide said, "Next week will be a week to remember."

Mr. Leach has said RTC officials who filed a formal requ : for a Justice Department in igation were pressured by higher-ups no to detail how the Clintons possibly benefited from the misuse of Madison deposits.

Both sides know they must tread carefully through the Whitewater controversy and be sensitive to the public backlash they could trigger if their actions appear to be politically motivated.

Republicans are sensitive to charges they are pursuing the inquiry solely to damage the president, and Democratic leaders know they cannot appear to block legitimate inquiries into a potential scandal.

Last week's decision by the Senate to hold Whitewater h ing was a major blow to the president who is trying to get his ambitious legislative agenda, including health care reform, on track.

Senate Minority Leader Bob Dole and Majority Leader George Mitchell are expected to begin delicate negotiations this week on the structure and timing of hearings. "We may not be able to put together," Mr. Dole said. "If not, we will be back on the [Senate] floor."

The Senate's resolution, which passed 98-0, declares that public hearings "should be structured and sequenced" in a way that the testimony of key witnesses does not undermine Mr. Fiske's investigation.

Sen. William S. Col , Maine Republican, said Senate hearings will have to focus on the Washington events in the controversy in the near term as Mr. Fiske completes this stage of his inquiry in the next month or so. The hearings then can turn to what went on in Arkansas under Mr. Clinton "on a much longer-term basis."

"You can expect hearings this summer and into the fall at least," a Senate GOP leadership aide said. "This is going to be around for a long time."

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Cutler envisions 'fully disclosed' Clinton tax data

Counsel speaks of 'openness' on Whitewater

By Joyce Price
THE WASHINGTON TIMES A1

White House Counsel Lloyd Cutler yesterday hinted that President and Hillary Rodham Clinton's tax records related to their Whitewater Development Corp. investment soon could be made public.

Mr. Cutler's suggestion comes amid new reports that the Clintons lost less than $68,900 — their entire investment, according to an often-cited 1992 review — in the Whitewater venture, and that they may have underpaid their income taxes.

On CNN's "Evans and Novak" yesterday, Mr. Cutler was asked why he doesn't urge the Clintons to put all their Whitewater-related tax records "out on the table" for public scrutiny.

"I'm not going to say, obviously, what I'm going to advise," he said. "But I think you will see a good deal of openness on this and other subjects in the very near future."

"I believe as soon as the facts known to the Clintons and their lawyers can be accurately compiled, I believe the essential points will be fully disclosed. . . . It could be soon," Mr. Cutler said.

His comments followed a report in yesterday's editions of the New York Times that a review being conducted by the Clintons' personal attorney, David E. Kendall, is likely to conclude that the first couple overestimated their investment loss and underestimated the amount of taxes owed.

The Times said the review could be completed this week and that the Clintons are considering whether to make them public after providing them to Whitewater special counsel Robert B. Fiske Jr.

As for owing back taxes, Mr. Clinton said Friday he is unsure if he owes any. But yesterday the White House said it is confident his tax returns had been "correctly done." It added that if more money is owed, "any amounts underpaid will be paid."

White House aide John Podesta said the Times' report was incorrect in stating that the Clintons' tax records are being reviewed by a team of accountants under their personal lawyer, Mr. Kendall.

Mr. Kendall alone is reviewing

see **CUTLER**, *page A12*

the records, a White House official told the Associated Press. The official, who requested anonymity, said it is too early to determine if the Clintons owe money.

Asked if underpaying income tax is illegal, Mr. Cutler said: "Underpaying your income taxes in good faith is certainly not an illegal act. You may be subject to payment of the back taxes. You may be subject to interest. Depending on the willfulness of the matter, you might be subject to penalties. But all of that remains to be seen.

"And most real estate transactions, real estate development transactions in particular, are extremely complex, both from a business and a tax point of view. So innocent mistakes are perfectly possible," Mr. Cutler said.

He said that, based on communications he has had with Mr. Kendall, "I don't believe there is anything of what you can call an illegal nature involved."

In fact, "there is not the slightest reason to think that anything illegal involving the Clintons actually happened" with regard to Whitewater, Mr. Cutler said yesterday.

In interviews last weekend, Mrs. Clinton acknowledged that she and Mr. Clinton might have underestimated their tax liability from Whitewater investments.

Money magazine said last week its in-depth examination of the Clintons' tax returns for the years 1980 to 1992 suggests they underpaid their income taxes by nearly $16,400. Approximately half of that is tied to questionable deductions the Clintons took on Whitewater losses, the magazine said.

Money said its review indicates the Clintons may owe the Internal Revenue Service a total of $45,411, including interest.

Until very recently, the Clintons repeatedly insisted they lost $68,900 in the Arkansas land deal, often citing a 1992 review by a Denver accounting firm supporting their claim.

But the Times report pointed out that a tax return prepared last year at the direction of the late Vincent W. Foster Jr., White House deputy counsel, suggested the Clinton's financial losses from Whitewater were not as steep as they had claimed.

Mr. Cutler, a highly respected Washington lawyer and White House counsel in the Carter administration, is replacing Bernard W. Nussbaum, whose resignation as Clinton White House counsel is effective April 5.

Mr. Nussbaum quit under pressure after it was learned he had attended secret briefings from Treasury Department officials on a federal investigation of Madison Guaranty Savings and Loan Association, a failed Arkansas thrift with links to the Clintons.

Madison's owner, James B. McDougal, is being investigated regarding possible diversion of funds to Mr. Clinton's 1984 gubernatorial campaign and to Whitewater, in which he was a partner with the Clintons.

Mr. Cutler was asked yesterday if it was inappropriate for Mr. Foster to have been handling the personal matters of Mr. and Mrs. Clinton when he was White House deputy counsel.

"I would rather look forward," Mr. Cutler replied. "I don't know what Vince Foster was doing in those early days, but I think it was just cleaning up a few details like the Whitewater tax returns, which Mr. McDougal had failed to file for three years."

Interviewed a week ago on ABC-TV's "This Week," Mr. McDougal said he can't file his 1993 tax returns until the Clintons return certain records. He said the White House has ignored repeated requests for the records and speculated they were holding back because of "possible embarrassment from some aspect of it."

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A Place Called Mope

A Year After Clinton's Hopeful Debut, the City Is a Bummer

By Joel Achenbach

THE WASHINGTON POST SUNDAY, MARCH 20, 1994

I KNOW THIS is tantamount to a resignation letter from the journalistic brotherhood, but I find myself missing the misty-eyed optimism of Bill Clinton's inauguration, that momentary spasm of goodwill and benign spirit that lasted two or three days and filled the air with talk of hope and change and decency, a time when even the pit bull lawyers and regulation-dreaming government bureaucrats looked as though they were desperate to find someone to hug.

I loathed every minute of it, don't get me wrong. (I'm the kind of person who, if I had to give a big political speech, would end it with the line, "I still believe in a place called Puke.") The Clinton inauguration heralded an open season on cynics, skeptics, wiseacres, goofballs and journalists in general. For years there had been a cultural gap between the moderate-to-liberal Washington media-political establishment and the conservative Republicans in the White House, but suddenly in January 1993 there opened an even more gaping chasm between the hardened unimpressionable agnostics of the establishment and the young true-believers of the new administration.

The Clintons and their tribe were demanding a change not only in policy and procedure but also in the whole Washington vibe. They wanted it to be a good-vibe city.

A little more than a year later, Washington has a very bad vibe. This is not a nice city at the moment.

Everyone seems to be resigning or getting fired. Admittedly, it is hard to feel sorry for Webb Hubbell because he looks so awfully like Bert Lance, in the neck and jowls at least, but you have to become troubled when even the White House cook and usher are sacked.

The atmosphere of the Whitewater scandal suggests the putridity of the moment. The scandal is suspicion-based. We know little and suspect much. Documents were shredded: a cover up? We suspect so! Never mind that law firms always shred documents, the crime is at the very least a failure to avoid the appearance of suspiciousness.

Suspicion is a useful tool for an investigator but it is not a particularly grand expression of human intellect. It is often indistinguishable from simple malice or, worse, paranoia. Even the Clintons suspect that the whole thing has been engineered by sinister forces that are out to get them. Bill Clinton the other night was pounding his fist on a lectern: Not his style! Hillary Rodham Clinton seems resentful and angry, no longer resembling the St. Hillary who wrestled with the Politics of Meaning. She's learning a lot about what might be called the Politics of Mean.

The very existence of the rumor about Vince Foster being killed in a "safe house" in Virginia and his body dumped at Fort Marcy is an expression of our psychic cancer. Of course I would like it to be true: What a story! But when reporters are pounding doors in Virginia apartment buildings trying to confirm something this ludicrous, then we are clearly into a weird and ugly zone, captured by the bad vibe, our bodies wracked with tumors of suspicion.

Spring will help. I'm willing to risk sounding vapid on this point because I believe it to be true: The zeitgeist follows the weather. Bunkered against the harsh winter, we failed to purge the toxins that seeped into our beings from all directions. The poisonous molecules go to the part of the brain that controls the reigning vibe: We feel dank, clammy, vicious, like vermin. We find solace only in the knowledge that someone, somewhere, is suffering worse. It would be impossible to find a person outside the Clinton inner circle who was upset about the departure of Hubbell or Bernard Nussbaum, or even about the obvious agonies of the administration as it struggles with a scandal hardly anyone truly fathoms. The new buzzword in Washington is Gotcha! Ours is a culture of punishment. One wrong move and you're finished: We'll cut your heart out to appease the gods. An Aztec high priest would blend right in, indistinguishable from a pundit.

Still, a few days ago, just before Friday's grumpy tropical snowstorm, there were sunny skies and little puffy clouds and, though not warm exactly, there was the promise of spring, rejuvenation, renaissance. Malice and fear and jealousy and all those other negative emotions exist in humans because they are so damn useful in a pinch, but what we ultimately want, what we crave, are good vibes. The mood will pivot. The vernal equinox approaches. Here's one prediction that Whitewater vanishes from the public mind within minutes of the blooming of the cherry blossoms.

Joel Achenbach is a reporter for The Washington Post.

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MARY McGRORY

What's It All About, Alfonse?

THE REPUBLICANS have assigned a chaperone to their lead Whitewater attack dog, Sen. Al D'Amato (R-N.Y.), which may be their way of saying that the scandal-that-might-not-be-one is not all beer and skittles for them. Senate Minority Leader Bob Dole suggested that Sen. William Cohen of Maine "might work with" the volatile D'Amato. At a Christian Science Monitor press breakfast, D'Amato said it was his idea. All agree that D'Amato invited Cohen to come to a summit meeting with Whitewater Special Prosecutor Robert S. Fiske Jr., who begged in vain for the Senate to put off hearings until his work is done.

Cohen has the moderate image that not all Whitewater players can claim. He broke with his party once, critically, as a member of the House impeachment committee, joining Democrats in a request for more information from Richard Nixon. His gamble paid off, and Cohen won a Senate seat. Since then, he has followed the party line, contenting himself with making eloquent speeches against controversial propositions like the MX missile and contra aid—and then voting for them when the roll is called.

He provides contrast with D'Amato, who has the personality of a permanently incensed Manhattan subway rider, all elbows and facial English. Cohen, the Senate's poet laureate, writes novels that President Clinton reads; he is invited to the

See McGRORY, C5, Col. 4

Mary McGrory is a Washington Post columnist.

THE WASHINGTON POST SUNDAY, MARCH 20, 1994

McGRORY, From C1

White House for dinner. D'Amato causes Democrats to grind their teeth; his normally ultra-polite colleague, John Kerry of Massachusetts, made a nasty crack about him in Boston last. Cohen quotes British Prime Minister Harold Macmillan's memoirs; D'Amato mostly quotes himself. He serves his constituents with a single-minded ferocity that has earned him the label of "Senator Pothole."

For both sides in the seething Senate, D'Amato epitomizes the excesses of the whole Whitewater saga. Republicans are acutely aware that the Emile Zola (*J'accuse!*) role D'Amato has seized for himself is a bit of a stretch. He recently underwent a two-year investigation by the Senate ethics committee, which reprimanded him for the way he ran his office. He insists it is not an issue. The vocabulary of self-righteousness trips off his tongue.

D'Amato grandly says he will not accuse the Clintons—with their "politics of meaning" and their "higher ethical standards"—of "hypocrisy." "That's too strong a word," he says. He talks sternly of lapses in ethics and manners by various Clintonites, which cause him to frown and shake his head.

D'Amato is pushing hard for hearings. Leader Dole seems to be of two minds, one day thinking the Day of Judgment for Bill Clinton arrived, barely a year after his inauguration, and the next day wondering if it is all "overblown." Republicans may be even queasier about following D'Amato into the hearings battle after his stormy screaming match on Phil Donahue. At the same time, they know that trying to keep him off any committee that might be formed to look into the matter of what Bernie Nussbaum said to Roger Altman (and vice versa) could provoke the mother of all battles in the Senate.

Cohen, meanwhile, has been visiting various Republican groups to tell them that the rhetoric is getting too hot not to cool down. He expresses his belief that "the process has been inverted, [that] it should not have been raised to the level of a criminal investigation."

Maybe Cohen can convince his charge to slow down. It may not be easy. D'Amato is thoroughly enjoying his new notoriety as a sleuth and scourge of those he sees as lacking his delicate ethical sense. He has his moments as a buffoon, but D'Amato is no fool. He knows that for someone like him, it hardly ever gets better than it is right now. Shouting his doubts about the death of Vincent Foster and demanding an accounting from Hillary Clinton gets him on the evening news and page one regularly. Republicans torn between bringing down Bill Clinton way ahead of schedule and maintaining some semblance of sanity have to decide if D'Amato is where it's at.

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During Clinton Broadcast, Questions From the Heart

By DeNeen L. Brown
Washington Post Staff Writer

Tanya Green knew her trip to the White House yesterday would be her rare opportunity to give the president a window onto her world.

"A lot of us are tired of hearing that we are a lost generation when we are not," the 18-year-old senior at Dunbar High School said when the microphone was passed to her. "We want to know what steps you are going to take to give us the hope, the pride and the strength that we need to succeed in the future and to become strong black, white, Chinese, African American people."

When President Clinton answered, he talked about the provided structures and opportunities and listed the problems of single-parent families, lack of jobs and decaying schools.

But, he said, "You are a child. You shouldn't have to deal with that."

Green was among 50 young people dealing with such issues who were brought to the White House for an ABC News special that was broadcast live yesterday afternoon. Although fear of violence was an overriding concern in the group, some children asked about pollution and environmental hazards, medical benefits, even cattle grazing fees.

Annie Nichol, 7, whose sister, Polly Klaas, was kidnapped from their California home and killed, talked about her fears. ABC showed a video of Annie in her house, where she had rigged her own alarm system. "These are the bells on my door," she said. "This is a rope for the bad guy. . . ."

The girl said that during her plane ride to Washington, "I asked my mom, 'Do you think I will live to grow up?' I don't feel safe."

Clinton looked down on the girl with missing front teeth and said, "You are a brave girl to come here and let us see your story."

Many of the questions gave Clinton a chance to pitch his anti-crime bill, which is being considered by the House of Representatives. He talked about limiting parole, banning assault weapons and putting more police officers on the street.

"I want the children in the country to grow up safe," he said.

It was Clinton's second broadcast meeting with children. The first, in December, was such a success, White House spokesman Arthur Jones said, that Clinton wanted to repeat it: "He is a parent. . . . I think, like a lot of thinking parents, sometimes you learn things from kids."

The questions were not childish. Zlata Filipovic, 13, a girl whose diary about living amid war in Bosnia has gained worldwide attention, asked Clinton whether he thought the end of the war was near. He said he did.

THE WASHINGTON POST SUNDAY, MARCH 20, 1994

Reginald Burch, a 12-year-old student at Brightwood Elementary in the District, showed a video about the problems at his school: the hole in the window in the boys' bathroom, the broken faucet, the stalls with no locks.

ABC news anchor Peter Jennings, who was the moderator of the program, said in an interview that the White House did not regard the session as a risk-free opportunity for the president. It wasn't entirely risk-free for the broadcasters.

About 15 minutes before the broadcast, Brodie Butland, of Upper Arlington, Ohio, who asked why cigarettes were still considered a legal drug, "was crying his eyes out," Jennings said. He told the anchor, " 'I spent all night getting this question together, and I'll never get a chance to ask it. There are 50 people here.' "

Jennings told Brodie that he'd try to get it in.

Then, Jennings said, he noticed that Cotton Bousman, a 14-year-old from Wyoming, had a long question typed out. "I told him the best question for the president is one you ask from your heart," Jennings said. The boy agreed to discard the script, but 10 minutes later, "He'd written it all down on his hands."

Staff writer Howard Kurtz contributed to this report.

Ex-Partner Says Clintons Refused to End Land Deal

McDougal: Hillary Clinton Blocked Transfer

By H rd Schneider
Washington Post Writer

LITTLE ROCK, Ark.—President Clinton's former partner in the Whitewater Development Corp. said last week that Clinton was ready to get out of the investment in 1986 but that Hillary Rodham Clinton insisted on staying in the land venture.

James B. McDougal, in an interview, described an angry conversation in December 1986 between Hillary Clinton and McDougal's then-wife Susan, who went to the Arkansas governor's mansion to ask that the Clintons sign documents transferring their interest in the 230-acre Whitewater project to the half-interest in the venture.

Although then-Gov. Clinton had told the McDougals he was willing to sign the documents, Hillary Clinton refused, saying she hoped to eventually use the Whitewater investment to pay for her daughter Chelsea's college education, McDougal said.

At the time, the McDougals were under federal scrutiny for their involvement in Madison Guaranty Savings & Loan, which failed in 1989 at an estimated taxpayer cost of $60 million.

As controversy over Whitewater has heightened, a key question for the Clintons has been why they remained in the land venture with

McDougal's account is at odds with the Clintons' depiction of themselves as "passive investors."

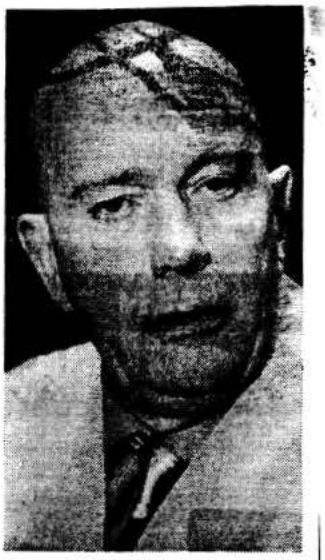
McDougal long after he came under federal inquiry for unsound business practices. He was tried and acquitted of bank fraud charges in 1989.

McDougal's account is at odds with the Clintons' depiction of themselves as "passive investors" in Whitewater who were unable to divest themselves of their interest in the project until December 1992, when they sold their shares to James McDougal for $1,000. Senior White House adviser Bruce Lindsey said last week that "Mrs. Clinton has no recollection of ever making any such statement to Susan McDougal."

McDougal said he and Susan tried to take over the Clintons' interest in the corporation so they could take advantage of tax losses that had accumulated since 1978, when the two couples bought the Ozarks property for a resort development.

When Hillary Clinton insisted on staying in the project, McDougal said, cautioning that his account of the meeting was obtained secondhand from his wife, "I found it rather laughable" because the land development company never had been profitable.

According to a report on Whitewater's finances issued during the 1992 presidential campaign, the company in 1986 had virtually no operating expenses. It owed between $50,000 and $60,000 on its original mortgage, but was due to receive much more than that—about $100,000—from lot purchasers who were making monthly payments to the company. Apparently without



JAMES B. McDOUGAL
. . . 1986 Whitewater offer spurned

telling the Clintons, the McDougals a few months earlier had purchased 810 acres of land from the International Paper Co. and put the property and a $440,000 mortgage in Whitewater's name. Soon afterward, the property was transferred to another McDougal corporation, the Great Southern Land Co.

That transaction has come under scrutiny by special counsel Robert B. Fiske Jr., who is investigating Whitewater and its ties to Madison.

Susan McDougal, through her lawyer, said she wants to make no comment "about what the Clintons did or did not do."

Records show Hillary Clinton sought a power of attorney for Whitewater from the McDougals in 1988, saying she wanted to dispose of remaining properties.

Until recently, the Clintons have said they lost about $69,000 in the venture. In an interview last week, Hillary Clinton said she did not claim the losses on tax returns because she did not have proper documentation and said the couple's tax liability may have been underestimated. In remarks Friday, President Clinton said any mistakes on their tax returns "certainly were not intentional" and that the couple is prepared to pay back taxes if necessary.

McDougal, in recent interviews, has said he believes the Clintons did nothing improper in the Whitewater investment. But he said he turned over corporate records to the Clintons and has been unable to review the records.

He also has said the Clintons invested far less in the corporation than they have claimed. According to McDougal, the Clintons, though 50 percent owners of Whitewater, put up only around $13,000 for the project—far less than McDougal invested and a small fraction of what was needed in Whitewater's early years to support principal and interest payments on the $200,000 in bank loans taken out to buy the land.

McDougal repeated that figure in the interview last week, saying the couple made the contributions in 1978 and 1979 but put in nothing after that.

McDougal said he could not speculate on why Hillary Clinton chose to remain in the investment. "I don't psychoanalyze the First Lady," McDougal said.

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White House Plans to Live With a Long Whitewater

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

President Clinton and his senior advisers are now resigned that the Whitewater affair will remain a lingering problem with an uncertain course and are attempting to put in place a structure for handling the issue while allowing Clinton to continue pushing domestic priorities and return to looming foreign policy problems.

Advisers now liken the White House living with Whitewater to a patient with a chronic illness, who must learn to manage the pain, go on with daily life—and endure occasional flare-ups.

Where some in the White House once hoped the decision to seek a special counsel to investigate Whitewater would move the matter off the public radar screen, officials there now concede Whitewater will not fade from view.

They blame that fact in part on their missteps: the series of meetings between senior White House and Treasury officials that yielded a flurry of subpoenas from special counsel Robert B. Fiske Jr. and expanded Whitewater from a story about long-ago land dealings to a look at current administration practices.

"Is there a silver bullet that is going to clear this away for good?" asked one senior adviser. "No. We are going to have to learn to live with Whitewater for weeks and maybe months and still get on with our business."

For Clinton, business this week is health care. With his radio address yesterday, and health care events Monday in Florida and Tuesday and Wednesday in Washington, the White House is attempting to send Congress off to recess with a stronger health care message to constituents.

The White House calculation is that in the absence of what one called "more bad incoming fire," or new revelations about the Clintons and their land development, the president this week will be able to break through to higher ground, at least some of the time.

At the same time, the White House is determined not to repeat the acknowledged mistakes of the past, when its conduct created the impression—false, White House officials insist—that the Clintons have something to hide.

The administration mantra is openness and cooperation with the special counsel.

Now, the administration mantra is openness and cooperation with the special counsel and, when necessary, with Congress and the news media.

To manage the issue better, staff secretary John Podesta has been assigned the role of fact-assembling on Whitewater and related issues and brought into the process of dealing with new stories that emerge in the news media.

A senior official said the White House is also considering using Podesta's work and that of the Clintons' private attorney, who is conducting a new financial assessment of the couples' involvement in Whitewater, to do selected briefings of Democrats on the Hill to "to use some facts to make the case that there is nothing to this."

White House aides list the known Whitewater stories on the horizon—this week's fight in the House over hearings, the possibility that Rep. Jim Leach (R-Iowa) will release damaging information or elicit it during savings and loan oversight hearings, and the likely release of a new accounting of the Clintons' financial stake in Whitewater being prepared by their lawyer.

They now accept that congressional hearings are inevitable and are debating whether it is better to encourage hearings sooner rather than later. That would allow attention to be refocused on Clinton's agenda and keep the hearings away from the November elections. The timing of any hearings will be dictated in part by the activities of Fiske, who has asked that hearings be put off so as to not interfere with his work. Fiske may also release interim reports that create a flurry, if not a problem.

"I know you think we're paralyzed, we're all-consumed, we're obsessing on this all day," said one administration official. "But that was last week. This week, we're actually starting to wall it off and get some other work done."

White House communications director Mark Gearan said, "Is this consuming the White House? I think that it is fair to say that at certain moments and with certain people, it has been consuming. But for most of the people who work here, it has not been."

Although the president and top aides say publicly the issue has not kept Clinton from from doing his job, some say privately that pressing problems, particularly in foreign policy, have escaped his personal attention, and sometimes strong White House attention.

One senior official cited Secretary of State Warren Christopher's trip to China that virtually everyone in the administration regrets as either "disappointing" or "disastrous." Officials said Christopher's aides sought some high-level White House discussions before the trip to discuss whether it should go forward in the face of new arrests of human rights activists and clear signals the Chinese would take a tough, confrontational line.

At least one and perhaps two sets of meetings at the White House were said to have been canceled because of Whitewater meetings, and officials said this week Clinton has yet to have a session with Christopher on his trip and where the United States should go from here.

Another official said the White House believes it "dodged a bullet" on North Korea, where new recalcitrance to allow nuclear inspections was on display the past week, and needs to direct more Clinton attention to that issue and to the continuing problems in and with Russia.

Aides describe the president as alternating between rage and disgust over the Whitewater problem, with what one called "a certainty that the Republicans and the media are not ever going to let this go, that the press is now in some great one-upsmanship game to see who can top who on this. . . . Every time he does something, like go for a special counsel or turn over documents or agree to hearings, the press raises the bar higher."

Clinton's frustration was on display in Boston Monday when he assailed Republicans for practicing the "politics of personal destruction," and last weekend when he abruptly ended an interview with Knight-Ridder reporters who asked him about Whitewater.

That Clinton is struggling with how to handle the problem was clear—last week when he twice related stories from his latest bedside reading: "Executive Privilege: Two Centuries of White House Scandals" by Jack Mitchell.

Clinton's intellectual, if not emotional, conclusion from reading the book, one adviser said, "was that the way you get through these things is by getting on with other things and letting them take their course."

Barring some set of new revelations, this adviser said, the White House that once concluded the course of Whitewater would be a fast dead end now concludes "it will be just bumpier and longer getting there."

THE WASHINGTON POST SUNDAY, MARCH 20, 1994

For Arkansans, a Sense of Frustration

Clinton Followers Hold Course Despite Dismay Over Treatment

By Dan Balz
Washington Post Staff Writer

It was a time for reunion and relaxation when Arkansans in Washington gathered at the White House a few weeks ago for a night of Razorback basketball in the little theater.

President Clinton munched popcorn and the several dozen Arkansans who joined him cheered the No. 1-ranked University of Arkansas Razorbacks as they scored a 108-105 overtime victory over Louisiana State University. For those who followed Clinton to Washington in January 1993, not all days have ended so pleasantly.

In little more than a year, they have seen Vincent Foster, one of their own, die by suicide and seen Webster L. Hubbell, a former law partner of First Lady Hillary Rodham Clinton, resign his powerful post at the Justice Department under an ethical cloud. Their president is being chased by questions about a land deal back home called Whitewater. And their state, in their eyes, is maligned daily in newspapers and on television as a haven of Dogpatch cronyism.

"I think people back home in our state have a feeling that somehow or another we don't deserve this look of disdain that may have visited us like a cloud," said Sen. David Pryor (D-Ark.). "It's kind of like a plague of some kind that we can't imagine where it came from and why it doesn't leave us."

Many other presidencies have taken on a home-state flavor. John F. Kennedy had his Massachusetts inner circle, Jimmy Carter his Georgia Peanut Brigade. For Clinton, despite a network of national connections and an Ivy League education, Arkansas remains the prism through which much of the country measures his politics and his presidency.

He has dotted his administration with friends and associates from back home, from Chief of Staff Thomas F. "Mack" McLarty and senior adviser Bruce Lindsey in the White House to Surgeon General Joycelyn Elders and Federal Emergency Management Agency Director James Lee Witt in the agencies. Other Arkansans fill key White House, agency and political posts in Washington.

They came determined to make the Clinton presidency succeed, and if they are even more committed to do so today, their world is far different than many imagined.

"Washington kind of prides itself on being tough on newcomers," said Mike Gauldin, Clinton's statehouse press secretary in Arkansas and now the Energy Department's chief spokesman. "But I haven't really talked to anybody who's changed their opinion about why they came here or whether it's worth it. We've all learned a lot about how to make it here, but I don't think anybody is packing their bags."

Still the relentless scrutiny, the criticism that the Arkansans are not up to the job and the suggestion that the Arkansas way of doing business is suspect, if not downright corrupt, has taken a toll on the administration.

"It's pretty strange that people of this caliber have had their integrity called into question," said one top adviser to Clinton who is not from Arkansas. "All of them had been successful regionally as well as nationally—starting with the president. [The treatment] is unfair and unwarranted."

Almost spitting his words, this official blamed an attitude in Washington that unless it was invented here, forget it. "No one can be as smart, as talented, as capable as anyone here in Washington," the official said sarcastically. "I'm angry about it."

David Mathews, an Arkansas lawyer and friend of the Clintons, said, "A lot of them [the Arkansans in Washington] are still weighing the question of whether or not the good they can do for the country is outweighed by the personal weight they have to bear of the cynicism of the public in general and in particular the media. I don't think that our method of living life and caring for one another in Arkansas has been given a very fair treatment by the media. It's not a mean-spirited desire to poke fun at the hillbillies. Just a lack of understanding."

McLarty said frustrations felt by Arkansans in the administration are shared by others. "Whether you're from Arkansas . . . or Alaska, the adversity or the distraction, the Whitewater-type issue, is obviously not the reason [you came] to serve in the administration," he said. "It can get frustrating. . . . But [presidential counselor] David [R. Gergen] and [senior adviser] George [Stephanopoulos] have the same feelings and emotions."

But whatever burdens these other advisers carry these days, they have not experienced the same kind of emotional trauma that many of the Arkansans have. Foster's suicide last summer was a deeply personal loss to many of them and it showed. "That was the defining moment, when people said whoa, wait, look," said one Arkansan.

It triggered an alarm bell for many of the close-knit Arkansans that brought an outpouring of calls, notes and other signs of support for one another.

Hubbell's departure last week in the face of charges of billing and expense irregularities at the Rose Law Firm in Little Rock brought fresh embarrassment to the administration—and for his friends here, more pain and hardship.

"I don't know what's going on in Webb Hubbell's mind right now," Pryor said. ". . .I do not think he regrets serving the president. The Foster family does not regret serving the president. They look on it as sort of a badge of honor. But the events have been very unfortunate in those two instances."

One senior administration official from Arkansas said there has been a tendency in the media to exaggerate the emotional toll Foster's suicide and Hubbell's resignation have taken on people. "It should not be made into something it's not," he said.

But many Arkansans in Washington and in Little Rock believe the Clinton administration has been treated unfairly. "I think a lot of this is envy and elitism and, I must say, a great deal of sanctimony," Pryor said. "We're supposed to be barefooted and backwoodsy and not successful in the fields we're successful in."

Gauldin protested that the characterizations of Arkansas as a state where cronyism and coziness among the power elite of business and politics were the same kind of thing that happens everywhere. "If the same thing happens in New York, it's good business," he said. "If it happens in Washington, it's networking."

The big difference in Arkansas, he said, is that most of these relationships are out in the open.

Whatever their inner emotions, the Arkansans claim the experiences of the past year not only have deepened their ties with one another, but also helped rally them behind the president.

"I think there's a feeling of sadness," Pryor said. "But there's a feeling of pride in this president that . . . is even greater today than it was on Jan. 20, 1993. There's a gathering around of this president by his loyal friends and supporters."

W ıy Wl itewater Mat ers

From President Clinton on down, important Democrats would have us believe that the Whitewater mess is a confection spun by Republicans with little else to talk about and media types with little else to do. But there are reasonable people, including many who wish Mr. Clinton well, who believe that Whitewater has raised serious questions that deserve serious inquiry.

On Thursday, the Senate voted unanimously to hold public hearings, "structured and sequenced" so as not to interfere with the Whitewater special prosecutor, Robert Fiske. House leaders, who have been stonewalling any hearings, should follow suit.

Representatives Dan Rostenkowski and Lee Hamilton, two influential Democrats, have now asserted a Congressional interest in the matter. In this they agree with Representative Jim Leach (and that improbable champion of government ethics, Senator Alfonse D'Amato) that Congress has the right to hold hearings as long as they do not undermine Mr. Fiske.

Indeed, Congress has a particular responsibility to explore possible abuses of power by the White House and the malfunctioning of government agencies that are supposed to protect the taxpayer.

Whitewater raises at least two important policy issues that fall within the oversight authority of the House and Senate Banking Committees. One involves the integrity of the banking system, the other the integrity of its regulators.

The banking issue arises from the 1989 collapse of Madison Guaranty, an Arkansas savings and loan. Madison's failure cost taxpayers $60 million in bailout funds, a huge loss for a small institution.

About Madison, there are several questions. One is whether a state regulator appointed by Governor Clinton ignored Madison's shoddy lending practices because it was owned by the Clintons' political ally, James McDougal, who was also the Clintons' business partner in the Whitewater Development Company. Another is whether some of Madison's funds were used to retire a $50,000 debt incurred during Mr. Clinton's 1984 re-election campaign for governor or otherwise benefited the Clintons. A third is whether depositors' funds or campaign funds were used to shore up Whitewater.

Even if all the answers turn out to be yes, Mr. Clinton himself may have been an innocent bystander. But Mr. Fiske and the relevant committees of Congress have a perfect right to find out what Madison was up to, both as a scandal in and of itself and as an illustration of the rot in the soul of the savings and loan system during the careless 1980's.

Any investigation of Madison will inevitably touch on the Whitewater Company itself, not only because Madison money may have been funneled to Whitewater but also because the Clintons owned half the business. Did the Clintons pay the same amount for their half-share as Mr. McDougal paid for his? How much money did Whitewater lose? These questions are important, at least to Mr. Fiske, because they bear on whether the Clintons received gifts or claimed undeserved tax deductions in connection with Whitewater.

The second big cluster of issues involves the integrity of the regulators who are supposed to protect the public against bad banking practices. The Treasury Department, through the Resolution Trust Corporation, is responsible for cleaning up the savings and loan mess. A few weeks ago, Treasury officials revealed that they had given former White House counsel Bernard Nussbaum and other senior aides "heads up" briefings on the R.T.C.'s own investigation of Madison.

Given the Clintons' close relationship with Madison's owner, Mr. Fiske wants to know why the meetings were held and whether they compromised the R.T.C.'s independence — a polite way of asking whether justice was obstructed.

Mr. Leach has also expressed concern that the Administration may have improperly quashed a field investigation by the R.T.C's Kansas City office. And on Wednesday, Stephen Labaton of The Times reported that Treasury officials rejected a request by Brian McCormally, a senior investigator in the Office of Thrift Supervision, to open a parallel probe of Madison. Mr. Fiske and the banking committees will obviously want to know why the Clinton Administration told Mr. McCormally to go away.

Those are some of the policy questions that make Whitewater a weightier matter than the "bunch of foolishness" James Carville says it is.

In America

BOB HERBERT

The Circus That Is Whitewater

Let the hearings begin, and try not to be distracted by the sideshow.

There are flim-flammers and exhibitionists and freak shows aplenty under the big top called Whitewater, a hyper-charged convergence of movers and shakers from the Ozarks with the power elite of the Beltway.

The Times tells us about a Mr. Bone, "who was known as Red," a professional poker player who served as Hillary Rodham Clinton's broker as she speculated semi-spectacularly in cattle futures. And there's the melancholy figure of James McDougal, the Clintons' partner in the Whitewater Development Company, a man who once was a high liver but now is broke and spends a lot of time awaiting a possible indictment and giving network television interviews.

There's Senator Alfonse D'Amato, a born-again ethics maven who's made a big splash as a pitchman whipping up interest in Whitewater with specious references to Watergate.

The lineup appears to be endless and everyone is pointing fingers at everyone else. President Clinton lost his cool in Boston over the fact that the Republicans are treating him so badly. At a $1,000-a-plate dinner on Monday, Mr. Clinton repeatedly pounded a lectern with his fist as he angrily asked, "Why ... are we confronted in this Administration with an opposition party that just stands up and says, 'No, no, no, no, no, no, no, no, no'?"

The sharks in the Republican Congressional delegation do seem to be perpetually chortling over the Clintons' discomfort. Others are less discreet. Rachel Abrams, the wife of former Assistant Secretary of State Elliot Abrams, who was convicted of perjury in the Iran-contra scandal, wrote an op-ed piece about Whitewater in The Washington Times. She said she understood the pain the Clintons must be enduring, the way their "stomachs churn" and the difficulty they must have sleeping. She then added, "I know all this and the thought of it makes me happy."

Meanwhile, the press is demanding to know why the Administration continually acts as if it were hiding something, and reporters are rooting about wildly to find out what that something might be. Anyone who thought the appointment of a special prosecutor would chill the Whitewater frenzy was indulging in fantasy.

> And some serious questions about power and money.

And so, hearings. The dates have not been set, but once they get under way, somewhere amid the histrionics and the shenanigans, the stonewalling and the obfuscation and the partisan attacks, some truths should emerge about the widespread and corrosive relationships between powerful government officials and powerful private interests.

That is the essential problem of Whitewater, and one of the essential problems of government in general.

Representative Jim Leach, an Iowa Republican who was among the earliest to call for an investigation, is eloquent on this point. Using the savings-and-loan debacle as an illustration, he said: "Alleged defenders of the little guy in American politics found themselves advancing the interests of a small number of owners of financial institutions which were run as private piggy banks for insiders. The intertwining of greed and ambition turned democratic values upside down."

At the moment the interests of the Clintons and the interests of the public conflict. Bill and Hillary Clinton do not want to be embarrassed — or worse — by revelations about Whitewater. They claim they have done nothing wrong, and that may be true. But Americans need to know that their government represents *them*, and not some cabal of big money interests and political insiders.

The Whitewater issue is about much more than criminal wrongdoing. It's about whether Americans can trust the President and the First Lady — whether the Clintons are, in fact, what they seem or claim to be. Hearings will help determine whether the Clintons and their associates have behaved ethically and spoken truthfully.

If the Clintons come out of this with only minor scrapes and bruises, they will be able to move ahead with renewed vigor and the press and the Republicans will look foolish. If the Clintons do not come out of this in good shape, the crisis of confidence in government will be enormous.

Either way, let the hearings begin.

Motives of Quiet Congressman Who Is Making Much of Whitewater's Noise

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, March 19 — In a city where bombast and pomposity are the rule, Representative Jim Leach of Iowa is quiet and modest.

In a Congress riven by partisanship, he has sided with Democrats over the years almost as often as he has lined up with his fellow Republicans.

So it seems out of character that Mr. Leach is now President Clinton's main antagonist in Congress on the Whitewater case. He not only has his name on front pages and on evening news programs these days but he also has attacked the President on "Donahue" and "A Current Affair."

It seems almost as if Madonna were cast to play Queen Victoria or Shaquille O'Neal started shooting jump shots from behind the three-point line.

A Career Defined by Ethics

But it seems out of character only to people who do not know him — to those outside the Capitol, where he enjoys almost universal respect, and his Congressional district in eastern Iowa, where he has held a safe seat for the last 18 years.

Those who know him best say that Jim Leach is doing exactly what they would have expected on the question that has guided his political life: public ethics.

Many of them disagree with him. None question his motives.

After all, this is a man who resigned from the Foreign Service in 1973 on the eve of his dream assignment in order to protest President Richard M. Nixon's dismissal of Archibald Cox, the Watergate special prosecutor, in the Saturday Night Massacre.

His Criticism Is Nonpartisan

This is a Congressman who sharply criticized a President of his own party, Ronald Reagan, over the Iran-contra affair and one who told his colleagues to their faces that they were responsible individually and collectively for the savings and loan mess because they had abandoned the national interest in favor of regional and industry concerns.

This is a politician who has never accepted a campaign contribution of more than $500 or taken a dime from political action committees or people who live outside Iowa.

He is fond of repeating an adaptation of Barry M. Goldwater's famous line about moderation and extremism. "Moderation in the pursuit of truth is no virtue," Mr. Leach says in his public speeches. "Vigilance in the defense of public ethics is no vice."

At the beginning of last year, Mr. Leach became the top-ranking Republican on the House Banking Committee, a position that gave him a small staff and a responsibility to be his party's spokesman on issues before the committee. By summer, he had the staff investigating the failure of Madison Guaranty, the Arkansas savings and loan owned by the Clintons' business partner in the Whitewater real-estate venture, James B. McDougal. The collapse cost the Government $60 million.

'I Feel So Strongly About This'

In an interview in his office last week, Mr. Leach explained his interest this way: "I am fulfilling my obligations as I see them under the Constitution. The Constitution gives Congress oversight accountability of the executive branch. And I will go further, because I feel so strongly about this I can't stand it. It's the responsibility of all parties out of power, all minority parties in all Western democracies, to hold accountable the executive branch of the governing party when there are breaches of public ethics or public law. Not to fulfill that responsibility is a dereliction of duty."

Mr. Leach, who speaks so softly that you have to strain to hear him even when he is next to you on the couch, insisted that he has no interest whatsoever in harming President Clinton or his Presidency.

"On the grand scope of public scandals, this is a bump," he said. "But it has mountainous implications for public ethics."

Seeking Disclosure

He continued: "My argument is that this is a full-disclosure issue. I've tried to walk the line between public embarrassment, which I think is deserved, and either Presidency-toppling or Presidency-debilitating, which are not deserved. I thought initially it was a one-to-three-week issue, that you'd have a hearing and then put it behind us. Now the great challenge is how you bring the issue to resolution. I will be steadfast in seeking full disclosure. But once there is disclosure, I will do my best to put it behind."

Out of the mouth of almost any other politician that would sound self-righteous, sanctimonious, and at the White House, he is seen as a man on the make, who wants to rise by stepping on the President's back.

But politicians from across the political band who know him well say Mr. Leach's explanation is the full story of why he is challenging Mr. Clinton.

One long-time political opponent, Dave Nagle, a former Democratic Party chairman in Iowa who once served in Congress from a district adjacent to Mr. Leach's, said: "For Jim, this is completely in character. He has a reputation for impartiality, for listening to both sides, for integrity, for being reasonable. So when he takes on something, people have a tendency to listen. When he says it, it lends instant credibility to it. You're inclined to believe that he honestly believes, even if you think he's mistaken, that he's right."

Mr. Leach, who grew up in an affluent family in Davenport, said he entered politics almost by accident. By the eighth grade, he said, he knew he wanted to be in the Foreign Service, and he went to Princeton and graduate school at Johns Hopkins with it in mind.

He graduated from Princeton in 1964, the year of the Free Speech Movement at Berkeley, the beginning of a decade of monumental change on college campuses from coast to coast. But Mr. Leach was a bookworm, a Russian studies major and a 147-pound wrestler, and he had little interest in popular culture or student politics.

By the fall of 1973, Mr. Leach was an experienced Foreign Service officer. Fluent in German and Russian, he had just received what he felt was "the best assignment possible," to be an aide to the United States Ambassador in Moscow. He was at home on a brief leave to try to handle some urgent problems in his family's petroleum products business when the Saturday Night Massacre occurred.

"That night," he said, "I sent a telegram to Henry Kissinger with my resignation. I really felt that what that firing was all about was the President putting himself above the law."

In a Democratic District

Three months later, he said, the Republican party in Davenport persuaded him to run in a Congressional race he had no chance of winning. No one else wanted the nomination. Indeed, he lost to a popular Democrat. But two years later, the national economy had turned sour, and Mr. Leach ran again and won. He has never been seriously challenged since, although his district tends to vote Democratic in other races.

This sounds too pat. The man had little interest in politics, he resigned a matter of principle from a job he loved, he announced his candidacy for Congress three months later. Surely he must have had running for office in the back of his mind.

No, Mr. Leach said. He really did not. And politicians in Iowa who remember the times say everything happened just the way Mr. Leach recalls them today.

A Moderate Stripe

In Washington, Mr. Leach sailed under the banner of Jacob K. Javits, Nelson A. Rockefeller and other liberal-to-moderate Republicans who were influential in the 1960's and 1970's. But Mr. Leach had come aboard too late. Ronald Reagan had become the party's general, and the right wing dominated his troops.

So Mr. Leach, part of a small minority within a minority, confined himself legislatively mainly to banking and foreign policy issues that do not tend to divide along party or ideological lines. His most noteworthy achievement in Congress up till now was to lead the fight to knock out of the savings and loan bailout legislation provisions that gave special benefits to Citicorp, Merrill Lynch and other large financial institutions.

Since taking on the Whitewater case, Mr. Leach's tone has sharpened.

He promised a "blockbuster" if he has the chance to question witnesses in public, without saying what it would entail. He gave a speech in Chicago this month in which he compared Bill Clinton to Michael Milken, the financial wizard who went to jail for fraud. Last week, he told reporters he had sent a confidential memorandum to the special prosecutor about the way bank regulators in Kansas City were being "gagged" by their superiors.

To the suggestion that this talk is rather intemperate for a man with a reputation for understatement, Mr. Leach acknowledged that his voice now has "a little more of a Republican Party clip to it than I'd evidenced before."

He spoke as if his new voice were a matter he had lain awake nights worrying about: "One of the really difficult roads to walk is that between reflecting individual conscience and that of being a member of a team. I always think the first outweighs the second. But the second is not unimportant. We govern through teams in America. It's important to be loyal to teams."

The Atlanta Journal
THE ATLANTA CONSTITUTION
Today's editorial pages are edited by the editorial board of The Atlanta Constitution.

The wheels of Justice

With the sudden resignation of Webster Hubbell, the U.S. Justice Department slides closer to chaos. Hubbell was the No. 3 person at the agency; No. 2 man Philip Heymann resigned in January, citing "poor chemistry" with Attorney General Janet Reno. There is no way Reno — or any attorney general — can manage a department of 98,000 employees with no top aides to rely on.

Justice is one of the most crucial of the federal agencies. President Clinton must lift himself from the fog of Whitewater long enough to get the Justice Department on track.

Though it increases the instability at Justice, the resignation of Hubbell may be fortuitous. Hubbell is a former law partner of Hillary Rodham Clinton's and a golfing buddy of the president's. He has never been accused of any inappropriate actions at the agency; his resignation follows accusations of improper billing practices at his old law firm.

From the start, a smooth-running Justice Department has eluded the Clinton administration.

But Hubbell's mere presence in the No. 3 post created the impression that the Justice Department lacked necessary independence from the White House. Clinton must now give Reno some say in picking aides who will maintain that independence.

From the start, a smooth-running Justice Department has eluded the Clinton administration. The job of filling the top spot gave the Clinton team one of its earliest headaches.

Having finally settled on corporate lawyer Zoe Baird for the post of attorney general, the administration had to backtrack after it became clear that she had flouted immigration laws in the hiring of her domestic staff, workers for whom she also failed to pay Social Security taxes. President Clinton's second pi for the job, U.S. Judge Kimba Wood, was al waylaid by a controversy over Social Secur taxes, though she had not actually violated a laws.

Justice Department appointments continu to traumatize President Clinton when he tri to fill the post of assistant attorney general f civil rights. In a painful, public about-face, l abandoned his first choice, University of Pen sylvania law professor Lani Guinier, after co servatives denounced h views as too liberal.

While Clinton sin nominated Deval Patric the post remains vacant. And the agency struggle along with important post empty as demands i various divisions hav increased. The Immigra tion and Naturalizatio Service is under immens pressure to crack down illegal immigration int the country. The civi rights division needs t come to terms with the challenge mounted t majority-black congres sional districts in the South.

The Federal Bureau of Investigation faces some of the toughest challenges. It is still smarting from the disastrous raid on the Waco, Texas, compound of the Branch-Davidians and a jury verdict that suggested that the FBI acted improperly.

Meanwhile, the threat of terrorism in this country has increased, demanding more investigative resources.

All of this points out that President Clinton cannot fill the vacant posts at Justice at his usual leisurely pace. He needs to find lawyers with sound principles who are willing to ve their country. And he needs to find them quickly.

Turn up the heat on North Korea

North Korea's latest breach of a painstakingly constructed nuclear agreement is serious business — and maddening.

After solemnly pledging it would allow International Atomic Energy Agency experts to examine its declared nuclear sites, North Korea prohibited their testing for radioactive particles at one key facility. Evidence also turned up suggesting that the North Koreans may have tampered with seals on TV monitors and reactor equipment intended to prevent the clandestine siphoning-off of nuclear fuel.

As a result, the inspectors must conclude they cannot certify that North Korea has not been diverting nuclear material into the manufacture of weapons.

The Pyongyang regime's rationale for blocking the inspectors was lame, having to do with a petty diplomatic fight it has picked with South Korea. Damage to the seals, if that indeed turns out to be the case, would be totally unacceptable.

The Korean matter may be coming to a head. It probably is no accident that the CIA chose this week to reveal its concern about North Korea's plans to develop long-range missiles, just a few days after Pyongyang proved itself once again to be a nuclear troublemaker.

The CIA's message to neighboring countries in the region is clear: If you are not now within North Korea's grasp, you soon may be. For those countries that are reluctant to impose economic sanctions on North Korea — China and Japan, in particular — the specter that their most precious assets could be targeted by unstable elements in Pyongyang ought to prod them to rethink their positions.

The reaction of South Korea could be crucial. For months it has refrained from urging stern action against North Korea — and understandably so, considering that it would absorb most of the damage if its enemy lashed out unexpectedly. This week, however, its patience appears to have snapped. It called for the resumption of Team Spirit joint military exercise with U.S. forces, which annually drives North Korea to distraction. Neither Washington nor Seoul should be in a hurry to revive Team Spirit this year, though, for that could spur Pyongyang to behave more rashly than usual. Still, the threat alone could be a useful pressure.

What needs to be driven home to North Korea is that its repeated stalls and dodges leave it isolated, in limbo and dependent on its own devices to survive. The dictatorship may prolong itself briefly, but the inevitable consequence will be rot.

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TOMORROW

OSCAR PICKS
Janet Barrow handicaps the Oscars, and makes a few suggestions about the movies she wishes they had nominated this year. Also: a look at Hollywood's year in review — Heidi Fleiss and Jack Nicholson to the film flop "Last Action Hero" and Spielberg's incredible year.

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SATURDAY, MARCH 19, 1994 The Washington Times

JOSEPH SOBRAN ✓

When the boomers and the icons go bust

Every time President Clinton gets into trouble, he tries to save himself by hiring a mature Washington insider like David Gergen or Lloyd Cutler, as if to assure everyone that his administration will henceforth operate under close adult supervision, with no more wild parties.

Of all the stories of the fabled corruption of Louisiana politics, my favorite is the one Victor Gold tells about Earl Long. A righteous young aide is said to have told him: "I'm with you when you're right, governor, but not when you're wrong." Long replied: "You stupid SOB, I don't need you when I'm right!"

It must have been 15 years ago that I read that story, and I still laugh when I think of it. And after I finish laughing, I meditate on it.

You have to admire the essential humility, the sheer moral lucidity, of the man who could make such a retort. Like the publican who prayed, "Lord, be merciful to me, a sinner," he had no illusions about himself. What a refreshing contrast to "I am not a crook" or "Nobody's accused me of any wrongdoing."

Which brings me to our whining young president, who feels persecuted by the inquiry into his and his wife's ethics. His latest outburst is a charge that the Republicans are "committed to a politics of personal destruction." That must bring a thin smile to the thin lips of Republicans who recall the kindly way the Democrats treated Edwin Meese, Raymond Donovan, Robert Bork, John Tower and Clarence Thomas.

But it's a revealing comment. The Republicans don't seek Mr. Clinton's personal destruction, merely his political debilitation, and possibly his removal from office. That's a legitimate purpose. Nobody has a right to power.

So why does Mr. Clinton think his and his wife's "personal destruction" is the purpose of the Whitewater inquiry? Is this a mere self-pitying overstatement, or does he really fear that the outcome will be complete ruin, including a prison sentence or two? There may be an implied confession in his complaint.

The early Whitewater revelations disclose what we might have expected, a Tammany-style network of shady alliances between local politicians and businessmen with easygoing codes of ethics. This is typical of local politics everywhere, but especially where there is the least scrutiny from the national media. Until Bill Clinton hit the big time, the networks paid little attention to Arkansas — a state he virtually owned for a decade, where by now nearly every important officeholder is a Clinton appointee. Such a monopoly of power is bound to invite ethical winking among people who don't expect to be called to account when they dip into the public trough, or deviously use power to ensure profit.

What has to be concealed is more than a crime; it's a whole way of life, which, once you start looking into it, fairly bubbles over with little embarrassments. As soon Congress got access to the secret life of the Nixon administration, there was no end to the delicious minor revelations: enemies lists, foul language, ethnic slurs, catty gossip, enough dirty laundry to clothe a Third World nation. Such tidbits we t criminal, just mortifying.



That's what the Clintons must know they're in for at a minimum, even if no crimes transpire, and now that there's no hope of preventing it, they have to pretend they welcome it. This phase of Watergate was called "Operation Candor."

Because Hillary Clinton is at its center, the real analogy to this scandal isn't Watergate; it's Geraldine Ferraro, who in 1984 became an instant feminist icon but was soon revealed to have underworld business connections, much to the embarrassment of those in the press who had already canonized her as a historic figure. (The day she was picked as Walter Mondale's running mate, we were told, would be celebrated forever, like Independence Day or Gettysburg. Remember?)

The Clintons arrived in Washington barely a year ago, with their press flacks solemnly announcing the political advent of the Baby Boomers and the '60s children. It was all so silly, as if they were still in college. And every time Mr. Clinton gets into trouble, he tries to save himself by hiring a mature Washington insider like David Gergen or Lloyd Cutler, as if to assure everyone that his administration will henceforth operate under close adult supervision, with no more wild parties.

He has taken on some highly respected baby sitters, but he shouldn't need them if he's right.

Joseph Sobran is a nationally syndicated columnist.

SATURDAY, MARCH 19, 1994 The Washington Times

Fiske's past gives House Republican big doubts

By Thomas Hargrove
SCRIPPS HOWARD NEWS SERVICE

The special counsel investigating the Whitewater-Madison affair has several professional links to the White House and to Arkansas businesses, according to a Republican on the House Banking Committee.

Robert B. Fiske Jr. "is really a non-independent, unaggressive counsel," Rep. Spencer Bachus, Alabama Republican, said Thursday.

Banking Committee Republicans hope to use regular hearings scheduled for next week to ask questions about President Clinton's ties to the failed Whitewater Development Corp. and the defunct Madison Guaranty Savings and Loan Association. Mr. Fiske, a Republican appointed by Attorney General Janet Reno, has said such hearings could jeopardize his criminal investigation.

"I am very uncomfortable with Mr. Fiske," Mr. Bachus said.

One of the former New York City lawyer's biggest clients was the International Paper Corp., the congressman said.

"International Paper just happens to be the company that sold 810 acres to Whitewater. There has been some question of whether that was a fair market value. It was sold for $550,000," Mr. Bachus said.

The freshman congressman also said Mr. Fiske represented the securities firms of Prudential-Bache and Smith Barney Shearson, which he said "did a tremendous amount of bond underwriting for the state of Arkansas and for the Arkansas Development and Finance Authority."

"Obviously, there is nothing wrong with Fiske's clients being bond underwriters for the state and for this authority," Mr. Bachus said. "But it is a connection."

Finally, the Republican is unhappy with Mr. Fiske's relationships with outgoing White House Counsel Bernard W. Nussbaum, who is leaving in the wake of revelations that he sat in on improper briefings with federal regulators on the status of investigations of Madison.

"Fiske and Nussbaum used to swap cases with each other. They recommended clients to each other. They are good buddies," Mr. Bachus said.

A legal assistant at Mr. Fiske's Washington office said the special counsel has decided not to reply to any criticism from Capitol Hill. "He is just not responding to anything right now," Frances Impellizzeri said.

Mr. Bachus said some Republicans are concerned by Mr. Fiske's request that they cancel congressional inquiries. "We feel Mr. Fiske has crossed the line in his advocacy that we not hold hearings," he said.

"He himself defined a very limited role when he was appointed. He has widened that role only as Congress has uncovered new wrongdoing," he said.

SATURDAY, MARCH 19, 1994 The Washington Times

Rose to ask state to probe Hubbell

FROM COMBINED DISPATCHES

The Rose Law Firm decided yesterday to file a formal ethics complaint with Arkansas officials against former partner Webster L. Hubbell, the outgoing associate attorney general, according to a source familiar with the proceedings.

Mr. Hubbell resigned his Justice Department post earlier this week amid reports of billing disputes with his former firm, where Mr. Hubbell and Hillary Rodham Clinton were partners.

Mr. Hubbell, a longtime friend of President Clinton's, could not be reached for comment last night.

A Rose lawyer familiar with the matter told the Associated Press the complaint will be filed with the Arkansas Supreme Court's Committee on Professional Conduct, the panel that reviews the conduct of lawyers who practice in the state.

The move, which had been widely expected for nearly two weeks, comes after reports that Mr. Hubbell may have overbilled clients by hundreds of thousands of dollars and used firm money to pay personal expenses.

Mr. Hubbell, 46, announcing his resignation, said his continued service in the Justice Department's No. 3 post would not be effective because the "distractions on me at this time" would interfere with "my service to the country and the president's agenda."

When he announced his resignation on Monday, Mr. Hubbell cited "personal issues" with his former law firm that he believed would have interfered with his ability to

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HUBBELL

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perform his government duties. He said he would leave the post "as soon as possible."

He became the second key Clinton administration official to fall as a result of the ongoing Whitewater-Madison investigation.

On March 5, White House Counsel Bernard W. Nussbaum resigned after it was learned he had attended secret meetings between government regulators looking into the Whitewater-Madison affair and White House officials.

Accusations against Mr. Hubbell for overbilling magnified March 9 when investigators from two federal regulatory agencies went to the Rose firm for an "entrance meeting" to set up procedures for a review of bills signed by Mr. Hubbell in a case involving Madison Guaranty Savings and Loan Association, officials said.

The investigators, from the Resolution Trust Corp. (RTC) and the Federal Deposit Insurance Corp. (FDIC), were to begin analyzing the bills in the next few days, the officials said. The investigators already had received one specific accusation of a $30,000 double billing involving Mr. Hubbell.

"We have heard about the double billing, including that $30,000 allegation, and we are following that up in our audit," said one federal regulator.

Overall, several hundred thousand dollars' worth of bills signed by Mr. Hubbell were to be scrutinized by regulators.

A review by The Washington Times of some of Mr. Hubbell's government bills in a case involving Madison showed that on at least two occasions he charged the government for a full day's work at $125 an hour while he actually was playing golf at the Country Club of Little Rock.

According to at least one accusation federal regulators are probing, Mr. Hubbell — as the lead attorney — submitted a bill in the Madison-related case for $2,400. The firm later included the same $2,400 as part of a larger $27,000 bill to the government. That $27,000 was resubmitted in yet another bill for $80,000, covering an extended period.

Beginning in 1989, Mr. Hubbell handled the court case for the FDIC against Madison's Little Rock auditors, Frost & Co., in which the government settled for much less than it sought and less than the firm's insured coverage. The suit said the Frost audit of Madison was bogus. In 1985, Mrs. Clinton and the Rose firm represented Madison in efforts to block its closure by Arkansas bank regulators who were under the dominion of Gov. Clinton, using the Frost audit to justify keeping the S&L open.

Records released by federal regulators earlier this year show that Mr. Hubbell signed all the Rose bills sent to the government on the Madison-Frost case. The firm was paid $400,000 to represent the FDIC.

Madison, owned by James B. McDougal, was seized by federal regulators in 1989 at a cost to taxpayers of $50 million. Mr. McDougal and his then-wife, Susan, were partners with the Clintons in Whitewater Development Corp., an Arkansas real estate venture.

Special counsel Robert B. Fiske Jr. is looking into suspected financial irregularities involving both Madison and Whitewater, including the diversion of funds by Mr. McDougal to Mr. Clinton's 1984 gubernatorial campaign.

Mr. Fiske's 116 subpoenas include one seeking material on Mr. Hubbell's father-in-law, Seth Ward, who borrowed $587,000 from Madison and was an officer of a Madison subsidiary.

Mr. Ward's name also has surfaced in an internal audit of Mr. Hubbell's billing by Rose partners, disclosed by The Washington Times and the Minneapolis-St. Paul Star Tribune.

The Wall Street Journal reported March 12 that the partners had questioned $1 million in expenses and unbilled time charges and had additional concerns about Mr. Hubbell's personal expenses. The Journal said the partners were upset about Mr. Hubbell's representation of P.O.M. Inc., a parking-meter firm in Russellville, Ark., established by Mr. Ward — with the help of a $2.75 million tax-exempt bond approved by Gov. Clinton.

A source at the firm told The Times last week that several partners believe Mr. Hubbell had "stonewalled" their efforts to get information on his billings and the 1989 FDIC lawsuit.

He has denied any wrongdoing in connection with overbilling accusations. If found to have billed clients or his firm for personal expenses, he would face consequences ranging from professional sanctions to criminal fraud prosecution.

SATURDAY, MARCH 19, 1994 The Washington Times

Altman letter reveals 2nd Madison meeting

House Republicans to force vote on hearings

By Paul M. Rodriguez
THE WASHINGTON TIMES

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As lawmakers wrangled over how to conduct hearings on the Whitewater-Madison affair yesterday, a letter to the head of a Senate panel revealed that Deputy Treasury Secretary Roger C. Altman had held a second meeting with White House aides on the matter.

Mr. Altman, who is also acting head of the Resolution Trust Corp. (RTC), had said he took part in only one meeting with White House officials to discuss an RTC probe into a failed Arkansas thrift linked to President Clinton and Hillary Rodham Clinton. He disclosed his participation in that meeting last month during a Senate Banking Committee hearing.

But in his letter to Banking Committee Chairman Donald W. Riegle Jr., Michigan Democrat, Mr. Altman said he also met briefly last month with Harold Ickes, deputy White House chief of staff, to discuss recusing himself from the case involving Madison Guaranty Savings and Loan Association.

Madison was owned by James B. McDougal, whom the RTC is investigating on accusations of diverting depositor funds to Mr. Clinton's 1984 gubernatorial campaign and to the Whitewater Development Corp., a land deal in which Mr. McDougal, his wife and the Clintons were partners.

Mr. Altman's second meeting with White House aides on Madison was disclosed yesterday amid Senate attempts to develop a framework for hearings and House Republicans' plans to force Democrats next week to vote on whether to hold similar hearings.

House Minority Leader Robert H. Michel, Illinois Republican, has said he hopes to introduce a resolution on Tuesday when the House considers several committee funding bills.

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ALTMAN

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Several House Democrats, including Rep. Lee H. Hamilton of Indiana, chairman of the Foreign Affairs Committee, support such hearings even though Democratic leaders have objected, citing Whitewater-Madison special counsel Robert B. Fiske Jr.'s opposition to congressional intervention.

"Who cares what the special counsel wants," said one of many senior House Democrats interviewed recently about Congress looking into the controversy.

"We should have done this a long time ago," said another Democratic member, who echoed the irritation several House Democrats have expressed over their leadership's falling behind the political curve on the issue.

"Look," said a senior House Democrat, "how do you think it looks to have the Senate vote to approve hearings and we've got one of our guys out there afterwards crying like a child about how Republicans are beating up on the president and Hillary?"

The senior Democrat's comments were prompted by a speech given by House Majority Whip David E. Bonior after the Senate voted 98-0 Thursday to hold Whitewater-Madison hearings.

In his speech, Mr. Bonior, Michigan Democrat, compared Republicans' calling for hearings to a losing football team that decides to "kill the guy with the ball."

"Maybe we ought to worry about us and getting on with following those boys over in the Senate and get some hearings going," one House Democratic chairman said.

As several members said, attempts by Mr. Fiske to derail congressional hearings have not only backfired with Republicans but irritated Democrats, many of whom face tough re-election races this year.

Even Rep. Dan Rostenkowski, Illinois Democrat and chairman of the House Ways and Means Committee, said this week that hearings are "inevitable."

And yesterday's disclosure of a second Madison-related meeting with White House officials and the head of the RTC, which manages the S&L cleanup, spurred further GOP calls for hearings.

The New York Times reported the second Altman meeting earlier this month. Mr. Altman subsequently sent a letter to Mr. Riegle to explain the contact, which Treasury officials described as impromptu.

Mr. Altman, a longtime friend of Mr. Clinton's, has been the target of sharp criticism over his participation in briefing White House officials on the progress of the RTC investigation. He has recused himself from all Madison-related activities, and his tenure as acting RTC head ends March 31.

In his letter to Mr. Riegle, Mr. Altman diminished the importance of his second White House contact, saying there "was no discussion of the case itself."

The second meeting "lasted five minutes or less and included me and Harold Ickes. . . . The purpose of both meetings was to provide notification. At neither meeting did I seek advice, nor was it given," he said in the letter.

Mr. Altman had sent two previous letters to Mr. Riegle detailing additional information about the Madison case he had learned since testifying before the Banking Committee last month.

Mr. Altman said he recalled his meeting with Mr. Ickes after reviewing his own files.

Mr. Altman and Mr. Ickes are among 11 current or former White House and Treasury Department officials subpoenaed by Mr. Fiske to testify before a grand jury on their secret meetings. Presidential adviser George Stephanopoulos received a subpoena Thursday and is expected to testify next week.

Disclosure of the meetings and the ensuing uproar over them led to the resignation this month of White House Counsel Bernard W. Nussbaum, who participated in most of the briefings.

Sen. Alfonse M. D'Amato of New York, ranking Republican on the Banking Committee, repeated calls for Mr. Altman's resignation yesterday.

"I am deeply distressed that Mr. Altman concealed this White House meeting from the Banking Committee and admitted to the meeting only after it had been uncovered by the media," Mr. D'Amato said.

"I'm outraged that Mr. Altman's testimony was so incomplete that it had to be changed three times. Three strikes and you're out; Mr. Altman should resign," Mr. D'Amato said. But a Treasury spokeswoman said he has "no intention" of quitting.

Meanwhile, Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, is attempting to use a semiannual oversight hearing of the RTC as a vehicle to investigate the Whitewater-Madison affair.

His attempts to call about 40 witnesses and request documents from several federal banking agencies have been blocked, however, by Rep. Henry B. Gonzalez, Texas Democrat and chairman of the panel.

Mr. Leach has sought to invoke a House rule that permits the minority party to call its own witnesses, but Mr. Gonzalez has structured the Thursday session in such a way that Mr. Leach may not be allowed to ask too many questions, let alone call witnesses.

To overcome Democratic opposition, Mr. Leach is considering filing a suit against one or more federal agencies to force them to comply with requests for documents involving a number of deals linked directly and indirectly to the Clintons.

He also released a letter yesterday to the Office of Thrift Supervision (OTS) — which oversees the RTC — in which he said agency officials have no legal authority to refuse to turn over Whitewater-Madison documents to him, even though Mr. Gonzalez has written to them saying they don't have to.

"You are hereby put on notice that you must address your obligations to respond to legitimate information requests and legitimate inquiries on the subject of the hearings as required by the law and the Constitution," Mr. Leach wrote in a three-page letter to OTS acting Director Jonathan Fiechter.

Mr. Leach said he expects officials from the agency to attend next week's oversight hearing and to answer questions.

In a related matter, Mr. Clinton yesterday said that any mistakes made on his and his wife's tax returns "certainly were not intentional" and he is ready to pay back taxes if necessary.

"I don't think we owe any extra taxes, but I'm not sure yet," Mr. Clinton said in an interview with several news services. "If we do owe, we'll make it good."

His comments come amid increasing indications that the Clintons may have underpaid their income taxes over the past 15 years.

The records are being scrutinized as part of Mr. Fiske's Whitewater-Madison investigation.

In the past few days, Mrs. Clinton and White House aides hinted that the Clintons might have underpaid some of their taxes and may have claimed Whitewater-related income tax deductions to which they were not entitled.

• *Jerry Seper contributed to this article, which is based in part on wire service reports.*

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bc-whitewater-rose times - a1827
(ATTN: National editors) (Includes Optional Trims)
Rose Law Firm Files Complaint Against Hubbell (Washn)
By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON The Rose Law Firm has decided to file an ethics complaint against former Associate Atty. Gen. Webster L. Hubbell and some of the firm's partners are urging a review of the expense account and billing records of other current and former Rose lawyers, including first lady Hillary Rodham Clinton, sources close to the firm said.

Partners at the firm voted earlier this week to file an ethics complaint against Hubbell, a former Rose partner, with the Arkansas State Supreme Court's Committee on Professional Conduct, the sources said. That agency handles official ethics complaints against attorneys licensed to practice in Arkansas.

Hubbell resigned March 14 as the No. 3 official in the Justice Department after it was revealed that the Rose firm was reviewing the billing and expense account records he kept while a partner at Rose.

Meanwhile, some of the firm's partners are pressing for a review of client billings and expense account records kept by all current partners and by those who recently left the firm, including Mrs. Clinton and associate White House counsel William Kennedy III. Both were partners at Rose until Bill Clinton was elected president. Kennedy was managing partner until he joined the White House staff.

While current Rose partners appear to have no knowledge of any questionable billing or expense account records for either Mrs. Clinton or Kennedy, some of the firm's attorneys argued that questions raised about Hubbell's billing practices justify an examination of the rest of the professional staff's records, including those of the two former partners.

In the wake of the internal Hubbell review, they said, the firm should make certain no other problems will be uncovered now that the firm is a subject of the Whitewater investigation by special counsel Robert B. Fiske Jr. Others in the firm disagree, however.

Ronald M. Clark, the Rose firm's chief operating officer, denied that the firm is conducting a review of billing or expense account records for either Mrs. Clinton or other past or current partners. He added that the firm also has no plans to review billings by the late Vincent W. Foster Jr., the White House deputy counsel and former Rose partner whose death last July has been ruled a suicide.

Fiske is looking into allegations that the Clintons may have benefited improperly from their association with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and a partner with the Clintons in a failed Ozark real estate investment known as Whitewater Development Corp.

He also is investigating the role played by Mrs. Clinton and the Rose firm in representing Whitewater and Madison Guaranty, and is examining the circumstances surrounding Foster's death.

The fact that some partners are urging the review is another sign of the growing bitterness within Rose over the toll that Whitewater and the Clinton administration's political problems have inflicted on the firm.

(Begin optional trim)

Indeed, a split within the firm is further evidence of the worsening relations between some of those who resigned to join the administration and those who stayed behind. Four Rose partners, including Mrs. Clinton, left Little Rock for Washington after the presidential election, heightening the firm's hopes for its future while raising questions among conservative critics about its political influence in the new administration.

A little more than one year later, however, one of those partners, Foster, is dead, and another, Hubbell, has resigned under
a cloud. Many within Rose believe that the firm has paid too heavy

a price for its connections to the Clintons.

In particular, Rose partners have expressed deep anger over the way in which some Clinton administration officials have leaked what Rose contends is misleading information about the Hubbell case. They said that White House officials have exaggerated the size and scope of the Hubbell billing and expense account review by telling reporters that Hubbell left Rose with as much as $1 million in liabilities.

Sources close to Rose said that the Hubbell matter involves no more than $100,000 in unverified expense account and client billings. The implication is that White House officials are also trying to distance themselves from Hubbell and his problems.

(End optional trim)

Indeed, some observers have argued that dissidents withing the Rose firm have been seeking to distance themselves from the Clintons because of Whitewater and that such concerns prompted the firm's investigation of Hubbell.

Yet sources close to Rose said that the review was prompted by a complaint from a client last year. The firm tried for months to resolve its differences quietly with Hubbell, the sources said, giving him ample time to turn over credit card receipts and other records to verify his billing and expense account reports. He repeatedly put off the firm, telling his former colleagues that he had just moved and that his records were packed away in boxes, these sources said.

Ultimately, after a series of partnership meetings, there was broad consensus that the firm had to take action against Hubbell, sources said. ``We had no choice,'' said one. ``There was no group of dissidents. We all recognized that we had to take action.''

(Optional add end)

In addition, firm attorneys have conducted a thorough review of Rose's document-shredding practices in the wake of grand jury testimony from at least two firm couriers that raised questions about whether Rose had shredded documents from Foster's files.

``We are now 100 percent certain that none of the documents were from Foster's files or had anything to do with Whitewater or Madison Guaranty,'' said one source close to Rose. Firm partners are now prepared to testify before Fiske's Whitewater grand jury that the documents in question were unrelated papers placed in a box once used by Foster and bearing his initials. All Madison and Whitewater documents have been turned over to Fiske or are about to be transferred, the sources contended.

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(ATTN: Editorial Page editors)
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She's Press Secretary to an Administration Full of Talkers (Washn)
Rosenstiel covers the media for the Los Angeles Times and is the author of ``Strange Bedfellows: How Television and the Presidential Candidates Changed American Politics.'' (Hyperion Press)
By Thomas B. Rosenstiel= (c) 1994, Los Angeles Times=

WASHINGTON When the flame began turning up on the Whitewater mess recently, one small artifact of the story was the disappearance of the daily press briefing for White House reporters. Since March 2, the familiar face of the young woman with the blond shag haircut, the slow temper and sometimes unfortunate gift for the hip one liner, has been missing from the press-room podium.

Dee Dee Myers, the Valencia, Calif.-bred presidential press secretary, has not been in hiding but access has been controlled, mostly to one reporter at a time in her office. Unlike past administrations, where tough-minded press secretaries were a primary firewall during crises, in this White House other high officials are as visible and verbal as Myers.

Myers' current caution is different from times past. During the chaos over C. Lani Guinier's nomination to head the Justice Department's civil rights division last June, one columnist questioned the Clinton administration's maturity and used Myers' fondness for flip remarks as an example: ``One of the things you lose when you get high office is the freedom to kid around with abandon.''

At 32, Margaret Jane ``Dee Dee'' Myers qualifies as a pioneer in U.S. politics. She is not only one of the youngest people to be a presidential press secretary, but also the first woman. In an administration with more high ranking women than any other, Myers is the second most visible female after the first lady.

For all this, Myers still fights for respect. She does not occupy the traditional spacious office of past press secretaries, but sits in a cramped space two doors down; her title is deputy assistant to the president, not full assistant like her predecessors. Such things make reporters worry that she lacks access and is winging it when describing policy.

The criticisms are typical of the job. Next to vice presidents, press secretaries are the Rodney Dangerfields of politics. The real difference between Myers and past press secretaries is that so many others in President Clinton's administration talk so freely. This is a White House with many spokesmen and no clear hierarchy.

Talking in her small office, the daughter of a Lockheed test pilot and Vietnam veteran still shows hints of the tomboy who grew up in a Republican, Catholic family just north of the San Fernando Valley. She is generous with her time and still candid.

Question: This is an administration in which everyone seems to be a spokesman. What is your job?

Answer: A lot of people in this administration do have relationships with the press. A lot of peer relationships. People went to school together. They grew up together. They live in the same neighborhoods. They have the same interests. .... In many ways that is helpful.

I am not sure that has a tremendous effect on my role. It has some effect clearly. My job is to be a spokesman the spokesman, I suppose for the president, for the White House, to do the daily briefings, to manage the press corps in terms of travel, day to day needs, access, interviews, all those issues. I am the primary contact person, but certainly not the only contact person.

Q: How has Whitewater changed what you do?
A: It is made it more difficult for a number of reasons. For one it is distracting. And even though the president may be giving a speech on jobs, or meeting with a foreign leader, the press is press is still focused on Whitewater. So you are trying to push what the president is talking about and field the questions on Whitewater.

The second thing that makes is hard is there are so many questions we can't answer because we don't have the information, or because we need to let the special counsel do his job that it often looks like your evading or not being direct, when in fact for one reason or another you can't give them the answer.

Probably the most frustrating part of it is having to prove the negative. Prove the Clinton's didn't do anything wrong. That is frustrating, especially when no one has accused him of any specific allegations of doing anything wrong.

Q: With the Whitewater controversy, do you agree with the argument that there is an almost institutional bias to tear down the presidency that has become part of the media culture?
A: There is an institutional cynicism that causes reporters to question everything the president says, and the motives of everything the president and his administration try to accomplish.

I think that is troubling. I don't think anything is ever taken at face value. The press never accepts at face value that the president is taking a certain action be- cause he wants to create jobs or because he believes that it is in the best interests of the American people or that he is genuinely committed to making life better for people. There is a relentless search for motives, bad actions, insincerity.

This is a generation weaned on Watergate and there is no presumption of innocence and no presumption of good intentions. Instead there is a presumption that, without relentless scrutiny, the government will misbehave.

The press plays an important role, and I think the press has to serve and the White House press corps in particular has to serve as the institutional memory. .... The press has seen some of this stuff before and they know, and they can smell the difference between a cosmetic act and a real policy change. But sometimes I think it goes too far, and if you just look at this week, to compare Whitewater to Watergate is a travesty.

It is not to say we haven't made mistakes that we shouldn't be held accountable for, but to suggest that this is somehow equivalent to that is just unfortunate. It's not the same. And all troubles are not the same. All mistakes are not impeachable offenses and to suggest otherwise there isn't enough balance.

Q: One question raised about all press secretaries, and raised frequently in this White House, is whether Dee Dee Myers has enough access to the president to be effective.
A: The only person the press believes has enough access to satisfy all their needs is the president himself. I think it's a fair question, and it is one that you have to prove every single day. I think it is very hard to change perceptions. There are some reporters who think I have an adequate amount of access and there are others who question it ....
-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

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-------- AUTOBREAK (2)--------
I do talk to my predecessors from time to time. I talk to Marlin (Fitzwater, who worked for Ronald Reagan and former President Bush), I talk to Jody Powell (who worked for Jimmy Carter), I talk to Ron Ziegler (who worked for Richard M. Nixon), and one of the things you talk about with other press secretaries is how hard you have to work to have the access. ... .

When you walk out to do a briefing, you can tell from what is on CNN and on the wires, what is in the morning papers and from your first round of calls you can tell what 70 percent of your questions are going to be. It is the other 30 percent you are not sure of that make you nervous. It could be something that a reporter is working on, or something off the wall, or what's happening in some country you haven't paid attention to in the last week. You try to be as prepared as you can. You learn to say, ``I will get back to you,'' rather than to try to wing it.

Q: One criticism I heard when the administration arrived, that I hear again, is people in this White House believe in the power of spin or their ability to talk their way out of things and that has hurt.

A: I have heard that analysis. It is true that we were very aggressive in the campaign, and that one of the things we did very well was to knock down misinformation and aggressively put forward positive information so that we tried to remain on the offensive. I think a little bit of that mentality we brought into the White House.

It is an oversimplification to say that we think we can spin our way out of problems. But I do think there is a sense that by being aggressive and by trying to knock down bad information or misinformation and replace it with positive information particularly in an administration that is doing so many things proactively that I do think that, while not trying to talk their way out of things, there are people here who will try to talk to reporters into, ``No, no, no, the story shouldn't be Whitewater. It should be that we have created more than 2 million jobs, more than Bush created in four years, we've done that in a year. We are going to create 8 million jobs.'' There is a lot of aggressive enthusiasm. Sometimes perhaps that is misperceived ....

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Richard Harwood

The Press In Pursuit

Abstract scandals, uneven interest.

The Whitewater affair divides the country. It is also dividing the American press.

Columnist Robert Samuelson says, "The purported scandal is so far a political vendetta draped in legal trappings. The trappings are essential, because it is the mere possibility of wrongdoing that justifies the ongoing media attention."

Joe Klein of Newsweek speculates on the possibility that the Clintons will emerge from their present trials as innocent victims of press hysteria. In that event, he asks, "Do we, the righteous guardians of the truth, admit that we blew this all out of proportion—or do we continue to puff motes into dust storms in order to justify our investment? The Clintons have earned their isolation. But they deserve a more sober hearing than this lunatic caldron."

"Here we go," writes Washington Post columnist Jonathan Yardley, "hurtling down the rapids of Whitewater into a furious eddy of political opportunism and journalistic exhibitionism. The government of the United States will grind to a halt for a year or more, thank God, and the high-octane newsfolk of the nation's capital will bore us all to tears with interminable recitations of imaginary outrages, but who cares? It's going to be one hell of a ride."

Russell Baker of the New York Times satirizes the media torrent and explains it: "The reason this rickety construction of innuendo and circumstance occupies the media so intensely is that presidents are central to the American need to be entertained. . . . Whitewater is the best news in Washington now that Barbra Streisand no longer guests at the White House."

From Harvard, Marvin Kalb, director of a media program at the university, told The Post: "There is a rushing to judgment that is unprofessional and distasteful. The press is going to have a lot to answer for when this is over."

The gulf between what these critics are saying and what the press is doing reflects, among other things, confusion about our function in American life. The critics put forth an ethical view of journalism in which we should not act as detectives, prosecutors or judges but should allow our system of justice and its institutions to deal with matters of innocence or guilt. There should be, as Kalb said, no rush to judgment nor, as Klein put it, no "ridiculous hyperinflation" of small peccadilloes.

That is essentially the posture taken by the press during the Watergate scandal. It was first seen—by me, among others—as a third rate break-in" and, with the exception of The Post and a few isolated journalists, it was largely ignored by the media. Nevertheless, justice ultimately was served. A president was brought down and others were punished, not by the press, as myth has it, but through the workings of the "system"—the judiciary, the FBI, a special prosecutor and Congress. I do not mean to equate Watergate and Whitewater but merely to make the point that with or without the press, justice can and usually does prevail.

This is not the majoritarian operating premise of the press. Underlying our approach to potential public scandals is a general distrust of the "system." We assume it can be manipulated by presidents, that "coverups" are both possible and likely from the White House down to city hall. Thus, at the hint of any scandal, it is our duty to dispatch investigative teams to dig out the truth as archaeologists do, piece by piece until the whole picture is revealed. In this process we monitor the "system's institutions of justice for foot-dragging and coverup" and, as William Safire of the New York Times has said, "light fires" under the investigators.

That may have happened several times in the Whitewater affair. The first story about the Clintons' involvement with Madison Savings & Loan was written by Jeff Gerth and published in the New York Times in March 1992. It had no visible impact. Eight months later, however, the federal agency responsible for cleaning up the national "savings and loan mess"—the Resolution Trust Corp.—recommended to the U.S. attorney in Little Rock that a criminal investigation be made of Madison and named the Clintons as possible beneficiaries of "diverted" funds from the bank. Did Gerth's story "fire up" the RTC?

In October 1993, with Clinton in the White House, the U.S. attorney in Little Rock, who had studied law with Clinton, refused the RTC request for an investigation. The Post on Oct. 31 reported on this situation for the first time. Four days later, then-Associate Attorney General Webster Hubbell, one-time partner in a law firm with Hillary Clinton, recused himself from the case. On Nov. 8 a team from the Justice Department was sent to Little Rock to launch the investigation the RTC had been seeking. Was there any connection between The Post's story and these actions by the Justice Department?

Late in December, the Washington Times revealed that papers dealing with the Clintons' involvement with Madison had been taken from Vincent Foster's White House office following his suicide and had been turned over to the president's personal lawyer, David Kendall. Was there any connection between this story and the subsequent appointment of a special prosecutor?

On March 3 of this year, The Post revealed that the White House and supposedly neutral Treasury Department officials had been conferring about Whitewater and the progress of government investigators. Was this story related to the special counsel's issuance of subpoenas to many White House and Treasury officials to explain these meetings?

We will never be able to establish beyond any doubt that the press has "lit fires" in the Whitewater case or has played a "constructive" or "destructive" role in the pursuit of justice. We will never be able to prove beyond reasonable doubt that the press will have had any effect at all when this affair finally comes to an end.

George Church, a columnist for Time Magazine, suggests that the real danger here is that the veracity and credibility of the Clintons could be so damaged that they will be unable to enact a health care bill. That is the White House line.

The other view is that the veracity and credibility of the Clintons had been so impaired before Whitewater obsessed us that our exertions now are more than justified.

The Whitewater news as of mid-March—209 stories in The Post alone—doubtless has affected the political standing and reputations of the Clintons. We know that from the polls. But as in the case of Iran-contra, public interest in these abstract scandals is shallow and intermittent. Our affections for presidents vary almost by the hour and the day. So there is no reason to believe that whatever has been written or broadcast thus far will have any lasting effect on Clinton's place in history or in the hearts of his countrymen. Ask the ghost of Harry Truman.

GOP's Whitewater Chorus Sometimes Out of Key

By Helen Dewar
Washington Post Staff Writer

One minute, the Republican voice on Whitewater resonates from Sen. Alfonse M. D'Amato (N.Y.) with all the subtlety of a jackhammer on the streets of Manhattan.

The next minute, it reflects the cool New England reason of Sen. William S. Cohen (Maine).

In between, whenever he can, Rep. Jim Leach (Iowa) talks D'Amato's tough words in Cohen's softer accent.

While Republicans were united in their call for congressional hearings on President Clinton's troubles with Arkansas financial dealings known collectively as Whitewater, many of them—especially senators—are uneasy over how far to go in exploiting the president's problems.

Senators also are divided over whether they want the excitable, hard-charging D'Amato, who has had ethics problems of his own, to be the party's most visible spokesman on the issue of presidential ethics.

Traditionally on the moderate side of the party, senators, some of them noting recent polls showing that most voters see partisan motives behind the Republican attacks, express concern that excessive zeal in exploiting Whitewater could harm the GOP as well as Clinton and the country.

"There's a real question whether we want to become the focus of the debate," said Sen. Nancy Landon Kassebaum (R-Kan.).

"I think it's very dangerous to the good of the country to get too far out on this . . . and there's a natural carry-over [of risk] to the Republican party," said Sen. James M. Jeffords (R-Vt.).

The Senate's delicately crafted compromise Thursday night to begin planning for hearings at some future date takes some of the edge off the controversy over hearings for both parties. But it does not resolve the basic dispute over how aggressively the GOP should pursue the scent of scandal in Whitewater.

This dispute is likely to resurface in a struggle over whether the hearings should be handled by the Senate banking committee, where D'Amato serves as ranking minority member, or by the Government Affairs Committee's special investigations subcommittee, where Cohen sits.

Sources said D'Amato is pushing to have the hearings held under auspices of the banking panel but that many Republicans are apprehensive about giving such a prominent and wide-open forum to D'Amato in light of his instincts for the jugular and his brush with the Senate ethics committee.

After a two-year inquiry, D'Amato was not charged with breaking any rules but was rebuked by the ethics panel in 1991 for running his office in an "improper and inappropriate manner" in letting his brother use his office for personal business.

Neither the committee nor D'Amato have released details of the inquiry, including the senator's deposition, which he could release, prompting snickers from critics now that D'Amato is accusing the Clintons of stonewalling on Whitewater.

Senators got a taste of how D'Amato's problems could be exploited to the GOP's disadvantage in an appearance by D'Amato and three congressional colleagues on the "Donahue" television show this week, during which host Phil Donahue opened by accusing D'Amato of "paralyzing the president" and withholding facts about his own ethical troubles.

D'Amato blew up, shouting "Nonsense! Nonsense!" to the first charge and dismissing the second as a "diversionary tactic." One prominent GOP senator called the show a "nightmare."

Minority Leader Robert J. Dole (R-Kan.), caught between conflicting pressures in his flock on nearly every issue facing the Senate, exemplifies the party's ambivalence as he, sometimes in the same speech, plays down the chance of scandal and then warns darkly of parallels to Watergate.

It was Dole who, while giving free rein to the rambunctious D'Amato, initially suggested a role for Cohen, starting with a meeting earlier this month with special Whitewater counsel Robert B. Fiske Jr., who has said he objects to hearings because they could interfere with his probe.

The ostensible reason for bringing Cohen in was his experience on the House Judiciary Committee during impeachment proceedings against President Richard M. Nixon, as a member of the Iran-contra investigating panel and as a cosponsor of legislation authorizing court appointment of independent counsels to investigate high-level wrongdoing in government.

But Cohen's message was broader than a historical reminder. First to the Republicans' weekly caucus luncheon and the next day at a luncheon held by GOP moderates, he urged that "we lower our rhetoric . . . keep it as civil as possible," as he put it later.

Cohen's appeal came in the wake of several weeks of Republican attacks on Clinton, an angry response by the president last Monday night and a blazing counter-assault by Republicans the next day.

"If he [Clinton] ratchets it up, his people will follow and then the Republicans will respond and suddenly it's Bosnia . . . no one wins," Cohen said.

Altman Asked RTC for Advance Notice of Suits

Memos Dealt With Possible Action Against Jefferson

By Jerry Knight
Washington Post Staff Writer

Deputy Treasury Secretary Roger C. Altman asked the Resolution Trust Corp. last year that he "be advised adequately in advance before litigation against any Members of Congress is filed," according to an RTC memo.

The May 24 memo was written by the RTC's acting general counsel, Richard T. Aboussie. It summarized discussions with Altman and Treasury general counsel Jean Hanson about the possibility that the RTC would file a civil lawsuit against Rep. William J. Jefferson (D-La.) to recover proceeds of a $780,000 loan he had failed to repay to a defunct savings and loan that had been taken over by the RTC.

Aboussie said in the memo that he was seeking to correct a "misleading" message he had sent a week earlier by electronic mail. In that May 17 e-mail message, he had advised RTC colleagues that no suit should be filed against Jefferson without "the express oral or written permission of Mr. Altman. Ms. Hanson has indicated that this requirement should be treated with utmost seriousness."

Aboussie's e-mail message raised concerns within the RTC that Altman, who was serving as acting chief executive of the agency, might be seeking to block a politically sensitive suit against a Democratic member of congress.

That same question—of possible political intervention by top Treasury officials in a sensitive RTC investigation—surfaced recently when The Washington Post disclosed that Altman and Hanson had met with White House officials last year and discussed the RTC's pending investigation of an Arkansas savings and loan called Madison Guaranty that had been

See JEFFERSON, C7, Col. 5

Altman Asked That RTC Apprise Him of Suits

JEFFERSON, From C1

run by James McDougal, a business partner of President Clinton and Hillary Rodham Clinton.

Both Altman and Hanson have denied any wrongdoing in their discussion of the Madison case with Clinton administration officials, saying they knew nothing about details of the investigation and only alerted the White House that the case was coming up.

The RTC never did sue Jefferson. His overdue loan was sold to a private investor—one of the standard methods the agency uses to clear up bad debts. Once the loan was sold, the matter was out of the RTC's hands. Jefferson has said he settled the debt with the new holder of the loan.

Jefferson issued a statement yesterday saying he hadn't known anything about high-level discussions between Treasury and RTC officials about the matter. "This is the first time I've heard about it," he said.

Speaking on behalf of Altman and Hanson, Treasury spokesman Howard Schloss said there was nothing improper about top officials of an agency demanding to be told in advance about a lawsuit against a member of Congress, saying any agency head would expect to be informed of such a sensitive case.

Treasury officials said a similar notification procedure was used last year when the RTC filed a civil lawsuit against Rep. Henry J. Hyde (R-Ill.) over his role as a director of Clyde Federal Savings Association in North Riverside, Ill. That case is pending.

Schloss said that Aboussie's initial e-mail message had reflected a "major misunderstanding" about a conversation he had had with Hanson. According to Schloss, Hanson never told Aboussie to hold back on suing the congressman and ordered him to rescind his directions as soon as she learned of the e-mail directive.

It is "emphatically not the case" that Treasury had imposed a freeze on any lawsuit against Jefferson, Hanson wrote Aboussie. "In no event do we intend to block the commencement of litigation against Congressman Jefferson, or any other member of Congress for that matter, if it is determined that litigation is the appropriate course of action."

Jefferson's problems with the RTC surfaced in September, when The Post reported that he and representatives of his former law firm in New Orleans had met with Altman, Hanson and Treasury Undersecretary Frank Newman. The purpose of that meeting was to discuss alleged violations of RTC ethics rules by the firm—Bryan, Jupiter, Lewis and Blanson—which was handling some cases for the RTC.

The meeting was set up by Jefferson, who was still being paid $100,000 a year by his former partners to buy out his interest in the firm.

At the time, RTC staff members had recommended that Bryan, Jupiter be cut off from handling legal work for the agency because of the alleged violations of the agency's conflict of interest rules. RTC officials said that when the firm applied to do RTC legal work it failed to disclose that Jefferson had not repaid the $780,000 loan from a failed S&L and that law partner Trevor Bryan defaulted on a $50,000 loan from a defunct thrift.

People who default on S&L loans can be prohibited from working for the agency under the conflict of interest rules and failure to disclose a default is a violation of RTC ethics standards.

A special RTC conflicts of interest committee ruled in August that Bryan, Jupiter should be banned from handling work for the agency, but a final decision in the case was made only three weeks ago.

In that decision, which was not publicly announced, the RTC upheld a one-year suspension of Bryan, Jupiter from working for the agency. The decision was reviewed several times because of the interest of Altman and Johnny Booker, the RTC vice president in charge of minority contracting, RTC officials said.

Bryan, Jupiter is the largest black law firm in Louisiana and representatives of the firm had complained that suspending it from RTC work would violate the Clinton administration's pledge to route more work to minority firms.

When the meeting between Jefferson and Treasury officials was first disclosed, Altman defended it as a routine session involving a lawmaker and constituents, saying, "There was no special treatment in this case because Mr. Jefferson was a member of Congress."

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Law Firm Asks State Bar to Probe Hubbell

Efforts to Resolve Rose Dispute Fail

By Susan Schmidt
Washington Post Staff Writer

The Rose Law Firm yesterday asked the Arkansas state bar association to investigate alleged client overbilling and expense irregularities by Webster L. Hubbell, who abruptly resigned his post as associate attorney general this week because of the dispute with his former law partners.

All 28 partners of the Rose firm agreed to send a complaint to the Arkansas Supreme Court Committee on Professional Conduct, according to a source close to the firm. The committee on professional conduct oversees the state's legal profession and has the power to discipline lawyers for ethical transgressions.

Rose lawyers contend that Hubbell owes them and his former clients, including the federal government, hundreds of thousands of dollars, sources said.

Ronald Clark, managing partner of the Rose firm, declined to be interviewed yesterday. Hubbell's lawyer, John Nields, could not be reached for comment.

In announcing his resignation Monday, Hubbell said he had done nothing improper and characterized the issue as a private financial dispute among former colleagues. He said he was having discussions with the Rose firm and was confident that "all outstanding matters will be resolved satisfactorily."

Rose officials have been investigating whether Hubbell wrote checks on an account used for client expenses to pay for his personal trips, credit card bills and other items. The inquiry, which sources said formally began last year, examined cases and records going back to 1988.

Last-ditch efforts to negotiate a resolution to the long-running dispute fell apart last weekend, according to sources close to the firm.

Hubbell and Nields were unable to meet a deadline to provide backup documentation justifying bills and expenses, including credit card receipts. Hubbell told administration officials

See WHITEWATER, A5, Col. 1

Rose Law Firm Seeks Probe Of Hubbell by Arkansas Bar

WHITEWATER, From A1

Sunday he was considering resigning and Monday announced he was doing so.

Complaints made to the committee on professional responsibility remain confidential while they are under investigation and become public only if the committee decides to take disciplinary action.

Rose partners sought the advice of the state's leading expert on legal ethics, University of Arkansas professor Harold Brill, who told them they had a duty to report the results of their investigation into Hubbell's billing practices to the committee on professional responsibility, sources said. Brill declined comment.

Hubbell—a close friend of President Clinton and First Lady Hillary Rodham Clinton, another former Rose partner—has been the Justice Department's chief point of contact with the White House.

Attorney General Janet Reno praised him this week as a man of integrity, and many in the department and in the White House were shaken by news of his resignation. It came on the heels of the resignation of another top administration lawyer, White House counsel Bernard Nussbaum. Nussbaum was forced to quit after disclosures that he and other White House aides had been briefed by Treasury Department officials about civil and criminal investigations involving the Clintons that were being pursued by federal regulators.

The Resolution Trust Corp. is one of the Rose clients that lawyers at the firm believe may have been overbilled by Hubbell. The Rose firm has handled more than a dozen cases for the RTC and the Federal Deposit Insurance Corp., seeking damages from former officials of failed savings and loan institutions.

In one case involving a company owned by Hubbell's in-laws, Rose lawyers contend the firm is owed about $500,000 in expenses.

Some partners of the firm are pressing for a review of the billings and expense accounts of all current and recent Rose partners, including Hillary Clinton and associate White House counsel William Kennedy, the Los Angeles Times reported last night.

While current Rose partners appear to have no knowledge of any questionable billing or expense accounts for either Hillary Clinton or Kennedy, some of the firm's attorneys argued that questions raised about Hubbell's billing practices justify an examination of the rest of the professional staff's records, including those of the two former partners, the paper said.

Hillary Clinton worked with Hubbell on one of the cases in which Hubbell's accounting has been called into question.

At the White House yesterday, President Clinton shrugged off a New York Times report detailing how Hillary Clinton made a $100,000 profit in a little more than a year in the late 1970s trading on highly risky cattle futures contracts. She made the investments on the advice of James B. Blair, a longtime family friend and lawyer who represented Tyson Foods Inc., an Arkansas chicken firm.

"My wife and a man who's one of our best friends . . . made a perfectly legal investment, made money and paid taxes," Clinton said, according to the Associated Press. "All the rest of it is innuendo and unsupported allegations. It was perfectly legal."

Clinton also yesterday said that any mistakes he and Hillary Clinton may have made on their income tax returns "certainly were not intentional," and he is prepared to pay back taxes if necessary. White House officials have suggested that the Clintons' tax returns are being reexamined to see if improper deductions might have been taken in relation to the Whitewater land investment.

Clinton said he will forward to special counsel Robert B. Fiske Jr. the results of the reexamination. Fiske is examining Whitewater and its connections to the failed Madison Guaranty Savings & Loan, owned by the Clintons' former Whitewater partner, James B. McDougal. Fiske also is investigating the July suicide of White House deputy counsel Vincent Foster.

Fiske also has subpoenaed White House and Treasury officials about a series of contacts between the two agencies regarding the Resolution Trust Corp. investigation of Madison. The contacts occurred after the RTC sent a criminal referral to the Justice Department naming the Clintons as possible beneficiaries of Madison's illegal activities.

Deputy Treasury Secretary Roger C. Altman, who also serves as acting head of the RTC, yesterday amended his February testimony about White House contacts to include another discussion. In addition to a discussion with White House aides about RTC civil cases, Altman said he had a five-minute discussion with Deputy Chief of Staff Harold Ickes on whether he should recuse himself from the Madison case.

PM-AR--Whitewater-McDougal, Ark Bjt,290
Key Figure In Whitewater Plans to Attend Banking Committee
bcstpfonfls

LITTLE ROCK (AP) President Clinton's land development partner says he plans to attend a House Banking Committee hearing on the Resolution Trust Corp. next week ``to keep those Republicans honest.''

James B. McDougal, who ran Whitewater Development Corp. after he started it in 1978 with his then-wife Susan and Bill and Hillary Clinton, said he would show up as an observer, but was willing to testify.

``I'll testify to the committee if asked to, of course,'' McDougal said.

He said he had called the committee's majority counsel to offer to testify but had been told ``it was strictly limited to the RTC.''

The RTC, which was set up by Congress to clean up the S&L industry after widespread abuses in the 1980s, ought to be examined for its own abuses, said McDougal, who blames regulators for the failure of his own Madison Guaranty S&L in 1989.

McDougal was forced out of the S&L in 1986. He said the RTC sold blocks of Madison property for much less than its value, including one section that he said the RTC sold for about $2.5 million but which brought about $8 million a few months later when the buyer re-sold it.

McDougal, 53, a longtime Democrat, blames some of his S&L's problems on regulatory zeal stemming from resentment over his attempt in 1982 to defeat a then-incumbent Republican congressman in Arkansas.

Independent counsel Robert Fiske is conducting an investigation of Whitewater and whether money from Madison was illegally diverted to Whitewater, the Clintons or other friends and associates of McDougal.

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BC-HUBBELL-EDITORIAL op-ed editors:PH
Hubbell acted loyally and responsibly by stepping down
Knight-Ridder/Tribune News Service
(c) 1994, The Philadelphia Inquirer
The following editorial appeared recently in the The Philadelphia Inquirer.

X X X

What's the big deal about a lawyer overbilling a client? Call us insensitive, but the real news flash would be if a lawyer ``underbilled'' a client.

Still, when the lawyer is Webster Hubbell, the associate attorney general and close friend of the Clintons, allegations of past overbilling and other improprieties created a distraction that the administration couldn't afford. Making the story juicier were reports that one overbilled client was the Resolution Trust Corp. The upshot: Hubbell resigned on Monday.

Hubbell acted loyally and responsibly by stepping down. This lets an undistracted replacement take on the No. 3 post at Justice, and lets Hubbell concentrate for now on controversies involving the law firm where he and Hillary Rodham Clinton used to work. And it helps the White House protect its agenda against Republicans who are peddling Whitewater-mania.

With Newt Gingrich and other GOP pit bulls going ballistic again, renewing their calls for a Watergate-style investigation, some perspective is in order. The allegations about Hubbell involve his conduct not as a high-level official, but as a one-time partner in a Little Rock law firm. Critics charge that Hubbell and his former law firm failed to properly disclose past legal work for a failed S&L in Little Rock before signing on to sue the S&L's auditors on behalf of U.S. taxpayers. But this matter, which special prosecutor Robert Fiske is probing, is something that the federal government already looked into, and decided not to pursue. This legal work against the auditors is where nearly $30,000 in overbilling supposedly occurred, but remember, the public hasn't yet heard Hubbell's side of the story.

There's also conflict between Hubbell and the law firm over his role in representing his in-laws in a suit on a contingency basis which means that the firm earned nothing when he lost and over hundreds of thousands of dollars in expenses.

If this sounds like dreary stuff, well, it is. That's true, in general, of all the adventures and misadventures that have been lumped under ``Whitewater.'' As more information dribbles into public view, conservatives in Congress and in the peanut gallery shriek that Whitewater looks more and more like a major scandal. Our hunch is that when the special prosecutor is finished, this brouhaha will look like no big deal.

The Philadelphia Inquirer

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(ED: 1grafinsert3rd graf xxx Development Corp. pickup4thgraf: The Senate)
Mitchell, Dole agree to delay any Whitewater hearings

WASHINGTON, March 17 (UPI) Senate Majority Leader George Mitchell and Republican leader Bob Dole announced late Thursday they have reached a compromise that would delay any congressional hearings in the Whitewater affair so as not to interfere with the ongoing special investigation.

Mitchell and Dole, after yet another appeal by special counsel Robert Fiske against congressional interference in his investigation, appeared around 8:30 p.m. EST on the Senate floor to announce they jointly would decide ``the appropriate timetable, procedures and forum for appropriate congressional oversight, including hearings, on all matters related to'' the Whitewater affair.

Mitchell said the agreement did not commit Democrats to eventually holding hearings in the matter, which concerns questions of whether President Clinton and first lady Hillary Rodham Clinton benefited illegally from their involvement in the Whitewater Development Corp.

Mitchell later headed to the White House for a reception the Clintons were holding to celebrate St. Patrick's Day. When he arrived, Clinton bounded from his chair and conferred briefly with the Democratic leader, presumably receiving a firsthand report of what was no doubt welcome news for the Clintons.

The Senate, amid debate Thursday evening on a banking bill, approved 98-0 a four-point resolution submitted by Mitchell and Dole that committed them to meet and discuss the proper oversight role of Congress in Whitewater.

The resolution also stated that no witness called to testify at congressional hearings, if held, would be granted immunity from prosecution, and that any hearings would be ``structured and sequenced in such a manner that in the judgment of the leaders they would not interfere'' with Fiske's investigation.

Fiske, amid growing controversy over Whitewater stoked by the recent resignations of two top administration officials with ties to Whitewater, met privately earlier Thursday with House Republican leader Bob Michel, GOP Whip Newt Gingrich and Rep. Jim Leach, R-Iowa, to reiterate his opposition to immediate congressional hearings.

``No decisions were made, but we've expressed our position,'' Fiske told reporters as he ended his third visit to Capitol Hill since taking over the Whitewater probe. ``I think it's out there. I think everybody undertands.''

Also Thursday in Washington, a federal grand jury investigating the Whitewater affair completed its second day of hearing behind-closed- doors testimony from top White House officials.

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Senior Adviser To Clinton Gets Jury Subpoena

Stephanopoulos Is 7th Called at White House

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, March 17 — The grand jury investigating President Clinton's ties to the Whitewater investigation today subpoenaed George Stephanopoulos, a senior adviser to the President, to testify.

Stanley Brand, a lawyer for Mr. Stephanopoulos, said his client would probably appear next Thursday. Mr. Stephanopoulos would be the seventh White House official called before the grand jury. Two others, Bernard W. Nussbaum, who resigned this month as White House counsel, and Harold M. Ickes, the deputy chief of staff, appeared today.

The subpoena was the latest in a series issued to senior White House and Treasury Department officials in the investigation led by Robert B. Fiske Jr., the special prosecutor.

The grand jury is investigating White House contacts with regulators who were dealing with the failed Madison Guaranty Savings and Loan, the thrift owned by the Clintons' business partner in the failed Whitewater land development.

Reason for Subpoena

Mr. Stephanopoulos would not elaborate on why he had been subpoenaed, saying only, "I welcome the opportunity to give Mr. Fiske the facts."

Mr. Stephanopoulos is the only White House official subpoenaed so far who apparently did not participate in meetings with Treasury Department officials that are a major focus of Mr. Fiske's investigation.

It is possible, however, that Mr. Stephanopoulos was called to testify because of the contents of documents the White House turned over to Mr. Fiske last Thursday.

Republican Congressional leaders took steps today to require votes on the record on whether to hold public hearings on the Whitewater case, a move that would leave Democrats in an awkward position.

Maneuvers by Republicans

Senator Bob Dole of Kansas, the Republican leader, offered an amendment to a routine banking bill to express the "sense of the Senate" that the leaders of both parties should meet to explore the method, forum and timetable for hearings.

Representative Robert H. Michel of Illinois, the House Republican leader, said he would try to get a vote next week with a parliamentary maneuver when the House takes up a measure to provide financing for its committees.

But Democrats continued to resist hearings, at least until the special prosecutor completes his investigation.

The chairman of the House Banking Committee, Representative Henry B. Gonzalez of Texas, told colleagues he would not allow questions about Whitewater to be raised when the panel held a public session next week on the status of the savings and loan bailout, members of his committee said.

In addition, letters were released that Mr. Gonzalez wrote last week to officials at the Resolution Trust Corporations and the Office of Thrift Supervision, the Federal agencies that deal with failed savings and loan associations, saying that they should not provide documents requested by his committee's top Republican, Jim Leach of Iowa. The agencies, by return letter, expressed agreement with Mr. Gonzalez's position.

In an interview, Mr. Leach called Mr. Gonzalez's action outrageous and without precedent. "It's astonishing that one member of Congress would attempt to deny information to another member," Mr. Leach declared.

All this partisan feuding added up to little of substance. So far, Democrats in Congress do not feel so cornered politically that they feel they have to agree to hearings, and they have strong enough majorities in the Senate and House to block hearings as long as the White House wants them to do so.

But the Democrats' lights-out policy after 12 years in which they repeatedly investigated Republican Administrations allows Republicans in Congress to protest a double standard and thus keep alive day after day a topic the Democrats would rather not be discussing.

For his part, President Clinton said at a St. Patrick's Day ceremony that the question of whether to hold hearings was up to Congress but that he thought a Congressional investigation would not be worth the money it would cost.

"They're an independent and co-equal branch of Government, and they ought to do whatever it is they think is the right thing to do," he said.

In the meantime, two more top White House officials, Mr. Nussbaum and Mr. Ickes, testified separately under oath today before the grand jury on discussions they had with Treasury Department officials about Mr. Clinton's ties to Madison Guaranty, the failed savings and loan.

The two officials said only that they had fully cooperated with the prosecutors.

"I've testified before the grand jury, and I have responded to every question they asked me," Mr. Nussbaum told reporters after his session. Later, he added, "We have nothing to be ashamed of."

Attorney General Janet Reno named William C. Bryson, a career lawyer at the Justice Department, to fill the post of Associate Attorney General, the No. 3 official at the agency, temporarily. He will replace Webster L. Hubbell, who announced on Monday that he was resigning to confront accusations by his former law partners that he had improperly billed the Rose Law Firm in Little Rock for his time and expenses on cases he handled there.

The Senate Judiciary Committee also voted to recommend confirmation of Jamie S. Gorelick as Deputy Attorney General, another high-level vacancy created when Philip B. Heymann resigned in late January.



Associated Press

Bernard W. Nussbaum, who recently resigned as White House counsel, arriving yesterday to testify before a Federal grand jury in Washington that is investigating the Whitewater affair.

Senate Leaders Make Whitewater Hearings Deal

By Helen Dewar and Ann Devroy
Washington Post Staff Writers

Senate leaders last night struck a compromise on the controversial issue of public hearings on the Whitewater affair, agreeing to try to work out an "appropriate timetable, procedures and forum" for hearings but leaving unresolved the sensitive issue of when they should be held.

The agreement, ratified by the Senate in a vote of 98 to 0 after hours of negotiations between Democratic and Republican leaders, came as two more White House officials appeared before a federal grand jury reviewing Clinton administration contacts on Whitewater.

In the Senate, leaders of both parties claimed they got what they wanted from the deal on hearings. Minority Leader Robert J. Dole (R-Kan.) got his request for joint leadership meetings to prepare for hearings on all aspects of Whitewater, while Majority Leader George J. Mitchell (D-Maine) succeeded in forestalling any immediate deadlines for holding them.

If the talks do not result in agreement on a plan for hearings, Dole said, "we'll be back on the floor" for further directions. Dole said he hoped his talks with Mitchell could begin next week.

The agreement, which followed protracted and bitter wrangling over GOP demands for hearings, said they should cover "all matters" related to the controversy that has come to be known as Whitewater, including the Arkansas land-development corporation by that name that was half-owned by President Clinton and Hillary Rodham Clinton in 1978.

To overcome objections from Robert B. Fiske Jr., the special counsel investigating Whitewater, the agreement stipulated that no witness would be granted immunity from prosecution over Fiske's objection and said hearings should be "structured and sequenced in such a manner" that they would not, in Mitchell's and Dole's judgment, interfere with Fiske's probe.

At the White House, which one senior official said was moving from "crisis management to problem management" on Whitewater, Clinton said hearings were up to Congress but referred to the costly history of some hearings.

Congress "is a co-equal branch of government and they ought to do whatever it is they think is the right thing to do," he said. But Clinton said the situation reminded him of an 1800s case—which historians later called apocryphal—in which Congress spent thousands of dollars to investigate the White House purchase of a $40 mirror.

Behind the scenes, accountants working with lawyers for the Clintons neared completion of a new financial accounting of their interest in Whitewater and the couple's tax liability. A source said it would be "a few days or a week" before the work is done but said it would show the Clintons lost "somewhat less"

See WHITEWATER, A22, Col. 1

WHITEWATER, From A1

than the $69,000 they have maintained. Until recently, the Clintons have said that was their loss on the Whitewater investment and that they may have some minor additional tax liability.

An administration source said the Clintons wanted to release the new accounting but not until discussions with Fiske are held. The Clintons have maintained—and continue to maintain—that Whitewater was simply an investment that lost money, and when all the investigations are complete it will remain just that.

Release of a new accounting of the Whitewater investment is intended to answer questions that have been outstanding for months. The White House now acknowledges that refusing to clear up questions about the investment was a mistake. But it remains unclear how much information the Clinton legal team will release in the coming weeks.

At U.S. District Court here, departing White House counsel Bernard Nussbaum spent about four hours before a grand jury looking into contacts between White House and Treasury officials on Whitewater.

These proceedings were expanded by Fiske yesterday with a subpoena to George Stephanopoulos, the 11th administration official ordered to appear before a grand jury here.

Nussbaum said after his appearance before the grand jury that he "answered every question" put to him about the three meetings he attended with representatives of the Treasury Department. The discussions between September and February have been described as procedural briefings that did not focus on the details of civil and criminal probes of Whitewater and Madison Guaranty Savings & Loan, a failed Arkansas thrift.

Nussbaum was the highest ranking White House official at the meetings and took the brunt of complaints that contacts between the White House and Treasury risked the appearance of impropriety. He was forced to resign shortly after the meetings were made public but will remain in place until April 5, when Lloyd Cutler will take the counsel post.

As he navigated the crowd of reporters and photographers camped out at the court house, Nussbaum said he and members of his staff violated no rules. "I, like all in my office, acted at all times legally and ethically," he said.

By midafternoon, Deputy Chief of Staff Harold Ickes had arrived to testify about his attendance at one session. Yesterday's appearance by Nussbaum and Ickes followed similar appearances before the grand jury last week by two aides to Hillary Clinton and by Mark Gearan, White House communications director. Six more officials remain to testify.

In sharp debate over hearings before the Mitchell-Dole agreement was worked out, Dole contended that Democrats repeatedly investigated GOP administrations during inquiries by outside counsel and objected to what he called their "double standard" in resisting probes of Democratic administrations.

The Democrats "can't hide behind Mr. Fiske," said Dole.

Congress cannot "sit on our hands until the special counsel completes his investigation," which could take years, added Sen. Alfonse M. D'Amato (R-N.Y.), a co-sponsor of the GOP proposal.

Mitchell accused Republicans of exploiting Whitewater to make it more difficult for Clinton to win passage of health care legislation and other major administration initiatives. "Make no mistake about it, this is pure partisan politics to embarrass the president, to make it more difficult to get the president's program passed," Mitchell said.

Mitchell and other Democrats took delight in noting remarks Wednesday by former senator Barry M. Goldwater (R-Ariz.), a leading conservative and the GOP's 1964 presidential nominee, who was quoted as saying senators should "get off his [Clinton's] back and let him be president."

In the House, Minority Leader Robert H. Michel (R-Ill.) said Republicans there are considering forcing a symbolic vote on whether the House should hold hearings. This vote could come in connection with a resolution on funding committee investigations, which the House has scheduled for action next week, aides said.

As his Washington grand jury was hearing White House testimony, Fiske was meeting on Capitol Hill with Rep. Jim Leach (R-Iowa), the ranking minority member on the Banking and Urban Affairs Committee and other House Republicans. Leach said he would be willing to forgo calling "certain witnesses" to testify at a Banking Committee hearing on the Resolution Trust Corp. scheduled for Thursday. Leach had listed 40 witnesses related to Madison Guaranty that he planned to summon to testify.

"It is possible, on the advice of Mr. Fiske, I may cull some names from the list," Leach told reporters. Later, he added: "We would hold off on certain witnesses, yes."

House Minority Whip Newt Gingrich (R-Ga.) said he had suggested to Fiske a series of House hearings that would "follow the grand jury trail, . . .always allowing the independent counsel to have the first crack" at interviewing witnesses before the grand jury.

Rep. Dan Rostenkowski (D-Ill.) yesterday issued a clarification of his statement Wednesday calling Whitewater hearings inevitable. "I do not believe there should be a congressional investigation into the Whitewater situation. Such a probe would be a serious mistake that would impede the legitimate investigations that are already in progress," Rostenkowski said. "It is clear that those who want a congressional investigation are making a partisan effort to divert public attention from Bill Clinton's substantive successes. I'm confident that the voters are too smart to fall for such a cheap and transparent ploy."

Staff writers Howard Schneider and Kenneth J. Cooper contribu to this

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FRIDAY, MARCH 18, 1994 THE WASHINGTON POST

Pena Extends USAir Ruling For a Year

Delay on British Deal Gives Carrier Time

By Richard M. Weintraub
Washington Post Staff Writer

The Department of Transportation gave financially beleaguered USAir Inc. some breathing room yesterday, extending for another year a potentially lucrative link with the Arlington-based carrier's foreign partner, British Airways PLC.

Transportation Secretary Federico Peña extended his approval for the two carriers to list a number of their flights under a single symbol in computer reservations systems, a device that gives each carrier greater market reach than it would have operating alone.

Peña said a year ago he was holding the approval for these so-called "code-share" flights hostage to changes in the treaty governing air travel between the United States and Britain, a treaty Peña and a number of U.S. carriers have said is biased in favor of British carriers. He stressed yesterday that he intended to continue pushing for the new treaty.

The term "code-share" comes from the symbols used by airlines in reservations systems. British Airways, for example, uses the code BA, while USAir uses US. A flight from Buffalo to London via Pittsburgh might be listed in a computer system as a BA flight, even though a USAir plane would carry passengers from Buffalo to Pittsburgh, where they might board a British Airways flight.

American Airlines Inc. contends that these flights could be worth as much as $500 million a year to British Airways and USAir, but USAir Chairman Seth Schofield recently put the likely gain at $30 million to $40 million.

One factor in Peña's decision, sources said, was the financial condition of USAir. The carrier has announced that it expects to lose more than a $200 million in the first quarter of 1994

AIR ACCORD, From G1

alone and has turned to its employees for a new round of concessions.

British Airways, in turn, said it would delay plans to invest an additional $450 million in USAir, which would increase its ownership stake in the U.S. carrier from 24.6 percent to 49 percent.

USAir and British Airways currently have authority to link 66 U.S. markets with London and other international points. Peña said no further links will be granted and an application for another 66 routes probably will be withdrawn.

Schofield praised the decision, saying "the administration acted in the best interest of the American consumer."

Delta Air Lines Inc. and American Airlines sharply attacked the action, however.

The British Airways-USAir link gives the British carrier "extraordinary access to passengers who would otherwise be carried by U.S. carriers, without offering U.S. carriers any opportunity to capture lost revenue," American said in a statement.

Delta said that the administration "once again . . . has missed an opportunity to develop, adopt and enforce a clear, coherent international aviation strategy."

United Airlines Inc. and Northwest Airlines Inc., both of which have ties to European carriers, had sided with USAir in opposing action against the code-sharing arrangement.

USAir's four unions said in a prepared statement on Tuesday after a meeting in Washington that they have authorized their financial advisers to begin a study of USAir's books as part of a bargaining process with the airline on possible changes to contracts.

USAir is believed to be seeking about $1.5 billion in pay, benefit and work-rule concessions from the unions.



BY TOBEY—THE WASHINGTON POST

Sorting Trash At the Clinton White House

By Verne Kopytoff
Knight-Ridder

"Let's see, do the Big Mac wrappers go in the yellow box?"

Yes, it's true, the Clintons have started recycling their trash—upstairs at the White House.

"The first family has just received recycling bins in their residence so they can begin sorting," Cathy Zoi, chief of staff for the White House Office of Environmental Policy, reported recently.

President Lyndon B. Johnson turned off the White House lights at night, President Jimmy Carter turned down the thermostat, and now President Clinton is sorting his trash.

It's part of an administration proposal to remake the White House into a "Green Age" symbol over the next 10 years through recycling and sharply improved energy and water conservation.

"We think we can reduce energy and water use by 30 percent," Zoi said. "If we can accomplish something here, then there's no excuse anybody has around this country to not take similar steps."

This means Bill and Hillary Rodham Clinton will have to screw in new energy-efficient light bulbs and someone will get up early to turn on the lawn sprinklers so the water won't evaporate in Washington's summer heat.

The White House plan complements an executive order Clinton signed recently for all federal agencies to make inroads at conservation.

"We can save taxpayers money while at the same time increasing the productivity of workers in the federal complex," Zoi said. "None of this stuff will cost taxpayers anything extra."

"Unless someone points out the changes to you, you would never notice," said Bill Browning, the plan's architectural adviser.