

School for Scandal

By MARK HELPRIN

Now that the bloom is off the rose, the White House oracles are thumping their naked tails in unison to protest that Whitewater is political. Surely they deserve the Nobel Prize for the discovery that political scandals have a political component, and if they continue their researches perhaps they will also learn that the measure of a scandal is not the material of scandal itself but the political dynamic of which the unfolding scenario is but an expression.

Though liberals hallucinate much about Watergate, Richard Nixon was forced to resign because he was the first American president to lose a war. The rest was merely the instrument of the underlying forces, a shadow play. By the same token, Iran-Contra was a result of the complete isolation of Republican political fortunes in the executive, an island in a tide of Democratic power that threatened to wash over it.

The corruptions of Whitewater are like the fruit of a richly bearing tree, and it seems that every day a new dead hand rises from a misty Arkansas lake, but they are not the true measure of Whitewater. Whitewater flourishes only because the Clinton administration is condemned to rest in a politically short-sheeted bed of its own making.

What a bad idea to begin a messianic presidency with only 43% of the popular vote: less than polled by Willkie, Dewey, Stevenson, Nixon, Ford and Dukakis when they lost. And of that 43% many were unaware of Hillary hiding in the bushes to the left of the candidate, like the 900-pound boyfriend of a voluptuous girl hitchhiker. As soon as Hillary got into the car, she bumped out all but the president's core constituency, the 25% to 30% who will be with him to the end.

You would think that with such a narrow base the White House "Hillarys" (highly inexperienced left-liberal academic righteous yuppies) would have trodden carefully. But they did not, for their abiding faith in the power of their own intelligence to manage the unmanageable amounts to nothing more than abject stupidity, and they acted accordingly. No president in living memory has exulted in his victory with the same immodesty, the immediate punishment for this being that the early Clinton administration came to resemble a science fiction character who ages 50 years in less than a minute.

They were blinded to their limitations by the slavish obedience of a press that, tempting the fates, portrayed the Clintons as saviors, saints, and divine beings, literally with angels' wings. And though flackery is just a rubber band—the more you stretch it out, the harder it snaps back—it did the impossible. It quintupled the arrogance of the most arrogant people in America, a triumphalist coterie of graduate students who accord to the hard left the same uneasy respect that most people reserve for the clergy, and grow teary-eyed over bats, squirrels and caribou as with barely concealable pleasure they sacrifice whole regions of rednecks.

This is not merely the arrogance of victory and of youth, but of lawyers. Lawyers, like undertakers, meddle decisively in everyone's business, but only after it fails. Most are redeemed by understanding that their power comes from this peculiar circumstance, but Clintilians seem to think it comes from a Christ-like glow within themselves. Is it surprising

that they believe their first task is to heal the sick? And that to do so they need only redesign the country after they have given it "meaning," banished its greed, and put it on the information superhighway to lap-top heaven? They are the missionaries, and we are the Hottentots.

Not everyone in this group is as callow as the president's media director, who told the Journal last year of his plans for "BC-TV," Bill Clinton, on TV, 24 hours a day. And not everyone is a networked crony or a token Zoe or a chicken tycoon, all put in place (if not yet confirmed) in the most incompetent explosion of patronage since Caligula appointed his horse.

For at least half a dozen grown-ups have agreed to help Bill Clinton, mostly eminent retirees who in their days of glory were Carter's Little Liver Pills, and who, even now, after all these years, still move about on little marshmallow feet—Les Aspin, impotent even at his own specialty of gutting the military; Warren Christopher,

that, "Actually, in Clinton's program I see elements I like a lot."

Fraud. Thomas Mann of the Brookings Institution states that "We would be condemning him if he didn't pull back [from his campaign promises], because he would be an irresponsible president." That is, the president had to lie to you for your own good. The president lies responsibly. Not only does he remain morally superior when he lies, his lying actually makes him morally superior. This goes beyond the normal corruptions of American politics onto the airless and unfamiliar plains of totalitarianism.

Fraud. In a wonderful reversal of Boss Tweed's immense public outlays for "Brooms, etc.," the president tells the New York Times that he does not want a congressional inquiry into Whitewater because "it would not be worth the money it would cost." He doesn't want a congressional inquiry into Whitewater, because he wants to save money. Does the president think he leads a nation of idiots? The answer is yes, but he is just cautious enough to speak indirectly, when, of his wife, he says: "If the rest of the people in this country—if everybody in this country had a character as strong as hers, we wouldn't have half the problems we've got today."

These are not the words of Louis XVI, Juan Peron, or Nicolae Ceausescu, but of the president of the United States defending his overbearing wife by insulting the rest of the country. Had a Republican president said this, he would have been put in the ice cream case within minutes. Nor has any president of sound mind and body ever had the temerity to install the first lady in a virtual co-presidency in which she stalks about the country giving speeches, appears before Congress, supervises at least one cabinet department, and is the chief of his (her?) administration's most ambitious initiative. Though in Whitewater mode it is to the Clintons' advantage to dismiss this with offended innocence, they and their supporters have been trumpeting it for more than a year.

The president has reinvented government, and the United States of America now has not one chief executive, but one and a half. This rather profound change is not the result of a constitutional amendment or even informed debate. It just happened. It has embarrassed Congress and escaped the condemnation of an anesthetized press. It is the solid and identifiable core of an otherwise mercurial cloud of hubris, arrogance and petty corruption. It is the ultimate expression of the nature of this presidency, in which the rules exist only for everyone else, because the work of the elect in remaking the world is too important to fetter with laws and truth.

Were it not for the fact that the president's own party dominates Congress, the press, the universities, public education, Hollywood, publishing, local and state government, the unions, and bureaucracies everywhere, the assumption by Hillary Rodham Clinton of the powers of an office to which she did not accede would be a constitutional crisis. It should be a constitutional crisis. But it is not. It is, instead, sublimated in scandal. It is, instead, the driving force in the conflict of which Whitewater is but the instrument, the mere expression, and the shadow play.

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breaking into every foreign garden and running away when the dog barks; David Gergen, hand welded to the ejection lever; Donna Shalala, praying that at the next state dinner she won't be seated next to George Hamilton; Lloyd Cutler, happy but worried, as if Neil Diamond had been asked to conduct the Berlin Philharmonic.

Even the grown-ups cannot save Bill Clinton from himself, if only because they cannot have any idea of how to carry the quicksilver from the flames. Granted, in questions of sincerity the president is perpetually condemned to be upstaged by his vice president, though for the country's sake let us hope that Al Gore is not as sincere as he appears to be, for with sincerity like his, who needs fraud? Fraud is what Whitewater, and the administration, are all about: fraud—pious, tawdry, financial, sexual, political, plain, simple and habitual.

Fraud. Somewhere between the core of the left and the 43% plurality that made Bill Clinton commander in chief are the American voters who thought they were supporting a "New Democrat" and wound up instead with a slightly more buttoned-up version of the Village People. Boris Yeltsin, who ought to know whereof he speaks, calls Bill Clinton a "socialist," and General Jaruzelski, the former military dictator of Poland, looking more than ever like one of the three blind mice, says that he still retains the values of the left and

Even Dems Wonder Who We Elected

Breaux said . . . Mrs. Clinton will be as popular as ever, "when they find out what really happened, if nothing happened."

—SEN. JOHN BREAUX (D., La.) on Whitewater, quoted recently by the AP

Mr. Breaux, keep in mind, was trying to defend President and Mrs. Clinton on Whitewater. Yet even he couldn't resist adding a caveat, just in case.

That about sums up what Whitewater has done to the Democratic mood, which ranges from terror to mere anxiety. Republicans are hogging the microphones in public, but what's more revealing is what Democrats are whispering in private. They're as jumpy as defendants before a mercurial judge. What'll happen next? What line will they have to defend? Press conferences notwithstanding (this column was written before last night's), it says something about this president's character when even Democrats aren't sure how much to believe him.

A vanishing species here is a Democrat who will flat-out defend the Clintons. Sure, every Democrat will repeat the by-now-clichéd irony about Al D'Amato as GOP ethics czar, or rip the bloodthirsty press. But one prominent Democrat claims to be the 25th called by a TV network to talk about Whitewater, everyone else having declined.

Friends of Bill, once treated as celebrities on Capitol Hill, are now getting the treatment. When Patsy Thomasson, charter FOB, testified about the many White House aides without security clearances, no Democrats came to her defense. Two weeks ago the party line was no Whitewater hearings; this week the House agreed to them after one of its grown-ups, Indiana's Lee Hamilton, said

Potomac Watch

By Paul A. Gigot

they were a good idea. Hill Democrats hate the idea of hearings, but they fear the GOP taunt of "coverup Congress" even more.

Ted Van Dyk, another Democratic grown-up, says that "people like me who care about the party are beside ourselves, because you can't have a failed presidency in the middle of the second year." He worries this will be the outcome without full disclosure by the White House.

That fear may be overdrawn, but it does illustrate how little residual trust this president can now count on. When Ronald Reagan stumbled over Iran-Contra, he had his political base to cushion the fall. Mr. Clinton is instead "a high-wire act," says a Democrat who worked on his campaign. "There is no safety net." If he slips over Whitewater, he'll hit the bottom of the pool.

One explanation for this, says iconoclast Rep. Tim Penny (D., Minn.), is "the old adage: He's neither fish nor fowl." Neither party liberals nor moderates, as writer Joe Klein has also observed, feel he is completely theirs. "He seems to express solid and admirable principles," says Mr. Penny, adding that he sees no evidence that Whitewater will amount to much. "But there are so many contradictions, and as a consequence it isn't easy for Democratic legislators to stick their necks out for him."

Congressional Democrats have also learned that the real powers in the Clinton world are the longtime FOBs—"the Arkansans and Oxford-Yale crowd," says one Clinton adviser. Leading Democrats are consulted, but they aren't confidants. And GOP Rep. Jim Lightfoot, an Iowa of moderate bent, says he doesn't know even a single Republican in Congress whom Mr. Clinton "is friendly with." The result is what another Democrat calls "a marriage of convenience" between Mr. Clinton and Capitol Hill, "not of passion."

But the deepest cause for unease is the mystery of this president's Achilles' heel, his character. Who is this fellow we elected, anyway? In 1992 we discovered the policy wonk, the gifted pol, and, even his friends now concede, the philanderer. But the multitude of stories we now call Whitewater is revealing another side—the favorite son of an Arkansas business-political oligarchy, the pal of such unsavory types as drug convict Dan Lasater.

Even more so in the case of Hillary Rodham Clinton, who we now know was doing more in the 1980s than raising money for the Children's Defense Fund. Whitewater has shown she is also a power politician, a lawyer who overlooks conflicts of interest, and even a high-flier in cattle futures (maybe her \$100,000 profit is what Mr. Clinton meant when he called Whitewater charges "bull").

Perhaps none of this would matter if the Clintons had left it all behind in Little Rock. Harry Truman managed to shed the baggage of the St. Louis Pendergast machine as president, after all. But far from shedding the Arkansas political culture, the Clintons have brought it with them, complete with cronies, a mind-set for cutting ethical corners and the arrogance that often comes from governing a one-party state.

Just as Watergate became more than a third-rate burglary, Whitewater has become more than a two-bit land deal. It's now a metaphor for this president's character. And far from being overzealous, the media (me included) that fell too easily for Whitewater stonewalling in 1992 have a duty not to be fooled again. Even many Democrats seem to understand that Whitewater is about discovering who we really elected.



Bill Clinton

THE WALL STREET JOURNAL FRIDAY, MARCH 25, 1994

Clinton Offers Calm Defense On Whitewater

News Conference Follows
Misconduct Accusation
Made by GOP's Leach

By JEFFREY H. BURNBAUM
And KENNETH H. BACON

Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — President Clinton calmly defended the propriety of his conduct in the Whitewater real-estate investment.

The president's defense, made during a televised news conference last evening, came just hours after a Republican congressman made the harshest charge yet in the Whitewater affair: that federal officials tried to cover up evidence suggesting that the Clintons' Whitewater investment had benefited from savings-and-loan fraud.

Mr. Clinton said he knew nothing about the charges, by Rep. Jim Leach of Iowa, and denied in great detail that he and his wife had done anything wrong. Specifically, he said he didn't think he owed any more taxes and that he was unaware of any diversion of funds to him or his campaigns by the savings and loan.

The only concession he made was that the nearly \$69,000 loss that an aide of his once said he incurred in the investment was overstated by \$22,200, making the actual loss \$46,800. He said he would prove the point by releasing his tax returns today going back to 1977 and asking his personal attorney, David Kendall, to brief reporters about them.

Mr. Clinton's willingness last night to answer a barrage of questions about Whitewater and its ties to Madison Guaranty Savings & Loan contrasted with his testy reaction in previous weeks to reporters' queries about the investment.

Mr. Clinton said he hoped the news conference and additional disclosures would help put Whitewater behind him and allow him and his administration to move forward with its many policy initiatives, ranging from health care to anti-crime legislation. "What matters is we're changing people's lives," he asserted.

But the questions at the session repeatedly returned to Whitewater, a failed real-estate development in northern Arkansas. Despite the swirling controversy, Mr. Clinton



President Clinton

President Offers a Calm Defense On Conduct in Whitewater Case

Continued From Page A3

Clinton refused to say it was a mistake to go into a 50-50 investment with James McDougal, who later owned Madison, even though Mr. McDougal put up most of the money. He called it "a perfectly honorable thing to do."

In other Whitewater-related remarks, he said:

- Hillary Rodham Clinton has been wrongly accused of a conflict of interest when she represented Madison before an Arkansas state regulator. "She believed there was nothing unethical about it," he said, and also cited expert testimony saying "she is getting a bum rap."

- Deputy Treasury Secretary Roger Altman checked with his agency's counsel before briefing White House aides about the investigation by the Resolution Trust Corp. into Whitewater and Madison Guaranty. But he added, "I think that we weren't as sensitive as we should have been" to the appearance of meddling into the actions of an independent agency.

- Associate White House Counsel William Kennedy had made a mistake when he failed to pay Social Security taxes on a nanny, and has been reassigned as a result. But he also praised his friend from Arkansas for being a valuable employee.

During the 35-minute news conference, Mr. Clinton fielded 17 questions, only three of which weren't about matters related to Whitewater. The event, which was only the president's second prime-time news conference, came after Rep. Leach took to the House floor for nearly an hour.

Mr. Leach charged that senior regulatory officials this year urged investigators to soften a case asserting that the Clintons' Whitewater partnership contributed to the insolvency of Madison Guaranty.

But later, one of the primary people Mr. Leach said had pressured the investigators categorically denied the charge.

The lawmaker said officials in RTC headquarters here took steps to influence the investigation being conducted in the RTC's Kansas City office. He highlighted one conversation between Washington and the field office that occurred last Feb. 2,

the same day that Deputy Treasury Secretary Altman, who is the acting RTC chief, briefed White House officials about the case involving the Little Rock thrift.

To support his charges, Mr. Leach released notes made by Jean Lewis, a senior criminal investigator in the RTC's Kansas City office, of a Feb. 2 conversation with April Breslaw, an RTC attorney from Washington.

"April stated very clearly that [Deputy RTC CEO Jack] Ryan and [RTC General Counsel Ellen] Kulka, the 'head people', would like to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them," according to the memo. "She felt like they wanted to be able to provide an 'honest answer', but that there were certain answers that they would be happier about, because it would get them off the hook."

Reached last night, Ms. Breslaw said, "I categorically deny the statements that I am accused of making. I never said to anyone in Kansas City that Washington would like any particular factual or legal result." She dismissed Ms. Lewis's account as a "complete fabrication." Ms. Lewis couldn't be reached for comment last night.

In his speech, Mr. Leach said that Whitewater was "used to skim, directly or indirectly, federal insured deposits" from Madison. In her notes on the conversation, Ms. Lewis said that "it is my belief that the losses to Madison from the Whitewater account alone would easily exceed \$100,000" because she had been able to document \$70,000 of losses during just one six-month period.

Mr. Clinton got most animated when he was asked if the Whitewater controversy was eroding the moral authority of himself and his wife. "Absolutely not. Absolutely not," he insisted. "People should not be able to raise questions and erode people's moral authority in this country... I know what the facts are, and I'm giving you the facts on this."

Please Turn to Page A4, Column 5

What's News—A1

Business and Finance

THE WHITE HOUSE is set to propose tough rules regulating indoor air quality, severely limiting smoking at work. The plan, to be unveiled today by Labor Secretary Reich, would also eliminate smoking in restaurants and bars except in designated areas where food and drink aren't served. The proposal is another huge setback for tobacco companies.

(Article on Page B1)

Stocks and bonds were battered by domestic and global political worries. The Dow industrials tumbled 48.37 to 3821.09 as investors awaited Clinton's news conference and reacted to the assassination of a Mexican presidential candidate and tensions in Korea. The dollar fell. The 30-year Treasury bond lost nearly $\frac{1}{4}$ point to yield 6.95%.

The U.S. established a \$6 billion swap facility with Mexico, giving the country the ability to support the peso when its currency markets reopen today. Mexico closed financial markets in the wake of the assassination. Its stocks and bonds fell sharply in global trading before recovering somewhat.

(Articles on Pages C1 and A4)

Grumman directors authorized the defense-electronics company's management to enter into limited discussions with Northrop, which made a hostile offer earlier this month.

(Article on Page A3)

GE Capital launched a proxy battle against Kemper, seeking to replace four Kemper directors and pressure the firm to accept a \$2.2 billion takeover bid. GE's move puts Kemper's fate in the hands of shareholders. Many of them believe Kemper should be sold, albeit at a higher price.

(Article on Page A3)

Nynex agreed to union demands that will force it to take additional charges of \$1.3 billion to sweeten severance terms for cutting 16,800 jobs. The move comes on top of \$700 million in charges the regional Bell company has taken to make those job cuts.

(Article on Page B2)

Time Warner adviser Aboodi is in talks with the SEC to avert charges of insider trading in Time stock, people familiar with the investigation said.

(Article on Page B3)

UAL and its unions negotiated an agreement on a proposed \$5 billion buyout by employees, according to individuals familiar with the deal.

(Article on Page B3)

U.S. officials overturned a software patent that appeared to give a Tribune unit a monopoly over a technique used in multimedia programs.

(Article on Page B2)

USAir's ratings on \$2.9 billion of long-term debt were cut by S&P, which cited competition by low-cost rivals.

(Article on Page B4)

Philip Morris filed a \$10 billion lawsuit against Capital Cities/ABC and two employees, escalating the corporate backlash against investigative reporting by television newsmagazines.

(Article on Page B12)

OPEC's oil ministers opened crucial talks on production levels with a near consensus that oil prices will fall further if they don't reduce output.

(Article on Page A2)

Markets—

Stocks: Volume 303,742,210 shares. Dow Jones industrials 3821.09, off 48.37; transportation 1706.03, off 18.98; utilities 204.06, off 2.44.

Bonds: Lehman Brothers Treasury index 5269.68, off 36.62.

Commodities: Oil \$15.08 a barrel, up 18 cents. Dow Jones futures index 145.28, up 0.58; spot index 132.60, up 0.07.

Dollar: 104.55 yen, off 1.70; 1.6655 marks, off 0.0147.

World-Wide

MEXICO MOURNED Colosio, whose assassination touched off a political crisis.

The slaying of the ruling party's presidential candidate, who was favored to win August elections, was an added blow to a government rocked by a peasant revolt and the kidnapping of a prominent businessman. A spokesman strongly denied there had been any discussion about a new candidate or about President Salinas possibly postponing the election. A provision in the constitution excludes many possible candidates, and others are flawed. (Article in Column 6)

Police said a man detained after the Tijuana slaying has confessed, but gave no indication of his motive. His gun was originally purchased in the U.S.

CLINTON PRESENTED his Whitewater defense in a televised news conference.

The president calmly argued that there was nothing improper about his conduct in the real-estate investment, and said he would release tax returns going back to 1977 to prove his point. Earlier, GOP Rep. Leach charged that federal officials tried to cover up evidence suggesting the Clintons' investment had benefited from savings-and-loan fraud. Clinton said he knew nothing about the charges. (Article on Page A3)

Clinton conceded that an aide had overestimated by \$22,200 the size of the loss he and Hillary Rodham Clinton incurred on their Whitewater investment.

Israeli and PLO negotiators said they were close to an accord on Palestinian security in the West Bank and Gaza Strip, raising hopes that stalled peace talks may soon resume. Meanwhile, at least 41 people were injured as Palestinians fought Israeli troops in protests over an Israeli siege of a Hamas hideout in Hebron this week.

The U.S. pullout from Somalia is set to be completed today. The final 120 Army troops are to fly out of Mogadishu and 1,100 Marines are to follow by ship. U.N. negotiators pressured leaders of Somalia's warring factions to agree to a reconciliation meeting next month, but diplomats were pessimistic about prospects for ending clan fighting.

De Klerk said South Africa could take steps, which may include sending in troops, to ensure fair voting next month in the Zulu homeland of KwaZulu. De Klerk spoke following a meeting with Mandela on KwaZulu. South Africa has already seized two of the apartheid-era black homelands that resisted taking part in the first all-race vote.

The House passed a bill tightening disclosure requirements for lobbyists and curtailing the gifts, meals, entertainment and trips they provide lawmakers. The big margin of victory in the 315-110 vote surprised supporters. The measure now goes to a conference with the Senate, which passed its own bill last year. (Article on Page A10)

U.S. forces in Korea may be reinforced if the U.N. imposes sanctions on North Korea. Defense Secretary Perry said. A Pentagon official said earlier the U.S. commander in Korea was preparing recommendations. Meanwhile, North Korean resistance to nuclear inspections is making South Korea more hawkish. (Article on Page A6)

A gas pipeline exploded in northern New Jersey, destroying eight apartment buildings and sending 2,000 people fleeing. Police said a woman died of a heart attack following the blast early yesterday, and 58 people were hurt. Fifty remained unaccounted for yesterday afternoon, but police said no missing-person reports had been filed.

The Senate defeated a proposal that would have made Medicare bear the brunt of proposed new budget cuts totaling \$26 billion over five years. The 63-35 vote means the Pentagon and Clinton's domestic initiatives may be squeezed. But Democrats warned the Medicare cuts would hurt health-care reform prospects. (Article on Page A2)

Bosnian Serbs rejected a U.S. plan calling for them to join with Muslims and Croats in a Bosnian federation, saying they would try to unite with Serbia. Separately, U.N. officials said Serb forces who hijacked a convoy of aid supplies near Maglaj Wednesday forced U.N. truck drivers to walk across a field they had been told was mined.

Thousands in Burundi fled the capital as ethnic fighting intensified amid reports of a coup by the Tutsi-dominated military. Military and government officials denied the reports. As many as 1,000 people, mostly members of the majority Hutu tribe, have died in fighting over the past several days.

Transfers From S&L Are Cited *Leach Alleges 'Skim' Operation*

By Susan Schmidt
and Howard Schneider
Washington Post Staff Writers

Rep. Jim Leach, the Republican leading the congressional Whitewater probe, yesterday charged that at least \$70,000 in depositor funds at the failed Madison Guaranty Savings & Loan ended up in an account maintained by President Clinton's Whitewater real estate venture.

Moreover, Leach said, a Resolution Trust Corp. investigator who led a team that uncovered the Whitewater transactions was told by an agency official last month that "head people" in Washington would be "happier" if they could show that the Clintons' investment caused no losses to Madison.

"Whitewater may have begun as a legitimate real estate venture, but it came to be used to skim directly or indirectly, federally insured deposits from an S&L and a small business investment corporation," Leach said. He said the independence of the federal regulatory system has been "flagrantly violated in an effort to protect a single American citizen."

President Clinton repeatedly has said that the Whitewater venture was controlled by his business partners, James and Susan McDougal, the owners of Madison Guaranty during the mid-1980s.

WHITewater, From A1

Last night in a televised news conference, Clinton said he was not involved in "any way, shape or form" in trying to contain the Whitewater investigation.

Leach (R-Iowa), who released documents he said support his allegations, said that internal pressures on Whitewater investigators become so intense as the findings of their probe became public that some have sought whistle-blower protection from the RTC inspector general. They want to be able to speak with Whitewater special counsel Robert B. Fiske Jr. without clearance from their superiors, Leach said.

"Courageously, Kansas City investigators refused to back the Washington position that Madison's losses were unrelated to Whitewater and pointed out to their superiors that in one intensely reviewed six-month period alone, approximately \$70,000 was transferred from Madison and Madison affiliated companies to Whitewater," Leach said.

Documents released by Leach depict a trail of checks from businesses owned by the McDougals into Whitewater, the bulk of them writ-

ten between September 1984 and March 1985. The documents show nine payments totaling around \$70,000 coming from seven separate companies into Whitewater's account. Madison failed in 1989 at an estimated taxpayer cost of \$600 million.

In a 45-minute statement on the House floor, Leach presented some of the findings of Banking Committee investigators who had been preparing for a routine committee oversight hearing yesterday that Republicans wanted to use as a forum to examine Madison and Whitewater.

Leach's hearing was abruptly canceled this week by the Democratic Committee chairman, Henry B. Gonzalez (Tex.), who has urged regulators to reject Republican requests for documents and told administration banking officials they need not answer Whitewater questions. Leach said he is disturbed by "unprecedented tactics," procedural moves and personal attacks, employed to "keep the truth about Madison from emerging."

In describing the RTC's handling of the Madison case, Leach said that L. Jean Lewis, the senior investigator on the RTC's probe of Madison, was questioned by RTC senior attorney April Breslaw at an unusual Feb. 2 meeting. She was asked about the findings of a probe into an elaborate check-kiting scheme at Madison in which the Whitewater real estate venture was believed to be a participant.

The session, at the Kansas City regional office of the RTC, took place the same day that RTC interim chief Roger Altman met with top White House aides to give them a "heads up" on the Madison case. That meeting and others have been strongly criticized as improper contacts because the RTC is supposed to be an independent regulatory agency and federal laws prohibit disclosure of the contents of criminal referrals.

In a memo released by Leach, Lewis wrote that Breslaw told her that the RTC's interim deputy chief, Jack Ryan, and general counsel, Ellen Kulka, would prefer to be able to say that Whitewater did not cause losses to Madison. The real estate venture maintained a Madison account that had been closely examined by investigators and mentioned in an RTC request that the Justice Department open a criminal investigation.

Leach said that after Fiske's appointment in January, "Washington RTC officials imposed censorship guidelines on Kansas City RTC employees." Washington officials insisted on clearing all documents forwarded to Fiske, he said, and no discussions with Fiske were permitted without the presence of headquarters' officials.

Leach cited several previously undisclosed instances of what some lawyers and investigators in Kansas City contend was improper interference from Washington.

In one instance, lawyer Julie Yamada and investigative supervisor Richard Iorio filed a formal complaint on Jan. 5 about Madison questions put to them by a contract compliance officer looking into Madison-related work performed for the RTC by the Rose Law Firm of Little Rock. An internal "e-mail" with notations from several investigators suggests they believed the contract officers were

inappropriately seeking information about the genesis of the Madison criminal probe.

Breslaw, a senior attorney based in Washington, hired the Rose Law Firm to sue Madison's accountants on the government's behalf in 1989. Breslaw has been criticized by some in the agency and in Congress for brushing off other employees' concerns that Rose had serious conflicts of interest and should not have been hired.

Rose lawyers, including former partner Hillary Rodham Clinton, represented Madison during the mid-'80s.

Breslaw, who is still a member of the RTC team looking into possible civil claims against the Rose firm and others, met with Lewis in Kansas City on Feb. 2, according to Lewis's notes of the conversation. Through an agency spokesman, Breslaw declined to comment.

"April stated very clearly that Ryan and Kulka, the 'head people' would like to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them. She felt like they wanted to be able to provide an 'honest answer' but that there were certain answers that they would be 'happier' about, because it would get them off the hook...."

"She asked how we could get to a clear-cut answer as to whether or not Whitewater caused a loss to Madison. I stated that as far as I am concerned, there is a clear-cut loss...." the memo says.

Lewis's memo said she told Breslaw that losses to Madison from the Whitewater account alone "would easily exceed \$100,000, given that \$70,000 had gone out of the account during the six-month window time frame" that investigators focused on.

Transfers to the Whitewater account at Madison were "essentially unauthorized loans" by James McDougal, owner of Madison and co-owner with the Clintons of Whitewater, the memo says. Lewis said McDougal's partners in Whitewater and other business ventures receiving such transfers of funds "must have concluded that McDougal was making payments for their benefit," since the real estate ventures were not bringing in cash but their mortgages and loans were being paid.

Altman and two other top Treasury political appointees have been subpoenaed by Fiske to testify before a grand jury investigating their contacts with top White House officials about the RTC probe.

Altman has said he communicated no substantive information about the investigation of civil claims arising out of Madison's failure during his Feb. 2 meeting with White House deputy chief of staff Harold Ickes, Hillary Clinton's chief of staff, Margaret Williams, and other White House officials.

Treasury general counsel Jean Hanson has refused to comment on what she communicated to White House aides. Stephen Katsanos, a spokesman for the RTC, said neither Kulka, Ryan nor the agency would have any comment on Leach's allegations.

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FINAL

President Revises His Losses In Whitewater by \$22,000

worked on creating jobs and improving education for the children of my state. Every year I was governor, my wife ... [gave up her portion of partnership income or work for the state] and instead, every year gave an enormous percentage of her time to public service work, helping children and helping education and doing a lot of other things, giving up a lot of income." Clinton appeared uncomfortable when he was asked about White House associate counsel William H. Kennedy III, who was reassigned after the disclosure that he had failed to pay Social Security taxes for his nanny, paid some at the start of the administration under his wife's previous name and paid the rest only in the last three weeks, after he feared public disclosure.

"He has had a difficult time, and I am convinced that he has done a lot of work that's been very valuable for us," Clinton said of Kennedy, the former managing partner of the Rose Law Firm. "But I think he should not have done what he did, and I think he should fully pay. He has one that."

During the opening statement, Clinton looked as if he wanted to get past preliminaries and into the main show, defending himself, his wife and his team. "Cooperation, disclosure and doing the people's business are the order of the day," he said. "I and my administration will not be distracted" by the ethics issues, he asserted.

Although the president's aides have little hope that one news conference will end his problems with Whitewater, they had concluded that the erosion in his support had gotten serious. The news conference came after a month of intensive news media focus on Whitewater and related issues, including the subpoenas delivered to 11 administration aides, the firing of the White House counsel and a congressional battle over public hearings on the issue.

All of that has caused the president's approval ratings to plummet 11 points in a month, to a 47 percent rating, according to a Washington Post poll released this week. Another poll, by Times-Mirror, had a similar finding, putting the president's approval at 45 percent and disapproval at 42 percent, and attributed much of that slide to Whitewater.

The issue, the poll concluded, "is sapping public confidence in Bill Clinton." The survey found that the percentage of Americans who think the Clintons are guilty of some wrongdoing has increased from 45 percent in January to 67 percent in March, but most still think any wrongdoing was minor.

The telephone survey of 2,001 adults also revealed increased criticism of the amount of news coverage devoted to Whitewater, a sentiment the White House was hoping to tap into and expand during the news conference.

Error Is Linked To Confusion Over '81 Loan

President's Account Fails To Resolve Matter Fully

By Charles R. Babcock and Howard Schneider
Washington Post Staff Writers

For two years, the Clinton presidential campaign and then the White House have relied on a seven-page report prepared by a Denver attorney as the documented proof that Bill and Hillary Rodham Clinton invested and lost \$68,900 in the Whitewater land venture.

The figure has been repeated over and over again, ever since the Clinton campaign released the Whitewater report by James M. Lyons on March 23, 1992. Clinton aides have refused to provide the documentation to back up the \$68,900 figure.

Last night, the president said the Lyons report was wrong and that the loss was about \$22,000 less than it stated. But he did not clearly explain how that error occurred.

The confusion stems from a \$20,000 loan Clinton took out in 1981 from a small bank owned by James B. McDougal in Kingston, Ark. Hillary Rodham Clinton had borrowed \$30,000 from the same bank to build a display home on one of Whitewater's lots in the Ozarks.

In the preparation of the Lyons report, payments from the Clintons to that bank—The Bank of Kingston—were all lumped together and counted as Clinton investment in Whitewater Development, helping to build the amount lost to \$68,000.

In recent press reports, however, McDougal disputed the amount of the Clintons' contribution. He said he did remember Clinton borrowing \$20,000 from the bank but said the money was for personal purposes that had nothing to do with his partnership in Whitewater.

The president said last night that he heard McDougal's account and "started racking my brain to remember" what the money was for.

"By coincidence," he said, he was reading a galley of his late mother's autobiography and was reminded that he had helped her purchase a cabin in 1981—"something that I had genuinely forgotten." The proceeds of the loan from McDougal's bank, Clinton said he then recalled, went to purchase that house.

The president did not explain how the money he spent on his mother's house came to be included by Lyons as part of his investment in Whitewater. But a White House aide said later the president associated all checks written to The Bank of Kingston with Whitewater because that bank was the source of Hillary Clinton's loan.

In an evening dominated by discussion of Whitewater, the president also said he planned now to release his personal tax returns for 1977, 1978 and 1979. Reporters have been seeking tax returns for months. Returns for 1980 through 1989 were released during his last gubernatorial campaign in Arkansas, and others have been released since. The release comes after publication of a New York Times story last week describing how Hillary Clinton made \$100,000 in risky commodities trades in the late 1970s.

Clinton was attorney general of Arkansas from 1977 to 1979, and said he decided to release the earlier tax returns so the public would have a full set of returns for the years he has been in public office.

Clinton stressed last night that no funds from savings and loans were involved in Whitewater. The 230-acre Ozark mountain property was initially purchased with two bank loans, totaling \$202,611, for which the Clintons and James and Susan McDougal jointly signed.

Whether funds from the Madison thrift were used to pay off those loans is one of the main questions special counsel Robert B. Fiske Jr. was hired to answer.

Pres de Rev's Whitewater Losses; To Reveal Tax Data

FRIDAY, MARCH 25, 1994 THE WASHINGTON POST

FINAL

By Ann Devroy and Ruth Marcus
Washington Post Staff Writers

President Clinton last night revealed that he had overstated his loss in the Whitewater real estate venture by more than \$22,000, as he methodically answered question after question on the land deal and other ethics problems that have plunged his presidency into weeks of controversy.

Clinton also announced that today he will release his tax returns for the years 1977 through 1979, something he has refused to do in the past. That announcement, and the admission of errors in his earlier Whitewater accounting, set the tone for a 40-minute East Room news conference in which the president repeatedly stressed his innocence of any wrongdoing, his willingness to cooperate with all investigations and his desire that he be allowed to get on with the nation's business.

"I know that many people around America must believe that Washington is overwhelmingly preoccupied with the Whitewater matter," he said as he opened the session. "But our administration is preoccupied with the business we were sent here to do for the American people."

Clinton was well armed for only his second prime time television news conference. He had quotes from former Watergate prosecutor Sam Dash disputing any Whitewater comparison to Watergate; from legal expert Stephen Gillers defending the conduct of Hillary Rodham Clinton; and from Sen. Daniel K. Inouye (D-Hawaii) praising the administration's cooperation with investigators. He had a list of facts and figures ready on his investment in Whitewater, and on ethical controversies from the firing of the travel office staff in the administration's first weeks to this week's revelation that a senior White House lawyer had failed to pay Social Security taxes for his nanny.

"Our record, on balance, is quite good," Clinton said of the ethical standards of his administration. Of himself, he said he had never tried to influence the Resolution Trust Corp. investigation into Madison Guaranty Savings & Loan and its connection to Whitewater and he had "no knowledge" of the possibility that Madison funds went into Whitewater. The

See PRESIDENT, A19, Col. 1

PRESIDENT, From A1

savings and loan eventually collapsed, costing the taxpayers \$60 million.

He said he expects that Robert B. Fiske Jr., the special counsel named to investigate Whitewater, will interview him and Hillary Clinton and that he will "cooperate with him in any way he decides is appropriate." Two of his top White House aides, George Stephanopoulos and Bruce Lindsey, testified yesterday before Fiske's grand jury in Washington.

Clinton said he came to the realization that his loss on Whitewater was not as great as he had previously reported after seeing a television interview with James B. McDougal, the owner of Madison who was co-owner with the Clintons of the land development. Clinton said that in reading proofs of his late mother's forthcoming autobiography he remembered taking out a \$20,700 loan to help his mother purchase property for a cabin. That loan, plus a \$1,500 payment on the land, he said, were inadvertently attributed to the total he invested in Whitewater.

That means that the nearly \$70,000 loss he and Hillary Clinton claimed during the presidential campaign and since was closer to \$47,000. That fact, in itself, has little bearing on the case because the Clintons did not claim the loss on their taxes. Its significance is that it is the first direct acknowledgment that a report prepared for the Clintons during the presidential campaign to quell the controversy then was wrong in its major finding.

News organizations have been requesting since the presidential campaign the tax returns Clinton announced he was releasing. They are important because 1978 and 1979 were the first two years of the Clinton Whitewater investment and White House aides said the Clintons took \$22,000 in Whitewater-related interest deductions in those two years. The Clintons have previously released their other tax returns, dating back to 1980.

Those are also the years Hillary Clinton made nearly \$100,000 in the highly risky commodities trading market. The 1977 return would cover the first year Clinton was in public office and would serve as a baseline. He was elected attorney general of Arkansas in November 1976.

The president brushed off suggestions that the RTC may have been pressured to cover up the Whitewater matter. He pointed out that top RTC officials were "career Republican appointees," since the agency came into existence in the years the GOP held the White House and Clinton has made few appointments there himself. In fact, the RTC has an interim head and a general counsel named during his administration, and most of the employees are career civil servants, not Republican partisans, who had come from other agencies to staff the RTC when it emerged. The Clinton administration has long had the habit of suggesting those federal workers not appointed by them must be Republicans.

Responding to the Clinton news conference, Republicans said the differences between Clinton's account and that of Rep.

Jim Leach (R-Iowa) underscored the need for full congressional hearings.

Senate Minority Leader Robert J. Dole (R-Kan.) said Clinton "may have dampened it [controversy over Whitewater] a bit," but added, "it's still out there and it's going to be out there."

House Minority Whip Newt Gingrich (R-Ga.) questioned Clinton's account of the \$20,000 loan. "On my salary, if I'd had to pay \$20,000 for something, I'd have remembered it," he said.

Gingrich also said Clinton "demeaned the office of the presidency" by suggesting that any problems may have been with career civil servants appointed under Republican administrations. This may have been a tense moment in this presidency, but Clinton didn't show it last night. Often at his best when his back is against a wall, the president looked at ease and displayed none of the temper or blame-placing he has shown in other forums on this issue. The podium-pounding Clinton of last week was not present.

The president opened his news conference with a lengthy recitation of issues, domestic and foreign, on which he has been working. He cited the budget, the recovering economy, Bosnia, health care, welfare, crime, education and a half dozen more.

The opening statement sounded, in fact, like the traditional summing up presidents do at the end of their first or fourth years, not like the traditional opening of a news conference.

Clinton bristled at the suggestion that Hillary Clinton's "moral authority" had been eroded by controversy over her role in Whitewater and Madison. He said she did nothing unethical or improper in representing Madison before a state banking regulator, appointed by then-Gov. Clinton, in its effort to secure a waiver from state banking rules.

"These kinds of things happen when you have married couples who have professions, and the most important thing there is disclosure," he said. "There was no sneaking around this, this was full disclosure."

He said Hillary Clinton "wanted to bend over backwards to avoid the appearance of conflict" while a lawyer at the Rose Law Firm of Little Rock, Ark., and voluntarily declined to share in any profits the firm made from its work for the state.

Clinton pointed to the comments of Gillers, a New York University law professor who specializes in legal ethics, saying, "Now there's a person that doesn't work for us whose job it is to know what the code of professional responsibility requires."

Clinton sought to portray himself and Hillary Clinton as hardworking, "middle-class folks" who did their best to comply with the tax laws and lost money on a bad investment—a far different picture than has emerged in recent weeks, with reports about large profits that Hillary Clinton made in the commodities market with help from an influential lawyer friend.

"Let me tell you what my wife and I spent the '80s doing," he said. "I was the lowest paid governor of any state in the country. I didn't do it for the money. I

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More Whitewater Accusations

Following are some of the accusations Representative Jim Leach of Iowa made yesterday in a speech in Congress. Mr. Leach is the senior Republican on Banking Committee.

- While the Whitewater Development Company might have begun as a legitimate business venture it ended up skimming federally insured deposits from a failing Arkansas savings and loan and a Small Business Administration program.
- Treasury Department officials sought to persuade a criminal investigator this year that the Clintons gained no benefit from the failed Arkansas savings and loan, Madison Guaranty.
- Senior Washington officials at the Resolution Trust Corporation, the agency that disposes of failed savings and loans, imposed limits on agency officials who might cooperate with Robert B. Fiske Jr., the special prosecutor investigating the Whitewater matter.
- The Clinton Administration's Justice Department was slow to pursue a criminal inquiry into a savings and loan owned by Mr. Clinton's business partner, James B. McDougal, even though an agent for the Federal Bureau of Investigation termed the case "highly prosecutable."
- Mr. McDougal had a previously undisclosed role in the 1985 selection by Mr. Clinton, who was Governor of Arkansas at the time, of state regulators.
- The Clintons lost less money than they have asserted in the Whitewater venture.

BOSNIA SERBS LIST DEMANDS ON TALKS

Breakaway Assembly Rejects Federation Pact Between Muslims and Croats

SARAJEVO, Bosnia, March 24 (Reuters) — Leaders of the Bosnian Serbs said today that they would not take part in talks on an overall peace settlement in Bosnia until United Nations sanctions against federal Yugoslavia are lifted.

Members of the self-proclaimed parliament of the Bosnian Serbs today also endorsed their leaders' rejection of a new federation of Bosnian Croats and Muslims that emerged from mediation by the United States and Russia.

The assembly's decision was no surprise. Momcilo Krajisnik, speaker of the self-proclaimed parliament of the seized territory that the Bosnian Serbs call the Srpska Republic, called the union an unnatural creation that would tear itself apart.

"The Republic of Srpska demands that before any further negotiations the international community meets its obligations towards Serbs regarding the suspension, lifting of sanctions," a statement by the assembly of Bosnian Serbs said.

'Formal End to Bosnia'

Noting that Bosnian Serbs had not been consulted in advance on the agreement between the Bosnian Croats and the Muslim-led Bosnian Government, the statement said the new federation "means a formal and legal end to the former Yugoslav republic of Bosnia-Herzegovina."

It underlined that the Bosnian Serbs' ultimate goal continued to be forming a Greater Serbia by joining the Serbian-controlled territory in Bosnia to other Serbian-held territories in the former Yugoslavia.

The Bosnian Serb assembly's decision came after Bosnian Serb forces hijacked and looted a United Nations aid convoy, forcing its Danish drivers to walk across a front line the Serbs said was mined, carrying a white flag.

A spokesman for the United Nations

High Commissioner for Refugees in Zagreb said the Bosnian Serbs had forced the unarmed Danish drivers from the 10 trucks at gunpoint, and then stole their personal possessions.

94 Tons of Aid Hijacked

The United Nations said the convoy was held up on Wednesday while carrying 94 tons of food and medicine to the Muslim enclave of Maglaj. Nine of the 10 trucks were still missing and drivers said some medicine was dumped in a river.

It was the most audacious yet in a series of provocations the Serbs have directed at United Nations forces since their involvement in Bosnia began, and raised once again the question of the extent of political control over the Bosnian Serb army.

Yugoslavia's Tanyug news agency said the convoy was stopped because the road was mined, and that there was no hijacking. It later quoted Radovan Karadzic, leader of the Bosnian Serbs, as saying the "insane" person responsible had been fired.

United Nations officials discounted claims that the hijacking of the convoy was the work of an individual, saying the assailants were armed and in uniform.

Meanwhile, a United Nations decision to invite Turkey to send soldiers to join the peacekeeping force in Bosnia brought sharp criticism from Bosnian Serbs, Greece and Bulgaria.

The United Nations had been reluctant to accept Turkish troops for Bosnia because of centuries of Ottoman rule in the Balkans. Mr. Karadzic said the United Nations decision was "one among several very dangerous precedents created in the Yugoslav crisis."

CLINTON STRESSES CHINA RIGHTS GOAL

At News Conference, He Says the U.S. Will Hold Beijing to Strict Standards

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, March 24 — President Clinton reiterated his support tonight for holding China to strict standards on improving its human rights performance in remarks that were widely viewed as an expression of support for Secretary of State Warren Christopher.

Mr. Christopher was sharply rebuffed by Chinese officials when he pressed the American position on a visit to Beijing nearly two weeks ago. He has since come under attack within the Administration for adopting what his critics regarded as too confrontational an approach.

But while critics have warned that Mr. Christopher's tough line has brought relations with China to a crisis point, Mr. Clinton broke his recent silence on the subject to suggest that he, too, is determined to enforce an executive order he issued last year linking any renewal of China's trade benefits this June to concrete steps to improve its human rights record.

In the opening statement of his news conference, Mr. Clinton said his Administration would continue "to seek progress on human rights in China" as part of its effort "to build a more positive relationship with that very important nation."

Few Questions on China

Mr. Clinton did not mention Mr. Christopher by name, and in a 30-minute news conference all but consumed by questions about the Whitewater affair, he was not questioned further about the issue.

But he appeared to be trying to quell a revolt within the Administration over relations with China, in which low-level officials of the departments of Treasury and Commerce have begun to press for the United States to back away from the firm line backed by the Secretary of State.

Fresh Questions Making Whitewater an Affair Hard to Forget

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

WASHINGTON, March 24 — Representative Jim Leach of Iowa dropped his blockbuster this afternoon, but whether it will inflict heavy political damage remains to be seen.

For weeks and months, there have been allegations of irregularities, even skulduggery, in an Arkansas real estate deal involving Bill Clinton and his wife 15 years ago. But to most Americans, it seemed like much ado about not very much, and the whole thing took place long ago and far away, anyway.

Suggestions earlier this month that those who were supposed to be investigating the matter had improperly briefed people in the White House several times brought the controversy into the here and now — out of Arkansas and into Washington, out of the 1970's and into the 1990's. Subpoenas were issued to several top-level Presidential aides (two of them, George Stephanopoulos and Bruce Lindsey, testified today), and President Clinton conceded at the time that "it would be better if the meetings and conversations hadn't occurred."

But until Mr. Leach made his charges on the floor of the House of Representatives today, and backed some of them with detailed documents, no one with any credibility to speak of had actually accused anyone in the Administration of trying to interfere with the investigation or cover something up.

Mr. Leach did that. He has a formidable reputation for independence and rectitude matched by few people on Capitol Hill, and that

gave weight to what he said. But his charges remain unproven, and Mr. Clinton categorically denied at his news conference tonight any knowledge of the actions of which Mr. Leach spoke. If anybody interfered, he implied, it was probably Republican appointees.

Fresh Questions to Answer

The President also took several further steps tonight in his campaign to demonstrate that he and Mrs. Clinton have nothing to hide, pledging to release tax returns he had previously kept confidential and conceding that his original estimates of their losses on Whitewater might be wrong.

Nevertheless, fresh questions permeate the political atmosphere here: Which officials of the Resolution Trust Corporation oversaw the investigation of the failure of Madison Guaranty Savings and Loan and any potential connection with the Whitewater land deal? Did they, as charged, try to steer the inquiry away from Whitewater and the Clintons? If so, who, if anyone — in the Treasury Department? In the White House? — told them to do it? Who in the White House, if anyone, learned of it after the fact? What did they do then?

The Iowa Republican has handed over his evidence to the special counsel in the case, Robert B. Fiske Jr., who will have to try to figure out the answers. But politics dispenses a rough justice of its own, and today was no exception.

Mr. Clinton's standing in the polls, which has been slipping in the last few days, will almost certainly slip further now. In the latest survey by the Los Angeles Times, two-thirds of the re-

spondents said they thought the Clintons were guilty of some wrongdoing, and half said they thought the White House had concealed damaging information — all before Mr. Leach spoke.

But the Times poll also showed that four of five Americans think the Whitewater affair is disrupting the Government's effectiveness. The President and his advisers clearly think that finding, at a time when the public seems to want action by the Government, can be turned to Mr. Clinton's advantage.

He scheduled tonight's prime-time news conference, only the second of his Administration, to try to regain the offensive, to turn people's minds back to health care, crime and other issues, but Mr. Leach prevented that. The news conference was about Whitewater, and the President looked beleaguered if still a scrappy advocate of his own position as he defended his and his wife's ethical sensitivity and commitment to public service.

"Since we came here, our country has been moving in the right direction," he said, rattling off a list of issues he has driven to the top of the national agenda and bills he predicted Congress would pass this year. "I know that many people around America must believe that Washington is overwhelmingly preoccupied by the Whitewater matter. But our Administration is preoccupied with the business we were sent here to do for the American people."

He argued that Whitewater would ultimately matter little "in the light of history" compared with "the fact that by common consensus we had the most productive first year of a Presidency last year of anyone in a generation."

The White House strategy is to portray Mr. Clinton as the high-minded statesman, concerned for the nation but harassed by Republicans acting out of the basest of motives and by the equally selfish, headline-hungry news media. Dee Dee Myers, the White House press secretary, actually said on television this afternoon that while others reveled in imagined scandals, Mr. Clinton was doing his best "to make sure that the world is safe for democracy."

She and others close to the Clintons have been making the argument for several weeks now that the people with whom the Clintons associated before they came to Washington were being pilloried because they came from Arkansas. Last weekend, for example, a cabinet member told a reporter: "You would never pick on these people if they had grown up in Boston or Washington and gone to Harvard or Yale. You all have a contempt for the South and for Arkansas."

Apprehensive Democrats

Much the same populist tactic was employed in defense of President Jimmy Carter when he came under fire. It failed to stop his slide in the polls.

The Easter Congressional recess, which begins this weekend and runs through April 11, now looms large for Mr. Clinton. While he takes a brief vacation in California and works on his regular-Joe image by attending University of Arkansas basketball games, the denizens of Capitol Hill will be busy taking soundings back home.

Already, many are worried, especially Democrats, who are fearful of heavy losses in November. Their apprehen-

sion is pushing them ineluctably toward the hearings they have so strongly opposed, lest their constituents consider them part of a cover-up. Senator Bob Dole, the Republican leader, said today that he expects hearings soon, probably by June, and many Democrats are starting to argue that it would be better to get them out of the way.

The trouble with that approach is that few on the Hill even pretend to know the truth about the charges. As Ted Van Dyk, a longtime Democratic strategist, said this week, "No Congressional Democrat wants to dispute charges made against the Clintons only to find the following day that they are true or that new ones have surfaced."

Presumably acting on the advice of his new counsel, Lloyd N. Cutler, Mr. Clinton moved quickly on Wednesday to demote yet another aide who had become a symbol of ethical slovenliness, William H. Kennedy 3d, a former member of Mrs. Clinton's law firm who had been in charge of checking the backgrounds of potential Federal nominees.

In the face of Mr. Leach's charges, the President will have to continue, as he did tonight, to answer questions on Whitewater as they come, and to do everything possible to assure the public that he is cooperating with the special counsel. To do otherwise would revive talk of a bunker mentality and tempt the Congressional Democrats to edge away from Mr. Clinton in an effort to save their political skins.

That is something the President can ill afford as he scours for every vote in his bid to pass what he considers the centerpiece of what he hopes will be the first of two terms.

Excerpts From Congressman's Documents on Investigation Into Whitewater

Representative Jim Leach, Republican of Iowa, yesterday released documents in connection with his investigation of Madison Guaranty Savings and Loan, a failed Arkansas institution owned by James B. McDougal, and Whitewater Development Company, a failed real-estate venture whose investors included Mr. McDougal, his wife, Susan, and Bill and Hillary Clinton.

Following is a transcript of notes by L. Jean Lewis, a senior criminal investigator for the Resolution Trust Corporation, which oversees the disposal of failed savings and loans, of her conversation with April Breslow, a lawyer with the Federal Deposit Insurance Corporation. According to the notes, the conversation occurred on Feb. 2, 1994, from approximately 3:50 P.M. until 4:35 P.M.:

April stated that "the people at the top" keep getting asked about Whitewater, which seems to have become a catchall phrase for Madison and its related investigations. She said that eventually "this group" is going to have to make a statement about whether or not Whitewater caused a loss to Madison, but the fact that Whitewater had no loan at Madison provided less potential for a loss. April stated very clearly that Ryan [Jack Ryan, Deputy Chief Executive of the R.T.C.] and Kulka [Ellen Kulka, acting general counsel of the R.T.C.], the "head people," would like to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them. She felt like they wanted to be able to provide an "honest answer," but that there were certain answers that they would be "happier about, because it would get them off the hook."

April felt that it would have been difficult to determine exactly what happened with the Whitewater account, because so many checks had gone in and out of the account, and made a reference to the end resulting in itself out. She asked about Greg Young's work papers on the Maple Creek

Farms reserve for development analysis, and how it didn't seem to have apparent tie to Whitewater. I concurred that it didn't have any legitimately defined tie, which is precisely why it was included in the referral.

She inquired about the \$30,000 check to Jim McDougal from Whitewater in 5/85, and about the disposition of the funds. I explained the transaction as I know it: the \$30,000 had been converted to a MGS&L cashier's check, which was subsequently endorsed by and deposited to Riggs National Bank. I explained that when the check was force paid, the whitewater account was overdrawn by

THE RIGHT ANSWERS

"I further pointed out that I would produce the answers that were available, but that I would not facilitate providing 'the people at the top' with the 'politically correct' answers just to get them off the hook."

L. JEAN LEWIS of R.T.C.

over \$28,000 which was then subsequently covered by the payment of a \$30,000 bonus from MFC to Jim McDougal, deposited directly to Whitewater on McDougal's orders.

Pleading 'People at the Top'

She asked how we could get to a clear cut answer as to whether or not Whitewater caused a loss to Madison. I stated that, as far as I am concerned, there is a clear-cut loss. I also stated that any attempt to extract Whitewater as one entity from the rest of the McDougal-controlled entities involved in the

alleged check kite will distort the entire picture. I further pointed out that I would produce the answers that were available, but that I would not facilitate providing "the people at the top" with the "politically correct" answers just to get them off the hook.

She asked questions about the specifics of the checks going through the Whitewater account. I stated that it appeared that the majority of the checks written out of the Whitewater account during the window time frame were going to other financial institutions to make loan payments. I also said that the referral focused only on a short time frame, but that if that same research were conducted for a two year period, it was my belief that the losses to Madison from the Whitewater account alone would easily exceed \$100,000, given that \$70,000 had gone out of the account during the six-month window time frame. I further added that the end loss result from the entire scam, using all 12 companies/entities, would be hundreds of thousands of dollars in what were essentially unauthorized loans.

I stated that if she wanted me to tell her, unequivocally, that Whitewater didn't cause a loss, I could not do that. I could only reiterate the allegations contained in the referral, which are based on fact, and that it is my opinion and belief that Whitewater did, in fact, cause a loss to Madison because of the amount of the unauthorized loans that McDougal made, through the check kite, to entities in which he was a primary party and beneficiary. I also pointed out that this ultimately benefited his business partners — the same business partners that knew they had real estate ventures that were not cash flowing, but that also knew their mortgages and/or notes were somehow being paid.

'Wouldn't You Wonder?'

I pointed out that these business partners are intelligent individuals, the majority of them being attorneys, who must have concluded that McDougal was making the payments for their benefit. I posed the question

to her, if you now that your mortgages are being paid, but you aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used to your benefit? Would you just assume that your partner was making these multi-thousand dollar payments out of the goodness of his heart?

ON SUSPICION

"I pointed out that these business partners are intelligent individuals, the majority of them being attorneys, who must have concluded that McDougal was making the payments for their benefit."

L. JEAN LEWIS of R.T.C.

Wouldn't you wonder even more if you knew that your business partner's main source of income, an S & L, was in serious financial difficulty, which by 1985 was fairly common knowledge?

We discussed the initiation of the MGSL investigation and how evidence of the check kite came to light. I explained that after reviewing a series of checks, all of which noted "loan" in the memo field, I discerned a pattern that looked like a check kite, and proceeded to trace funds through the various accounts, which is a standard investigations procedure. The end result was the referral alleging a massive check kite. I also advised April that I had been told by both the U.S. Attorney's office (Mac Dodson), and the F.B.I. (Steve Irons) that this was a highly prosecutable case of check kiting. I also told her that I disputed the declaration of that referral on the basis of "insufficient information."

She commented that "that's what grand

juries are for," and I pointed out that it generally seemed to be the policy of the U.S. Attorney to agree to open a case before they would start grand jury proceedings. I also noted that I found the treatment of that particular referral by the Justice Department to be highly unusual. This concluded our discussion.

Following is an excerpt from a July 1, 1985, memo from James McDougal, the owner of Madison, to John Latham, Madison's president, concerning Madison matters then pending before the Arkansas Securities Commission, the state regulatory agency with primary jurisdiction over Madison:

"I need to know everything you have pending before the Securities Commission as I intend to get with Hillary Clinton within the next few days."

Following are excerpts from a Feb. 7, 1985, memo to Gov. Bill Clinton from James McDougal concerning two upcoming appointments Governor Clinton was making to the Arkansas Savings and Loan Board, a state body that helped regulate savings and loans:

Kathy called yesterday to ask for my recommendation for two people to fill the vacancies on the State Savings and Loan Board.

For the industry position from the 2nd Congressional District, I recommend John Latham, who is chairman of the board of Madison Guaranty Savings and Loan Association. ... He is a major contributor to your campaign. His board of directors is 50% black, giving his institution the largest minority representation of any financial institution in the state. For the consumer position from the 4th Congressional District, I recommend Dr. Jerry Kendall of Camden.

Bill, we are down to only about 15 state chartered savings and loan institutions and I am about the only one around who has any interest in this board.

Papers Raise Question on Clinton's Account of Deal

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, March 24 — As the Whitewater case was developing last month, Federal banking officials officials tried to persuade a criminal investigator to state that Bill and Hillary Clinton had gained no financial benefit from a failed Arkansas savings and loan, a document released today indicates.

But the document — notes taken by the investigator in Kansas City on a conversation she had on Feb. 2 with a bank regulator from Washington — suggests that the investigator insisted that money from the savings and loan, Madison Guaranty, had been used to make mortgage payment on a real estate investment by the Clintons in the 1980's and that the Clintons must have known so.

The owner of the Madison Guaranty Savings and Loan Association, James B. McDougal, was the Clintons' partner in the Whitewater Development Company, an unsuccessful investment in vacation property in the Ozark Mountains.

The documents do not prove that the Clintons benefited from Madison's failure. But they recount an investigator's suspicion that such was the case and her belief that she was pressured politically.

A Republican Digs

These notes were among a stack of documents about the Whitewater case made public today by Representative Jim Leach of Iowa, the top Republican on the House Banking Committee, who has had his staff investigating the matter since last summer.

The notes in question were taken by L. Jean Lewis, a senior criminal investigator in the Kansas City office of the Resolution Trust Corporation, after a conversation with April Breslaw, a career lawyer for the Federal Deposit Insurance Corporation in Washington. In an interview, Ms. Breslaw disputed Ms. Lewis's account of the meeting.

Ms. Lewis's agency is in charge of the savings and loan bailout and of investigating failed savings institutions. The F.D.I.C. is the overall Government regulator of banks and failed savings and loans.

According to the notes, Ms. Breslaw told Ms. Lewis that "the people at the top" of the Resolution Trust Corporation wanted to be able to say that Whitewater did not cause Madison Guaranty to lose money because that would "get them off the hook."

But Ms. Lewis replied, her notes show, that Madison put more than \$100,000 into Whitewater, including \$70,000 in one six-month period.

Other documents involved these matters:

• The Justice Department in Washington initially refused to prosecute Madison Guaranty for fraud after Mr. Clinton became President, despite the conclusion of an agent for the Federal Bureau of Investigation in Little Rock that the case was "highly prosecutable."

• The influence Mr. McDougal wielded

over the selection of state savings and loan regulators in Arkansas while Mr. Clinton was Governor.

• A closer connection between Mrs. Clinton and Madison Guaranty than the White House has acknowledged.

But the documents did not conclusively prove two of the most serious charges Mr. Leach made today in a speech on the House floor: that the Clintons did not, as they assert, lose money on the Whitewater investment and that political appointees in Washington this year muzzled career investigators in Kansas City.

Mr. Leach said after his speech that he had sent additional documents to the Whitewater special prosecutor, Robert B. Fiske Jr., that could not be made public because of their importance to a possible prosecution. A staff assistant to the Congressman said tonight that some of these documents buttressed charges Mr. Leach made in the speech but did not substantiate with the material he released.

Did Clinton Benefit

According to Ms. Lewis's notes, the top people at the Resolution Trust Corporation in Washington who wanted her to say that Whitewater did not cause losses to Madison were Jack Ryan, the agency's deputy chief executive, Ellen Kulka, the agency's acting general counsel.

But Ms. Lewis, according to her notes, responded that "Whitewater did, in fact, cause a loss to Madison."

The notes show that Ms. Lewis pointed out that the Clintons, as Mr. McDougal's business partners in Whitewater, ultimately benefited from the transaction. The notes continued:

"I pointed out that these business partners are intelligent individuals, the majority of them being attorneys, who must have concluded that McDougal was making the payments for their benefit."

"I posed the question to her, if you know that your mortgages are being paid, but you aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used to your benefit? Would you just assume that your partner was making these multi-thousand dollar payments out of the goodness of his heart? Wouldn't you wonder even more if you knew that your business partner's main source of income, an S&L, was in serious financial difficulty, which by 1985 was common knowledge?"

Account Is Disputed

In a telephone interview tonight, Ms. Breslaw, who went to Kansas City to meet with Ms. Lewis on Feb. 2, disputed Ms. Lewis's account of the meeting.

"I categorically deny the accusation that I said that anybody from Washington wanted any particular outcome on any issue," she said. "That's a complete fabrication. That's completely untrue."

A career Government lawyer, Ms. Breslaw said she thought Ms. Lewis was exaggerating the situation to mask a poor investigation she conducted into the matter.

Officials at the Resolution Trust Corporation said today that they would not comment on the charges.

The documents portray Ms. Lewis as a zealous investigator who pursued the Madison case for more than a year with unusual intensity. In November 1993, after the first published report that the Madison failure had been referred to the Justice Department for a possible criminal prosecution, Ms. Lewis was removed from her position as the lead investigator. But a string of memorandums she wrote indicate that she maintained a strong interest in the matter.

The documents shed new light on the tangled story of what happened when bank regulators in Kansas City referred the Madison case to the Justice Department for criminal investigation in August 1992.

Complaint Died Quietly

The first complaint quietly died at the Justice Department a few months after Mr. Clinton took office. But in a lapse that has never been explained, officials at the agency failed to notify the Kansas City investigators of the decision until Oct. 27, 1993.

Most of the newly released documents are notes and memos written by Ms. Lewis that strongly suggest that she encountered a bureaucratic run-around when she sought to find out what happened to the Madison complaint.

The complaint was first referred to Charles A. Banks, the United States Attorney in Little Rock. Ms. Lewis said in a May 3, 1993, memo to her file that she had been told by a Justice Department prosecutor that Mr. Banks quickly sent the case to Washington for investigation because it was "politically hot."

Other Government officials have said that Mr. Banks believed the referral, sent to him shortly before the 1992 election was politically motivated as an effort to tarnish Mr. Clinton. In an October 1992 letter to the head of the F.B.I. office in Little Rock — a letter that has never been made public — Mr. Banks said an investigation before the election would amount to prosecutorial misconduct.

Unable to Check Status

In a May 19, 1993, memo to her file, Ms. Lewis wrote that she telephoned an Justice Department employee in frustration after trying repeatedly to check on the status of the complaint. The Justice Department official, Ms. Lewis wrote, "advised me that they have no record of that referral, it is not in their computer system, it has not been given to an attorney."

In fact, lawyers in the Justice Department's criminal division had determined that the referral provided insufficient basis for investigation in a

decision that Justice Department officials say was made by in late February 1993 by John Keeney, a career lawyer at the Justice Department, who was then acting head of the criminal division.

Another interesting document, a 1985 memorandum from Mr. McDougal to Mr. Clinton, who was then Governor, shows that Mr. McDougal was able to influence the selection of members on the Arkansas Savings and Loan Board, a state regulatory agency.

The memo was written two years after the Arkansas bank commissioner had warned Mr. Clinton that Mr. McDougal was making more loans to friends than was healthy for his savings and loan.

In the memo, Mr. McDougal wrote that Mr. Clinton's secretary had called

to ask for his recommendations of people to fill two vacancies on the state agency.

Mr. McDougal wrote back that he recommended John Latham, chairman of the board of Madison Guaranty, and Jerry Kendall, a doctor in Camden, Ark. Both men eventually received the appointments.

In another 1985 memo, Mr. McDougal told Mr. Latham, the chairman of his savings association, that he was about to meet with Mrs. Clinton and needed "to know everything you have pending before the Securities Commission."

The White House has long maintained that while her law firm represented Madison, Mrs. Clinton herself had only a peripheral relationship with the savings and loan.

Whitewater Losses Cited

Asked if he lost \$70,000 on his Whitewater investment, as he and his wife, Hillary, have asserted, Mr. Clinton said: "I am certain that we lost money. I do not believe we owe any back taxes."

But he added that if it is determined that he and his wife owe back taxes, they would pay what they owe.

The President acknowledged that "we lost something less than \$70,000" on the Whitewater investment. "We in fact lost some \$20,700 less" than that, he said.

Mr. Clinton said his personal lawyer, David Kendall, would brief the press on his tax returns and financial affairs on Friday.

Asked about the business practices of his Mr. McDougal, the President said that he had known him for a long time and that "to the best of my knowledge, he was honest in his dealings with me."

Mr. Clinton said he and his wife had been "essentially passive investors" in the Whitewater project.

Leach's Charges Denied

Then the President was asked about Representative Jim Leach's charges that Whitewater was about "arrogance of power" and that regulators tried to suppress a Resolution Trust Corporation investigation.

"Absolutely not," Mr. Clinton replied.

He said Mr. Leach, a Republican from Iowa, had not charged any political motivation and, "for all I know," could have been talking about an internal dispute at the R.T.C. under the Republicans.

Asked if he thought he or his wife had made mistakes in their handling of Whitewater, Mr. Clinton said Whitewater was a perfectly legal investment. "We were like a lot of people, we invested money and we lost," he said.

Complaining about the "inordinate amount of interest" in what he said was a 16-year old business venture that lost money, the President added that he had nothing to do with "any attempt to influence" an investigation by the Resolution Trust Corporation.

Mr. Clinton said that despite his problems with the Whitewater affair, he would not retract his harsh criticism of ethical abuses by other people in the 1980's.

Don't miss Sunday's Times Magazine.

PRESIDENT REBUTS NEW ACCUSATIONS OVER WHITEWATER

RESPONDS TO G.O.P. ON TV

Calls for an Opportunity to Get
Beyond Ethical Questions to
America's 'Real Work'

By MAUREEN DOWD

Special to The New York Times

WASHINGTON, March 24 — President Clinton tonight tried once again to stop the past from consuming his Presidency, as he defended himself against new Republican allegations in the Whitewater affair.

He urged Americans to let him get beyond the spiral of financial and ethical questions so that he can take advantage of a "rare moment" to pursue "the real work we are getting done on behalf of the American people."

Mr. Clinton held the second prime-time news conference of his Presidency to try to recapture his present and future, reviewing what he considers his accomplishments and saying of Whitewater: "None of this, in the light of history, will be as remotely important as the fact that by common consensus we had the most productive first year of a Presidency last year of anyone in a generation. That's what matters — that we're changing people's lives."

Calmly Delivered Defense

The President's calmly delivered defense came only a few hours after Representative Jim Leach, an Iowa Republican, went to the House floor to offer documentation of ethical and financial misdeeds in connection with Whitewater and to accuse the Administration of a cover-up that "flagrantly violated" the independence of regulatory agencies.

Even in this capital, where wrenching morality plays are staged with disturbing regularity, the back-to-back appearances of the soft-spoken Republican inquisitor in a baby blue sweater and the telegenic Democrat President standing behind the seal of his office made for a dramatic, high-wire clash.

The President used the opportunity of his East Room news conference to defend his wife, Hillary, against suggestions that her legal record in Arkansas conflicted with his role as Governor. "These kinds of things happen when you have married couples who have professions," he said.

'Arrogance of Power'

Although his attempt to hold a hearing on the Whitewater affair today had been stymied by House Democrats, Mr. Leach nonetheless handed out the documents that he had predicted for weeks would embarrass the White House.

"On the landscape of political scandals, Whitewater may be a bump, but it speaks mountains about me-generation public ethics as well as single-party control of certain states and the U.S. Congress," Mr. Leach said. "In a nutshell, Whitewater is about the arrogance of power — Machiavellian machinations of single-party government."

Mr. Leach made several accusations that tried to raise the stakes of the Whitewater affair by demonstrating

Continued From Page A1

wrongdoing by current officeholders and tracing a line of misdeeds that brings the old real estate deal into the present.

He said that Whitewater may have begun as a legitimate real estate venture, but "it came to be used to skim, directly or indirectly, federally insured deposits from an S and L and small business corporation." He also claimed that taxpayer-guaranteed funds "were in all likelihood used to benefit the campaign of a former governor."

Mr. Leach said Treasury officials tried to pressure Federal investigators in Kansas City into agreeing to get the Clintons "off the hook" by telling the special prosecutor, Robert B. Fiske Jr., that there was no connection between Whitewater and Madison Guaranty, a failed Arkansas bank owned by the Clintons' business partner, James B. McDougal.

Mr. Leach said that the Administration also tried to coordinate the testimony of the Kansas City investigators before they talked to the special prosecutor.

"I can tell you categorically I had no knowledge of this and was not involved in it in any way, shape or form," Mr. Clinton said of any possible improper contacts between Administration officials and regulatory officials.

Arl Breslaw, the lawyer for the Resolution Trust Corporation named in Mr. Leach's documents, denied the accusation by the Kansas City investigators.

"I categorically deny the accusation that I said that anybody from Washington wanted any particular outcome," said Mr. Breslaw. "That's a complete fabrication. That is completely untrue."

The White House had been forewarned of Mr. Leach's appearance, because the Congressman had called the White House counsel's office.

Clinton strategists, worried by dropping poll numbers on the issue of trust, felt that he President must appear before the nation and present himself as "open and reassuring" on Whitewater, as the senior Clinton aide said. To that end Mr. Clinton said tonight that on Friday he will make available his tax returns from 1977, 1978 and 1979, the years in which the Clintons reported a \$68,000 loss from their investment in a real estate venture known as the Whitewater Development Company.

The President had hoped to project the notion that he was above the bothersome buzz of Whitewater, "busy with the people's business" and engaged with trying to make "the world is safe for democracy," as Clinton spokesman Dee Dee Myers put it. He wanted to stress his work on health care and crime, hoping that reporters who pressed him about Whitewater would seem caught up in an insiders' frenzy, out-of-sync with the rest of the country.

Ms. Myers said this afternoon, in an interview with C.N.N., that Mr. Clinton had not even bothered to watch Mr. Leach give his remarks on the floor. "The President had better things to do, I think," she said.

Despite the White House game plan for the news conference, it was hard for

Clinton vows that
he 'will not be
distracted' by
Whitewater.

Mr. Clinton to act like Whitewater was a mere irritation on a day when there were again pictures of top aides going in to testify before a federal grand jury in Washington on Whitewater.

Today, two of Mr. Clinton's closest advisors, Bruce Lindsey and George Stephanopoulos, testified.

Comments by Two Advisers

Afterwards, Mr. Lindsey said, "I have complete confidence, once all the facts are out, nothing improper was done by anyone at the White House."

And Mr. Stephanopoulos, stepping into a populist taxi cab after an hour's worth of testimony, observed sardonically: "It was very good and very refreshing to be before the tribunal that cared about the facts."

At the same time polls indicated that, whether Whitewater is serious or mere sound and fury, the public's trust in the President is continuing to erode. A new survey by Times Mirror Center for the People and the Press showed that 81 percent of respondents said that they believed that the Whitewater affair was disrupting the Administration's performance, 67 percent said

they believed the Clintons were guilty of some wrongdoing, and 52 percent believed that the White House has covered up embarrassing information. The same poll echoed other recent surveys by indicating that the President's job approval rating had fallen below the 50 percent mark for the first time this year.

Mr. Clinton opened his news conference with a general statement about his Administration's agenda and its progress. "This is a good time to assess the real work we are getting done on behalf of the American people," he said.

The budget now moving through Congress, he said, will help reduce the Federal budget deficit. And he said the American economy had created two million jobs last year and would create two million more this year.

'Preoccupied' With Whitewater

Turning to the topic expected to dominate the session, the President said that people around the country must think Washington is "preoccupied" with Whitewater, but that the Administration is pushing ahead with the people's business.

"I and my Administration will not be distracted" by the Whitewater affair, he asserted.

Mr. Clinton said he had supplied the special prosecutor, Robert B. Fiske Jr., with more than 14,000 documents and tax returns back to 1978, when he first took public office.

On Friday, the President said, he will make public tax returns back to 1977.

Asked whether any federally insured funds — presumably from Madison Guaranty, the failed savings and loan owned by his Whitewater partner, James B. McDougal — went into any of his gubernatorial campaigns in Arkansas or into the Whitewater real estate venture, Mr. Clinton replied: "No, I have no knowledge of that. I have absolutely no knowledge of that."

akes Whitewater questions in stride
sis

THOMAS= UPI White House Reporter=

INGTON, March 24 (UPI) President Clinton took the dozen or so
s on the Whitewater affair in stride at a evening televised news
ce Thursday and exuded the confidence of a winner.
on, wearing a dark suit, was seemingly at ease in what was supposed
merciless grilling by the media. He was fully prepared for the barrage
ions on the controversial Ozarks land deal called Whitewater, which
ued his administration for several weeks now with daily new
ons.

allegations surround the investment Clinton and his wife, Hillary
Clinton, made in Whitewater with the owner of the failed Madison
y Savings and Loan, James McDougal. Special counsel Robert Fiske has
vestigating the affair.

president denied the main accusations concerning the deal, some of
ame both barrels earlier Thursday from Rep. Jim Leach, R-Iowa, who
ed a 45-minute address on the House floor alleging that federally
eed insurance funds were skimmed from Madison for the Whitewater
and Clinton's 1984 Arkansas gubernatorial campaign.

ch also accused Clinton of the "arrogance of power" and
ievallan machinations."

the congressman may be proved correct on at least one observation when
d, "I've never known anyone in public life better able to put
ssing situation behind him."

president was sharp enough not to go on the defense and took on no
irs as his integrity and the moral authority of his wife, Hillary Rodham
on, was being questioned.

also was quick to say "absolutely not" and to categorically deny the
ations.

inton opened the news conference patting his administration on the back
ts achievements and and the legislation he hoped to get on the books
n a few weeks, including a crime bill and education reform.

times, it appeared reporters were pounding the president and belaboring
ject he had handled. And aides indicated that making the president look
mized was not alien to their strategy.

he president, who has accused the media of being overly preoccupied with
ewater, decided to turn the other cheek at his news conference and when
d who he blamed for the "Whitewater mess," replied, "these are
timate questions...and there's plenty enough blame to go around."
s for the lessons learned, Clinton said he feels he has learned a lot
e he has been in Washington but added "I feel there is a greater level of
dicion than I have known in the past."

Following the president's news conference, Republican leaders including
Robert Dole of Kansas and Rep. Newt Gingrich of Georgia agreed that
nton may have dampened the Whitewater fire a bit.

For many of the American viewers, he may have batted the ball out of the
k. For the media, the president's answers to some of the burning questions
now on the record. Only the outcome of the Whitewater special counsel's
estigation will show how they stand up in the future.

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on-RTC-KC,0400

Claims No Knowledge of Investigation Tampering at KC Office
Whitewater Republicans
Associated Press=

President Clinton denied any knowledge Thursday of alleged White House tampering in the Whitewater investigation by the Resolution Trust Corp. The probe in Arkansas has been conducted by the agency's Kansas City, Mo., office.

Rep. Jim Leach, R-Iowa, charged on Thursday and in earlier statements that investigators in Kansas City had been gagged by administration officials and urged to change their official findings. At a news conference Thursday night, Clinton denied knowing of any such

Clinton said he can tell you, categorically, I have no knowledge of this, and I was not involved in any way, shape or form," Clinton said.

"It's my understanding that Mr. Leach was rather careful in the words he used, and apparently he didn't even charge that any political appointee of our administration had any knowledge of this," Clinton said.

Clinton may be talking about an internal dispute within the RTC from career appointees, for all I know.

Keep in mind, until I came here all the appointees of the RTC were hired by previous Republican administrations. There has never been a Democratic appointee since there's been an RTC," Clinton said.

The RTC has investigated whether depositors' money from the failed Madison City Savings & Loan, run by a business partner of the president and first lady Hillary Rodham Clinton, went improperly to Clinton's former Arkansas real estate venture, called Whitewater, or to pay off Clinton's gubernatorial campaign debts.

Investigators from Kansas City concluded in September 1993 that the Justice Department should conduct a criminal investigation of Madison and Whitewater.

Clinton on Thursday released a memo by a Kansas City RTC investigator that said she was told by a supervisor in Washington to amend the findings of the Whitewater probe.

Clinton also said one senior regional investigator was removed from the case for assisting superiors, and that she and others have sought whistleblower protection.

Clinton asked again about the allegations, Clinton said: "I have had no contact with the RTC and I've made no attempt to influence them."

Clinton asked if he would take any action on Leach's allegations, Clinton said: "I think the last thing in the world I should do is talk to the Treasury Department about the RTC. Mr. Leach will see that whatever should be done is done."

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PM-AR--Whitewater-Rose Firm, Ark Bjt,1000
Firm Avoiding Contact with Hillary, Managing Partner Says
ocstptim

LITTLE ROCK (AP) The Rose Law Firm is avoiding contact with former partner Hillary Rodham Clinton so it won't be accused of informing her of what's going on, the firm's managing partner says.

"We don't want there to be any allegations or concern that we're sharing information," Ron Clark said.

He said he is concerned about, but not afraid of, the investigation of the firm by independent counsel Robert Fiske.

"Are we going to be second-guessed about everything we've done for the last 10 years? Absolutely," Clark said. "Are we concerned? Sure, we take it seriously. Are we worried? No. The scrutiny does not bother me at all. I think it's unwarranted, and we'd certainly like to operate without it, but we're not afraid of having our work examined."

Fiske won't find anything unethical in the firm's actions, Clark said, but will find that there were transactions in which friends were on opposite sides.

"In this state, I don't think it's unusual to have friends on multiple sides of a transaction," Clark said.

Fiske also is investigating a land development company in which President and Mrs. Clinton were partners in 1978-92 with James B. McDougal and McDougal's then-wife Susan. Also being investigated by Fiske are a McDougal-owned savings and loan that failed in 1989, and the assertion of an ex-judge who has pleaded guilty to two federal felonies that he was pressured by Clinton and McDougal to make a loan to McDougal's wife from a program through which loans were supposed to go to economically disadvantaged people.

Clark spoke about the lack of contact with Mrs. Clinton and other matters in an interview published Thursday in the Arkansas Times, a weekly newspaper in Little Rock. It was the first wide-ranging interview granted by a spokesman for the firm.

Media coverage has been sloppy, Clark said. "They've reported facts that are not facts," he said. A number of errors have been made repeatedly, Clark said, including the assertion that the firm sued McDougal's S&L, Madison Guaranty.

A theory in some publications that Arkansas has been run for a decade by a cabal bent on money and power is "garbage," Clark said.

"This whole cabal business, that's what they'd love to paint," he said. "But they forget a few things." For example, the firm does very little business with Worthen Bank, which is the second-largest bank in Arkansas, in which the Jack Stephens family of Little Rock has significant holdings. The Stephenses also own the investment house Stephens Inc.

The biggest bank in the state is First Commercial, Clark noted, and asked how First Commercial could get so big in a state in which a supposed cabal was working to enrich Worthen, Stephens, and so forth.

"I think the extent of our power and influence has been greatly exaggerated," Clark said.

Of a Chicago case in which a \$3 million Federal Deposit Insurance Corp. claim against Clinton supporter Dan Lasater was settled for \$200,000 with some involvement in the case by Mrs. Clinton, Clark said:

"There is no indication of impropriety. Hillary worked only a couple of hours on the case and we were co-counsel with a Chicago firm. Lawyers don't settle cases, clients do. With respect to the FDIC and the RTC (Resolution Trust Corp.), they were represented by lawyers, not uneducated businessmen. This is not a case where the Rose firm got into a smoke-filled room and cut a deal."

He declined to talk specifically about the firm's investigation of the billings of former partner Webb Hubbell, but said it is "very serious,"

"We will fulfill our ethical obligations with regard to Mr. Hubbell," Clark said.

can assure you that when the facts of this matter come out, nothing going will be considered unusual," Clark said.

And if there was any revolt among younger lawyers in the firm, Clark said, "That's the furthest thing from the truth."

Clark, 39, said Rose as a whole is a young firm and has 35 partners and 22 associates, some Republicans and some Democrats, some pro-choice and others anti-choice, and there's division on every issue, Clark said.

There are very few times that we act with unanimity," he said.

It is clear, though, that someone in the firm is leaking information, Clark said.

We're very concerned about any leaks," said Clark. "And we know we wish to practice law with any individual who would engage in that kind of activity. But until we know who's doing it, it's sort of fruitless to wring hands."

Clark reports that Whitewater documents were shredded in the firm, Clark said. "I don't think there's an ounce of truth to the story."

Despite the loss of several key lawyers Mrs. Clinton, the late Vince Foster, Hubbell, and William Kennedy III to the Clinton administration, the firm is strong and has not suffered financially as a result of the controversy, he said.

The firm was never dominated by Hillary Clinton, Webb Hubbell and Vince Foster," Clark said, explaining that they were only partners like the rest of the firm. They were big producers, but when they left, their clients stayed with the firm, he said.

There is no reason why the firm should not continue, he said. "The Rose Law Firm doesn't breathe. It doesn't have children. We do," Clark said. "As long as we choose to practice collectively, there will be a Rose Law Firm."

Rose still represents federal agencies, but if that revenue were to go away, the firm would still be solid, Clark said. "I guarantee you the government could go away tomorrow and we wouldn't feel it," he said. He said a check of the firm's records showed that it received only 2 percent of its business from the RTC in 1993 and \$220 from the FDIC.

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Clinton-Glance, 1st Ld-Writethru, a0809,350

Subs 2nd item to CORRECT that tax returns to be released for 1977-79, 1978-80

1 AM-Clinton

The Associated Press=

Highlights of President Clinton's news conference Thursday night:

Acknowledged he had significantly overstated his loss on the Whitewater estate venture in the 1980s. He said he would release a new accounting of investment that would show he lost roughly \$47,000 on the land deal 200 less than he had estimated during the presidential campaign.

Promised to release tax returns for 1977, 1978 and 1979 to show his earnings and tax payments since first entering public office.

Said he had waived any executive privilege and was fully cooperating with special counsel investigating Whitewater, including turning over 14,000 documents.

Expects special counsel Robert Fiske to question both him and first lady Hillary Rodham Clinton about their investments.

Pledged to cooperate with congressional hearings, and did not rule out personal testimony.

Predicted that his landmark health care reform will pass Congress "in a matter of months."

Denied any knowledge of actions by any of his appointees to stall or otherwise influence federal regulators as they investigated a savings and loan at the center of the Whitewater affair.

Said White House staff members who do not obtain security clearances within 30 days will be placed on unpaid administrative leave. The White House said on Thursday that more than 10 percent of White House staff members still lack security clearances 14 months into Clinton's term.

Said the United States stood ready to assist if there was a run on the Mexican currency following the assassination of the ruling party's candidate for president.

Said his administration will continue efforts to stop North Korea's nuclear clear program and strive to make a breakthrough on human rights progress in China.

Pledged to keep his legislative agenda on track and predicted Congress will soon pass legislation to limit the influence of lobbyists, to institute a national program of re-employment job training to make the crime bill law and to set national standards for public education.

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Clinton-First Lady, 410

Clinton Gives Strong Defense of First Lady's Ethical Conduct

h PM-Clinton, Bjt

WASHINGTON (AP) President Clinton gave a spirited defense of his wife's professional and ethical conduct, saying "her moral authority will be stronger than it has ever been" after the Whitewater affair is resolved. In a news conference Thursday night dominated by questions on the little-known Arkansas land venture in which he and Hillary Rodham Clinton are investors, the president bristled at a suggestion that his wife's credibility may have been undermined.

Asked about the possibility of a reduced role for Mrs. Clinton on health reform because of concern that her "moral authority is eroding," Clinton said: "Absolutely not. Absolutely not. People should not be able to raise questions and erode people's moral authority in this country. There ought to be evidence and proof."

"We live in a time when there is a great deal of question-raising. It seems to be the order of the day. But I know what the facts are, and I'm telling you the facts on this."

Clinton disputed suggestions that his wife, as a lawyer for the Rose Law firm, may have had a conflict of interest in representing an Arkansas savings loan at the center of the Whitewater affair. Clinton noted that the federal government had asked failed thrifts to raise capital and try to become solvent. "So that's what she was doing in the full light of day in full disclosure."

When Mrs. Clinton did any work for the state, Clinton said, "she never took any pay for it. And when the firm got income from state work, she didn't take her partnership share of that income. She gave that up because she wanted to bend over backwards to avoid the appearance of conflict."

The president said that in his wife's 20-year career as a lawyer she had a record of "never before having her ethics questioned, never before having her ability questioned."

Clinton said that he expects special counsel Robert Fiske to interview him and Mrs. Clinton and that they would "cooperate with him in any way he decides is appropriate."

"I think, in the end, when all these questions get asked and answered, her moral authority will be stronger than it has ever been, because we will have gone through this process and been very forthcoming. ... And I think it'll come out quite well."

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AM-Whitewater-Rose Firm, 1st Ld-Writethru, a0811,350
Firm Avoiding Contact with Hillary, Managing Partner Says
Eds: Corrects dateline
With AM-Whitewater-The Stakes

LITTLE ROCK, Ark. (AP) The managing partner of the Arkansas law firm where Hillary Rodham Clinton worked has broken his silence to defend the firm against any suggestion of impropriety in connection with the Whitewater issue.

"I think the extent of our power and influence has been greatly exaggerated," said Rose Law Firm managing partner Ron Clark.

Clark, in an interview with a local weekly newspaper, said members of the firm have gone so far as to avoid contact with Mrs. Clinton.

The firm didn't want "there to be any allegations or concern that we're sharing information," he said.

He said the firm was taking seriously the investigation of the firm by independent counsel Robert Fiske, but said "we're not afraid of having our work examined."

"The scrutiny does not bother me at all," Clark told the Arkansas Times in the first wide-ranging interview granted by a spokesman for the firm.

Clark also said:

Media coverage had been sloppy, reporting "facts that are not facts," including the assertion that the firm sued Madison Guaranty, a savings and loan owned by James McDougal, a business partner of then-Gov. and Mrs. Clinton.

A theory in some publications that Arkansas has been run for a decade by a cabal bent on money and power is "garbage."

There was no indication of impropriety in the firm's handling of a Chicago case in which a \$3 million Federal Deposit Insurance Corp. claim against Clinton supporter Dan Lasater was settled for \$200,000, with some involvement in the case by Mrs. Clinton. "Hillary worked only a couple of hours on the case and we were co-counsel with a Chicago firm," he said.

The firm's investigation of the billings of former partner Webb Hubbell was "very serious," though he declined to talk specifically about the matter.

Reports of a revolt among younger lawyers in the firm were wrong, though "there are very few times that we act with unanimity" because the firm includes people with different beliefs.

Members of the firm are very concerned about leaks, but there's no truth to reports that Whitewater documents were shredded in the firm.

**** filed by:APE(--) on 03/24/94 at 22:29EST ****
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Clinton Defends Whitewater Deal; Vows to Press His Agenda

EDS: INSERTS 7th graf, The White House xxx to provide backdrop for Clinton's nationally broadcast news conference; Minor editing and deletions; no pickup
By JOHN KING= Associated Press Writer=

WASHINGTON (AP) President Clinton acknowledged Thursday night he had significantly overstated the loss in his Whitewater land investment and promised to release late 1970s tax returns to answer persistent questions on the land deal.

The president also said he expects Whitewater special counsel Robert Fiske to interview him and Hillary Rodham Clinton and said they would "cooperate with him in any way he decides is appropriate."

And he vowed in a nationally televised news conference to not let Whitewater block health care reform from passing this year, or to stall other major administration initiatives.

"I know that many people around America must believe that Washington is overwhelmingly preoccupied with the Whitewater matter," Clinton said. "But our administration is preoccupied with the business we were sent here to do for the American people."

Republican leaders in Congress immediately saluted Clinton for his promise to release more documents. But they insisted nonetheless that Congress quickly hold Whitewater hearings to review the investment and the White House handling of the controversy.

"If the president has nothing to hide, then by midsummer it will all be gone," said House GOP Whip Newt Gingrich. Senate Republican leader Bob Dole said Clinton was "credible" and had "probably helped himself."

The White House has under siege politically because of the clamor over the Clintons' business dealings before they moved to Washington. Several White House aides were subpoenaed and some have already appeared to testify before a grand jury here. And Clinton's recent exchanges with reporters have been dominated by Whitewater questions.

Clinton, during a 45-minute news conference, said he had no opposition to congressional hearings, and did not rule out testifying in person.

Clinton was studiously relaxed throughout, but got a bit testy when asked whether he believed the controversy has undermined his wife's credibility because of questions about her legal work in Arkansas, and whether he was considering reducing her role in the administration.

"I think in the end, when all these questions get asked and answered, her moral authority will be stronger than it has ever been, because we will have gone through this process and been very forthcoming," he said.

The second evening news conference of Clinton's presidency came as two key aides testified before a Whitewater grand jury, and as new polls showed an overwhelming majority of the American public believed Whitewater was keeping the government from its work. The surveys demonstrated rising doubts about Clinton's 1970s Whitewater activities and present-day candor.

Trying to shake the impression and Republican allegations that he is hiding details, Clinton agreed to release his tax returns for 1977, 1978 and 1979, which cover the beginning of his Whitewater investment.

Also, he said he would release a new accounting of his investment that would show he lost roughly \$47,000 on the land deal

\$22,200 less than he had estimated during the presidential campaign. And he said he had waived any executive privilege and was fully cooperating with the special counsel investigating Whitewater, turning over some 14,000 documents to his staff.

The acknowledgment that the Clintons overstated their Whitewater loss suggests they in turn had underpaid their income taxes. Clinton said he was not sure if they owed back taxes. "If it is determined that we do, of course we will pay," he said.

Taking questions, Clinton said had no knowledge of Madison Guaranty Savings and Loan money being improperly steered to one of his gubernatorial

campaigns, a question being investigated by Fiske.

Hours before Clinton's appearance, one of his fiercest Whitewater critics, Republican Rep. Jim Leach, suggested the administration had abused its power in an effort to intimidate regulators. Clinton replied, "The evidence is clear that I have not done that."

He said if there was any pressure placed on regulators, it was done by "political career appointees of previous Republican administrations" and insisted: "I can tell you categorically I had no knowledge of this and was not involved in it in any way, shape, or form."

On other issues, Clinton:

Stated that White House staff members who do not obtain security clearances within 30 days will be placed on unpaid administrative leave. More than 10 percent of the White House staff lack clearances.

Urged the Mexican people "to continue their strides toward economic reform and progress" despite the assassination of the ruling party's candidate for president.

Said his administration will continue efforts to stop North Korea's nuclear program and strive to make a breakthrough on human rights progress in China.

Said he has not decided how to finance the welfare-reform program he will unveil next month. Of a Republican proposal to deny welfare to illegal immigrants, he said, "I think it goes too far."

On Thursday afternoon, Leach made a lengthy, scathing statement on Whitewater from the floor of the House, expressing doubts that the Clinton had lost money on the investment.

During his 1992 campaign, Clinton hired an auditor whose report estimated the Clintons' Whitewater investment had lost \$69,000. It had raised eyebrows because no such loss was ever claimed in their tax returns.

Thursday night, Clinton revised the figure downward. He said a fresh review of the investment had found that a loan of \$20,700 Clinton had tied to Whitewater was instead to help his mother buy a house. He also mentioned another \$1,500 loan payment that would have reduced his loss.

In addition to containing information on the Whitewater investment, the late 1970s tax returns also cover the timeframe in which Mrs. Clinton made lucrative investments in cattle futures, earning perhaps \$100,000.

Hours before Clinton spoke, advisers Bruce Lindsey and George Stephanopoulos complied with subpoenas calling them before a Whitewater grand jury.

A new survey showed the public was skeptical.

Eighty-one percent of respondents in a new national poll by the Times Mirror Center for The People & The Press said the Whitewater affair was disrupting the government's effectiveness.

Clinton, however, predicted he would be rebound once the Whitewater cloud cleared.

"None of this in the light of history will be remotely as important as the fact that by common consensus we had the most productive first year of a presidency last year of anyone in a generation," Clinton said. "That's what matters, that we're changing people's lives."

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:APE(--) on 03/24/94 at 22:44EST ****
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Tyson: No impropriety evident

It is information suitable for filling that Hillary Clinton made about \$100,000 trading cattle futures in 1978 on the encouragement of, and with the expert advice of, her dear friend Jim Blair of Fayetteville.

The nation deserves a full portrait of its first couple. The information provided last week by *The New York Times* contributes a nice brush stroke to the portrait. What, then, does it say?

It says the Clintons were a little better off financially than we knew previously. It advances the previously known point that Hillary was the business person in the family, willing to risk cash to build the kind of nest egg to which most of us aspire.

It further illustrates the previously known relationship between the Clintons and the Blairs, Jim and Diane.

"Jim is like a brother to me," Clinton told me around 1989.

The new information provides an example of what a big brother might do for you: He'll share his savvy in the commodities market to help you make money. I already knew the Blairs were generous. They don't like me very much, but when I told them in late 1987 that Shalab and I were headed soon for London, they put me in touch with a friend of theirs who would provide a personal tour of Parliament.

A little personal help with the commodities market in 1978 would have been more beneficial materially, but their generosity enhanced our vacation and introduced us to a delightful new friend.

John Brummett



Did they expect favorable publicity in return? Oh, please. They'd been reading my columns long enough to know that one can never be sure which side of the bed I'll get up on. I know of one fellow — lower middle class and wholly divorced from American politics — who benefited from the Blairs' financial largesse and didn't even know it. They simply took a shine to him.

If there was anything potentially improper or untoward about Jim Blair's helping Hillary, it would be only if the help was extended as part of a *quid pro quo* — probably centering on his work as counsel for Tyson Foods, which has myriad interests in state laws and regulations.

Tyson Foods got favors from the state and federal government through the 1980s. It extracted them because it is powerful with the state Democratic establishment — with David Pryor and Dale Rumpers as much as Clinton — and because many states, not just Arkansas, fell over themselves in the 1980s to provide economic incentives and environmental waivers to attract jobs.

Clinton was obsessed in those days with job creation and job salvaging, and

he will very nearly admit to making a policy decision to let the environment slide in exchange for growth.

But Tyson was hardly alone in winning such favors from the state in Clinton's 1980s. Look at International Paper and Nucor Steel. And there were other states lining up to welcome Tyson's processing plants. If Clinton clamped down hard on such matters as waste disposal.

There simply is no evidence, nor is there any good reason to be suspicious, that Bill Clinton allowed Tyson to skirt regulations because its lawyer helped Hillary pull down \$100,000 in 1978. Clinton cut slack for entirely different reasons.

Actually it appears at the moment that the Clinton administration in Washington leans toward California poultry processors over Tyson and other Arkansas operators in a debate about what constitutes fresh chicken.

Clinton is more interested in politics than money. If Jim Blair could bestow on him the 66 electoral votes of California, you might really be looking at a formula for a *quid pro quo*.

The Clintons are entitled to have good friends and the Blairs are entitled to be generous. And we're all entitled to know when and how Hillary Clinton once made a big pot of money. The article in *The New York Times* provided worthy reference material, but not much scandal.

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

ARKANSAS DEMOCRAT-GAZETTE

3-24-94

From Boston Globe Page 1

Ex-judge plays high-stake role in Whitewater

By John Aloysius Farrell
GLOBE STAFF

WASHINGTON — Ever since his office was raided by federal agents last summer, former Arkansas judge David L. Hale has reportedly sought lenient treatment from authorities by offering them a damning version of President Clinton's role in the Whitewater affair.

Now, as part of a plea bargain he struck with Whitewater special counsel Robert B. Fiske, Hale is scheduled to plead guilty today and cooperate with investigators. The ex-judge says Clinton pressured him into making an improper loan to a business partner of the president and his wife.

Clinton, for one, insists Hale is lying. "This is all a bunch of bull," the president said yesterday while traveling in Florida.

But as part of Hale's deal, the members of a federal grand jury will have the chance to gauge his credibility for themselves.

The stakes in the political and legal jockeying are high. If Hale is found to be a believable witness, he could wreck one of the White House's main lines of defense in the Whitewater land development case: that there is no "credible" accusation of presidential wrongdoing.

Hale is also at the top of the list of witnesses that Republican members of Congress want to appear at televised public hearings. The first such opportunity was abruptly canceled yesterday when Rep. Henry B. Gonzalez, Democrat of Texas, called off a House Banking Committee hearing scheduled for Thursday, contending that Republicans were plotting to turn it into a partisan circus.

Gonzalez instead urged House Speaker Thomas Foley to arrange for a full set of Whitewater hearings, perhaps by a select committee.

Hale is scheduled to plead guilty today to two felony charges of mail fraud and misleading the US government. Both charges stem from his work as the owner of Capital-Management Services Inc., which made questionable Small Business Administration loans to several major political figures in Arkansas.

In their attempts to sway the authorities, the ex-judge and his attorney have alleged to House GOP staffers, the Globe and other media organizations that Clinton, when governor of Arkansas, pressured Hale to lend money improperly to Susan McDougal, a business partner of Clinton in the Whitewater

Development Corp.

White House Press Secretary Dee Dee Myers said Hale's tale is not credible and was concocted only to "save his butt." Clinton had no knowledge of Hale's \$300,000 loan to McDougal, Myers said, nor did the president know that \$110,000 of that money ended up for a time in a Whitewater account, where it was used to purchase land.

But to the White House's dismay, interest in Hale's allegations have been fueled by the timing of a July 21 raid by federal agents on his Little Rock office: It took place on the same day that deputy White House counsel Vincent Foster committed suicide.

Clinton's Republican critics, like Rep. Jim Leach of Iowa, suggest that the two events are connected, though Foster killed himself shortly before the raid began. Foster received a phone call that morning from someone at Little Rock's Rose Law Firm, his former employer. Republicans suggest that insiders there were tipped off when the Hale search warrants and subpoenas were approved that morning and that the news was then relayed to Foster.

Hale, 53, is a familiar face in Arkansas Democratic circles, going back to his days as president of the Young Democrats at the University of Arkansas in the 1960s. Clinton appointed him as the first judge of the new Municipal Court, a small claims court, in 1979. That was also the year that Hale founded Capital-Management Services, a lending company backed by an SBA program designed to channel loans to "socially or economically disadvantaged" businesses, such as those run by women or minorities.

In the close-knit world of Arkansas Democratic politics, Hale shared a lawyer named Jim Guy Tucker with James McDougal, who with his wife, Susan, was partner in the Whitewater development with Clinton and his wife, Hillary. Tucker would one day become Clinton's lieutenant governor and then succeed Clinton as governor after the 1992 presidential election.

According to documents obtained by the Globe, Capital-Management made a series of loans to corporations run by Tucker, McDougal and Stephen Smith, a former administrative assistant to Clinton. The records also show that on April 3, 1986, Hale's lending company wrote "Susan H. McDougal, d/b/a Master Marketing" a check for \$300,000. According to a confidential report prepared by Master

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Marketing and submitted to Capital-Management, the money was supposed to be used to finance two real estate developments around Little Rock.

But Hale and his attorney, Randy Coleman, say that the loan to Susan McDougal was solicited by Clinton and James McDougal in a series of meetings in late 1985 and early 1986. Hale says McDougal asked him to help the state's Democratic "political family" at a time when McDougal's savings and loan, Madison Guaranty, was overextended and being pressured by US regulators.

On one occasion outside the Arkansas State House, said Hale, Clinton walked up to him and asked him to "help Jim and me out." Another meeting took place at McDougal's office, Hale said, at which both Clinton and McDougal urged him to help them get Madison through its troubles by lending \$150,000 to Susan's business. McDougal later raised the amount to \$300,000, said Hale, but could not keep Madison from failing spectacularly, at a cost to the taxpayers of \$45 million to \$60 million.

After Hale's offices were raided last July, he was indicted in September on four counts of fraudulent misrepresentation, unrelated to the Whitewater matter. Only one of the current charges is believed related to the original ones; the second is expected to involve Madison Guaranty.

In the weeks before the indictment was handed down, Coleman tried to strike a deal with Paula Casey, the US attorney in Little Rock and a longtime Clinton ally.

Casey proceeded with the indictment, causing Coleman to argue that her reluctance to trade for

Hale's testimony was "borne out of the potential political sensitivity and fallout regarding the information which Mr. Hale could provide" about "the banking and borrowing practices of some individuals in the elite political circles" of Arkansas Democrats.

But in a letter to Coleman, Casey said that Hale's requests for immunity from prosecution, or for a plea to a mere misdemeanor, were not enough. She insisted on a "plea of guilty to a felony charge of fraud" by Hale, as well as his specific cooperation with the FBI.

"General assertions that he knows significant information regarding 'important' people serves no goal other than his understandable, but self-serving, desire to avoid the consequences of his own significant criminal conduct," Casey wrote in a Sept. 21 letter.

Only a few weeks later, however, after news of the Justice Department's investigation into Madison broke, Casey and her staff asked to be removed from the Hale case "because of their familiarity with some of the parties and the need to ensure that there be no misperceptions about the impartiality of the investigation."

The Republican response to the Hale case has not been unified. Some GOP critics say Casey was trying to protect Clinton by not striking a deal for Hale's testimony; others say Fiske is protecting Clinton by cutting such a deal, and thus preventing a public trial.

From Boston Globe Page 3

Seniors' rally gives Clintons a boost

By Michael Kranish
GLOBE STAFF

DEERFIELD BEACH, Fla. — After weeks of being battered by the the Whitewater affair and the resignations of two top aides, President Clinton yesterday sought to regain the offensive as he warned senior citizens that the Medicare system could collapse unless his health-care plan is adopted.

Clinton's talk here seemed just the medicine he needed as he kicked off a weeklong effort to refocus attention on his top domestic priority. Speaking at a sun-drenched rally at Century Village — a retirement community that voted 9-1 for his candidacy in 1992 — the president was greeted with what amounted to a hero's welcome.

"I wanted to get away from distraction and focus people on the real problems we face," Clinton said.

The president and his wife, Hillary Rodham Clinton, seemed uplifted as they were surrounded by several thousand seniors who sported buttons that said "senior power" and waved cardboard fans that said "I'm a fan of the Clinton Health Plan." Many were eager to tell reporters they were angry that talk about Whitewater has overshadowed the health-care debate.

"I think he's right in line on health care," said Bill Connor, 72, a visitor from Winchendon, Mass. "I support him on covering prescription drugs and the health safety net. Whitewater is . . . a waste of time."

But just as the support in communities such as Century Village failed to gain Clinton a Florida victory in the 1992 general election, it was far from clear whether the president could count on retirees to push his health-care plan.

The Whitewater affair, along with the

resignations of White House counsel Bernard Nussbaum and Associate Attorney General Webster Hubbell, has taken its toll in recent weeks, giving well-financed opponents a better chance to try to define the Clinton plan as a dangerous big-government program. Polls show that support for Clinton and his plan has dropped.

"We have to pick up the pace," White House spokesman Jeffrey Eller said.

Indeed, it was a mark of the difficulty Clinton is having in selling his health-care plan that he has had to devote so much attention to senior citizens' issues. Clinton struck a deal with the seniors' lobby in writing the health-care bill, providing coverage for prescription drugs and preserving Medicare.

But polls have shown that a majority of senior citizens has reservations about the Clinton plan, and the American Association of Retired Persons recently declined to endorse the president's proposal. An AARP poll found that 52 percent of those surveyed felt Clinton's plan would result in the erosion of health-care quality. The plan includes \$124 billion in Medicare cuts, although Clinton has said that would not result in a reduction of benefits.

"We are not going to mess up what is right about America's health care," Clinton said. "Medicare works." Without specifying his proposed Medicare cuts, Clinton said his plan would save money in Medicare by cutting inflationary costs.

Clinton sought to appeal to the senior citizens' sense of history and patriotism, noting that they had supported President Roosevelt to create Social Security and President Johnson to develop Medicare.

House asks leaders or hearings on Whitewater

By Jill Zuckman
GLOBE STAFF

WASHINGTON — In a retreat by Democrats who initially opposed hearings on the Whitewater affair, the House voted overwhelmingly yesterday to ask its leaders to work out a time and place for such sessions.

But Speaker Thomas S. Foley of Washington cautioned that the House resolution, which was approved 408-15, only commits the two parties to negotiating for hearings. "In the end, we may not be able to agree," Foley said.

The Democrats previously refused to consider hearings into the Arkansas land development deal, but the drumbeat of Republican questions into the matter finally prompted yesterday's partial concession. In turn, the Republicans had insisted hearings must take place immediately, but now have agreed to hold off for an indefinite period.

While Republicans appeared to gain slightly in the latest round of the Whitewater struggle, the ultimate winners and losers probably will not be sorted out until the special counsel in the case completes his investigation. Still, the GOP's quest for hearings is only expected to intensify if Democratic leaders try to stonewall the House resolution or a companion measure in the Senate.

"I always felt it was inevitable," said Rep. Joseph P. Kennedy 2d, a Democrat of Brighton and a member of the Banking Committee.

Robert B. Fiske, the special counsel who is investigating the matter, had asked Congress to delay hearings to allow him to conduct his inquiry unfettered by distracting public revelations.

"I'm satisfied for the moment," said House Minority Leader Robert H. Michel of Illinois. He insisted Congress has a right to conduct oversight hearings "separate and apart" from the special counsel, but added, "I don't want to see any kind of circus atmosphere."

The House resolution is nearly identical to the language adopted by the Senate 95-0 on March 17. Yesterday, every representative from Massachusetts voted for the measure.

The House vote came as Robert Altman, the deputy Treasury Secretary, appeared before a grand jury that has questioned a series of White House officials in the past week. Altman said he provided "all the facts" for Fiske's investigation, and said he was "ready to do the same in any congressional inquiry."

Meanwhile, in Little Rock, Ark., David Hale, a

former municipal judge who has made allegations about President Clinton's involvement in a questionable loan, pleaded guilty in a plea bargain yesterday to two charges of fraud involving his federally backed lending company.

An assistant to Fiske told the Arkansas court that Hale has been working with prosecutors there and "possesses extensive knowledge in the areas we are investigating." Hale has said that in 1986, Clinton, who was then governor, urged him to make a loan to a firm owned by one of his Whitewater partners.

The House vote was tallied a day after Henry B. Gonzalez, Democrat of Texas and chairman of the Banking Committee, abruptly canceled an oversight hearing into the Resolution Trust Corp., which has the responsibility for disposing of failed savings and loans such as Madison Guaranty Savings & Loan, a focal point of the Whitewater probe.

Iowa Rep. Jim Leach, the ranking Republican on the committee, had planned to use the hearing to call witnesses and ask questions about the Whitewater investment.

In a letter, Gonzalez accused Leach of "premeditatedly intending to launch into a prosecutorial or judicial adventure." He said he had no choice but to postpone the March 24 hearing until Leach could attend in a calm and dispassionate manner. "You must not be much interested in getting an accounting of the \$25 billion we voted for RTC last year," Gonzalez stated.

In a separate letter to Foley, Gonzalez accused Republicans of using "an array of half-truths, old rumors, half-baked conspiracy theories and outright lies."

Leach, in a return letter to Gonzalez, noted that the oversight hearings into the RTC are required by law. And he said public disclosure into Madison Guaranty and its relationship to Whitewater "is the only way that this administration can put this issue behind them."

Rep. Barney Frank, Democrat of Newton and a member of the Banking Committee, said hearings on Whitewater became more of a necessity when allegations surfaced that there may have been interference into the federal government's regulatory system.

But he said the vote takes away one of the GOP's biggest complaints: "I think the Republicans would rather have the issue of the hearings than hearings because there's no there there."

In the Senate, Minority Leader Bob Dole of Kansas said he would like to avoid a big "showcase"

committee to look into Whitewater. And he said he would like hearings to start in a few weeks.

But, similar to the House, Majority Leader George J. Mitchell of Maine said he has no timetable for the hearings. And he said the Senate's vote on Whitewater shows "the Republicans abandoned their request for immediate hearings for the obvious reason that it wasn't the appropriate thing to do."

Material from the Associated Press was included in this report.

WASHINGTON IN BRIEF

Clintons' partner runs for Congress

By Ernie Freda
STAFF WRITER

James McDougal, the former savings and loan owner who was the Clintons' partner in the Whitewater development deal, says he'll run for Congress against freshman Rep. Jay Dickey (R-Ark.). He has run once before, in 1982, but was soundly defeated.

"I'm tired of these Republicans beating up on the people of the state of Arkansas, and I can't do anything about people like Senator Dole. [but] I can beat this Republican we have down here in southern Arkansas," said McDougal, 58.

His failed S&L, Madison Guaranty, went belly up in 1989, costing taxpayers \$47 million to \$60 million. Special counsel Robert Fiske is trying to determine whether any of Madison's funds went to the Clintons and their investment in Whitewater while President Clinton was Arkansas governor.

McDougal says he's broke now, living on a Social Security check of less than \$800 a month. So how could he finance a congressional campaign? By digging up the real dirt on Whitewater, of course.

He is selling rights to dig dirt from a 3-acre lot in the Whitewater development along the White River for \$20 a cubic foot. Buyers will get a "non-par-

getting 30 minutes. But the justices are taking up more and more of that time. At the close of one recent session, particularly heavy with questioning from the bench, an unsmiling Chief Justice William Rehnquist told one of the lawyers, "I think you did very well in the four minutes that the court allowed you."

ELSEWHERE

Hopes that the House would vote on a crime package before

its Passover and Easter recess, which begins Friday, vanished Wednesday night when Republicans filed procedural objections to allow more GOP amendments. ... Sen. Tom Daschle (D-S.D.), seeking to succeed George Mitchell of Maine as Senate majority leader, claims he already has half the 28 or so votes needed to win the post. ... U.S. News & World Report says the White House is actively exploring the appointment of Mitchell to the Supreme Court, and it quotes a source as saying he would like to be not "sitting second fiddle on



Patricia Schroeder Ronald Dellums

the court" but chief justice.

IT'S A FACT

Reps. Patricia Schroeder

(D-Colo.) and Ronald Dellums (D-Calif.) were the first woman and the first African-American to serve on the House Armed Services Committee. Both were appointed in 1973 over the objections of the committee chairman, Rep. F. Edward Hebert (D-La.). As punishment, Hebert gave Schroeder and Dellums one chair in the committee room to share. Dellums now is the committee's chairman.

SAY IT AGAIN

"[Someone who has] slamed

— From staff, news services and published reports; contributing: Mike Christensen

A He is selling rights to dig dirt from a 3-acre lot in the Whitewater development along the White River for \$20 a cubic foot. Buyers will get a "non-partisan dirt deed" from Whitewater Development Corp., granting the right to "come upon Lot 24 of the above described property and dig up dirt."

THE TASTE TEST: The first lady, who got rid of the White House chef and his French cooking a couple of weeks ago, is eating her way toward selection of a new one. Hillary Rodham Clinton is putting about half a dozen American chefs through their paces, interviewing them and having them prepare small lunches for herself, friends and staffers. Spokesman Neel Cooked one meal for everyone and some have prepared four different appetizers, entrees and desserts. Head chef Pierre Chambrier, who resigned, was said to have been frustrated by the Clintons' erratic entertaining habits. "Keep in mind," said Lattimore, "whenever they choose has to be able to juggle formal, informal and family cooking." A decision is expected in a few

B **'NO' EXPLAINED:** Rep. Cynthia McKinney (D-Ga.) says she voted against House hearings on Whitewater because she should be left to do his job "with our partisan potshots being taken to advance their political careers." McKinney, a freshman from suburban Atlanta, was one of only 15 lawmakers to oppose the proper time to negotiate the House already has placed hearings. McKinney noted that the House already has appropriated funds for the review of the press and was drafted that Congress had called for

ROOM FOR BARBARA: Former first lady Barbara Bush is still so popular that the Richard and Nancy Library in Yorba Linda, Calif., have had to move the site of her speech next month out into the 300-seat amphitheater. And the 1,000-seat amphitheater people on a waiting list. A library spokesman said the museum is still asking a reply to the invitation extended to the Invited Clinton to speak there about health care.

WORDS IN EDGEWISE: The Supreme Court, with Justice Antonin Scalia, Justice Souter and Ruth Bader Ginsburg leading the way, has been asking lots more questions of the lawyers who appear before it during oral argument. The typical argument has a time limit of an hour, with each side's lawyer

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Trail of Memos on Whitewater Inquiry

By TIM WEINER

Special to The New York Times

KANSAS CITY, Mo., March 26 — Nearly two years ago, L. Jean Lewis, a Federal investigator of financial fraud, fixed her attention on a collapsed Arkansas savings and loan, Madison Guaranty, run by a former business partner of Bill and Hillary Clinton.

Ms. Lewis began to see a paper trail, a pattern of what she regarded as suspicious loans and potential fiscal crimes, including "a \$1.5 million check-kiting scheme," according to memorandums she wrote from her post at the Resolution Trust Corporation, the Federal agency charged with unraveling the savings and loan collapses of the 1980's.

Last week, the string of memorandums she wrote about Madison, and about her growing belief that Washington officials were trying to pull back from her most stinging conclusions, came to the public's attention as Representative Jim Leach of Iowa used them as a basis for a blistering critique of Mr. Clinton.

Mr. Leach, the senior Republican on the House Banking Committee, has said Ms. Lewis had sought Congressional protection as a whistle-blower. Her memorandums were part of a stack of documents he made public to support his accusations. But in their details, the documents also provide a window into the origin of the Whitewater affair that has enveloped the Clinton Presidency.

Ms. Lewis was removed from her role as a lead investigator in the case last November and her conduct has been questioned by Federal banking officials. The question now is whether Ms. Lewis is a misguided zealot or the woman who exposed the truth behind the Whitewater affair.

Repeated Recommendations

In memorandum after memorandum, she made 10 separate recommendations for criminal investigations into the Clintons' former business partner in a real estate venture, the Whitewater Development Company, James B. McDougal, and his associates. She described her mounting dismay as the criminal referrals disappeared from the R.T.C.'s offices on Main Street in Kansas City into the maze of the Justice Department in Washington.

Last Jan. 6, she wrote a memorandum to herself after a conversation with a reporter: "It's beginning to sound like somebody or multiple 'somebodies' are trying to carefully control the outcome of any investigation surrounding the R.T.C. referrals, and that the beginnings of a cover-up may have already started months ago."

Ms. Lewis, who was ill with bronchitis last week, and is under orders from her superiors not to speak to the press, declined today through an agency spokeswoman to respond to questions. But she met earlier this month with Robert E. Fiske Jr., the special counsel investigating the Whitewater affair, and her colleagues in Kansas City are pursuing their own investigation of whether any of Madison Guaranty's vanished assets benefited the Clintons politically or financially.

Ms. Lewis contends that Mr. McDougal's savings and loan allowed Whitewater, the land development company he and his wife owned with the Clintons, to cash large checks with insufficient funds in the 1980's, and that this created a loss of at least \$70,000 for the S.&L. She came to believe that the Clintons must have known that Mr. McDougal was using Madison's money to shore up their share of the Whitewater project, which ultimately failed.

Prompted by News Report

Nothing in Ms. Lewis's work implicates the Clintons in any crime. Her memorandums instead describe actions and inactions by Federal officials in the Clinton and Bush Administrations that sought to sever the financial links she saw between Madison Guaranty, Whitewater and the Clintons.

Ms. Lewis was one of five investiga-

crimes in the failures of 189 savings and loans in a 21-state region from the Pacific Northwest to the Appalachians.

She began to focus on Arkansas after the initial news report in March 1992 of the Clintons' involvement in the Whitewater land venture. Though Mr. McDougal was acquitted of Federal bank fraud charges in 1990, Ms. Lewis was assigned to a follow-up investigation of Madison in the summer of 1992.

Her memorandums say she quickly learned that a Little Rock lawyer who had worked at Madison had "fabricated" two years of records for a subsidiary of Madison. She suspected this was done to create the appearance of legitimate financial transactions, when, in fact, those transactions had drained the assets of Madison. The savings and loan collapsed in 1989 at a cost of taxpayers of at least \$47 million.

Her suspicions led her to a Little Rock warehouse, where the records of Mr. McDougal's defunct savings and

Was an R.T.C. official too zealous or too accurate?

loan were strewn about haphazardly. Piecing together the Madison files, she concluded in August 1992 that there had been "a \$1.5 million check-kiting scheme between the McDougal and/or McDougal business partner-controlled entities, including Whitewater," her memorandum said.

She and her colleagues sent a criminal referral — a recommendation to begin a criminal investigation — to the F.B.I. and the United States Attorney in Little Rock on Sept. 2, 1992, as Mr. Clinton's campaign to defeat President George Bush was in full swing.

Nothing happened. Eight months later, in May of 1993, Ms. Lewis sought to find out why.

She spoke with a Federal prosecutor in Little Rock, Bob Roddey. According to a memo she wrote about the conversation, he told her that the United States Attorney in Little Rock, Charles A. Banks, a Republican appointee, had deemed the case "politically hot." Deciding the previous September that an investigation involving Mr. Clinton would be perceived as a political dirty trick, he had forwarded the case to the Justice Department in Washington.

The political heat was generated in part by Ms. Lewis's finding that the Whitewater development drained tens of thousands of dollars from Madison, and thus may have contributed to its collapse. In addition, a Resolution Trust Corporation official in Kansas City said, the investigators came to suspect that Madison money might have been improperly donated to Mr. Clinton's 1984 campaign for Governor of Arkansas.

The Clintons and Mr. McDougal have denied any wrongdoing in connection with Whitewater.

Political Factors Suspected

Throughout the summer of 1993, Ms. Lewis called Washington, trying to track what had become of the case. Her memos reflect her growing belief that "political ramifications" were undermining it.

The request quietly died at the Justice Department early that year, as officials decided that there were not grounds for a criminal investigation, according to R.T.C. memorandums. But in a lapse that has not been explained, the Kansas City office was not notified.

Meanwhile, three more criminal investigators from the R.T.C. joined Ms. Lewis in reviewing the loans, checks and land records of Madison and its subsidiaries. On Oct. 8, 1993, they sent nine new criminal referrals on the case to the F.B.I. and the United States Attorney in Little Rock, Paula Casey, newly appointed by the Clinton Administration.

On Nov. 1, Ms. Casey wrote to Ms. Lewis, saying both she and the Justice Department had decided that the original criminal referral had "insufficient information ... to warrant the initiation of a criminal investigation."

Within days, Ms. Lewis was removed as the lead R.T.C. investigator in the case. In a memorandum to her colleagues, she wrote, "The Powers That Be have decided that I'm better off out of the line of fire (and I ain't arguing)."

An Official Is Critical

R.T.C. officials in Kansas City declined to formally respond to questions about Ms. Lewis's investigation or the Whitewater case this week.

But some officials have been critical of her work and her charges. One is April Breslaw, a career lawyer with the Federal Deposit Insurance Corporation in Washington, the Government agency with overall responsibility for banks and failed savings and loans.

In a memorandum also made public by Mr. Leach, based on a tape recording she made, Ms. Lewis charged that Ms. Breslaw sought in a meeting in Kansas City on Feb. 2 to persuade investigators to tone down their Whitewater charges.

In an interview on Thursday, Ms. Breslaw denied that assertion, and criticized the quality of Ms. Lewis's investigation. She said Ms. Lewis was exaggerating the situation to try to minimize her own shortcomings as an investigator. And senior Justice Department officials remain unconvinced that Ms. Lewis and her colleagues made a convincing case for prosecution in their initial set of referrals.

Now that Mr. Fiske has taken over the Whitewater investigation, Ms. Lewis is keeping her own counsel, her memos show. On Feb. 7, a Federal prosecutor in Little Rock called her and started an informal chat about the Madison case. She told him that "I'd formed my own conclusions on that point, and that's where they would stay — my own."

WHITE HOUSE AIDE BECOMES SUBJECT OF NEW INQUIRIES

PHONE CALLS QUESTIONED

Stephanopoulos Complained of
S. & L. Agency's Hiring of a
Republican Investigator

By DOUGLAS JEHL **AL**
Special to The New York Times

WASHINGTON, March 26 — The White House and the Whitewater special prosecutor are conducting separate inquiries into whether a senior aide to President Clinton acted improperly last month by raising questions about the hiring of a high-profile Republican lawyer to look into the bankruptcy of an Arkansas savings and loan.

Thomas F. McLarty 3d, the White House chief of staff, ordered the internal review on Friday night after learning that the prosecutor was looking into a conversation on Feb. 25 between George Stephanopoulos, one of Mr. Clinton's closest aides, and Joshua Steiner, a close friend of Mr. Stephanopoulos who is the Treasury Department chief of staff.

In that call, made on the same day that members of Congress were angrily raising questions about contacts between officials in the Treasury and the White House, Mr. Stephanopoulos complained about a decision by the Resolution Trust Corporation, an independent Federal agency, to hire Jay B. Stephens, a former United States Attorney for the District of Columbia.

Raised Replacement Question

An Administration official, who spoke on the condition of anonymity, said Mr. Stephanopoulos asked Mr. Steiner if the hiring was "final" or whether Mr. Stephens could still be replaced.

Mr. Stephens, who had been publicly critical of the Clinton Administration, was hired to determine whether the Federal Government could file civil suits to recover some of the \$60 million the bankruptcy of the Arkansas savings and loan, Madison Guaranty, cost taxpayers. Madison was owned by the Clintons' partner in the Whitewater land deal, James B. McDougal.

Mr. McLarty also directed Lloyd Cutler, the White House counsel, to review another telephone call on Feb. 25 involving Mr. Stephanopoulos and Harold Ickes, the White House deputy chief of staff. In that call, officials said, Mr. Ickes angrily criticized Roger C. Altman, the Deputy Treasury Secretary, for failing to give the White House advance notice of his decision to recuse himself from the Resolution Trust Corporation's investigation of Madison and Whitewater.

In an interview today, Mr. Cutler said, "It would have been better if these phone calls hadn't been made." But Mr. Stephanopoulos and Mr. Ickes, through his lawyer, said they had done nothing improper in making the calls.

They have been questioned about the calls by a grand jury at the disposal of the special prosecutor, Robert B. Fiske Jr. An aide to Mr. Fiske said today that the special prosecutor was reviewing the conversations as part of the investigation, but he refused to say anything more about the inquiry.

Neither Mr. Altman, Mr. Steiner nor

ment, and Mr. Stephens refused to discuss the controversy surrounding his hiring.

'No Action Was Taken'

But a Treasury Department spokesman, Howard Schloss, said this afternoon: "No action was taken either by Mr. Altman or Mr. Steiner as a result of the calls. No one tried to influence the negotiations one bit."

Mr. Cutler said he had been asked by Mr. Fiske not to interview any of those already subpoenaed in the case until the grand jury finished its work, probably next month. But the decision by Mr. McLarty to call for an internal review of the calls reflects the extreme sensitivity of their disclosure just a day after Mr. Clinton held a news conference in an attempt to clear the air about the Whitewater affair.

The previously unknown conversations between the White House and Treasury Department officials were first described today in The Washington Post. An article to be published this week in Time magazine reports that Mr. Steiner had made copious written notes of his conversation with Mr. Stephanopoulos. Lawyers involved in the case said today that those notes had been turned over to Mr. Fiske as evidence in the case.

In adding the calls to his investigation into contacts between the White House and the Treasury Department, Mr. Fiske is presumably trying to determine if aides to Mr. Clinton tried to interfere in any way with the trust corporation's investigation into Madison.

In a written statement issued by the White House this afternoon, Mr. Cutler said that "these conversations should not be blown out of proportion." He said it was "perfectly natural" that White House officials would be surprised by the appointment of Mr. Stephens, whom he described as "an outspoken political opponent of the President."

Mr. Cutler said no one has suggested that any action was taken to remove Mr. Stephens, and noted that he was still conducting the trust corporation's civil inquiry in the case.

Mark Gearan, the White House communications director, said Mr. Stephanopoulos had told him that he informed the President for the first time about the calls on Friday afternoon.

Today, Mr. Stephanopoulos said he remembered speaking once on Feb. 25 with Mr. Steiner, and had complained to him about the R.T.C.'s decision to hire Mr. Stephens. But he said had only been venting his anger at the hiring of someone he regarded as a political opponent of Mr. Clinton.

"I was puzzled and blew off steam over the unfairness of that decision," Mr. Stephanopoulos said. "Because Jay Stephens had accused the President of improper interference in an litigation."

He would not elaborate on his motivation in making the call and would not explain why he, as a senior White House official, thought it appropriate to confront the Treasury Department's chief of staff about a decision by the R.T.C.

Stanley Brand, Mr. Stephanopoulos' lawyer, described his client as having thrown "a temper tantrum" in complaining to Mr. Steiner, with whom he had worked on Michael S. Dukakis's 1988 Presidential campaign, about Mr. Stephens's hiring. But he said of Mr. Stephanopoulos, "At the end of the call, he concluded that there was nothing to be done, and he did nothing."

Mr. Brand said that Mr. Stephanopoulos could not remember whether his explosion at Mr. Steiner preceded or followed his joining Mr. Ickes in making the other telephone call now under review, in which those with knowledge of it said they challenged Mr. Altman about his neglect in alerting the White House to his recision to recuse himself from the R.T.C. investigation of Madison and Whitewater.

But associates of Mr. Stephanopoulos and Mr. Ickes said neither remembered raising the subject of Mr. Stephens's hiring with Mr. Altman, who was then the acting chairman of the R.T.C.

Robert Bennett, Mr. Ickes's lawyer, nevertheless said today that his client also believed that it was "outrageous" that "someone so partisan" as Mr. Stephens had been put in so sensitive position in overseeing the inquiry.

Mr. Altman first told White House officials on Feb. 2 that he was considering recusing himself from the trust corporation's inquiry. Both he and the White House officials have insisted that they never advised against the move, although Bernard W. Nussbaum, the White House counsel, raised questions about who would take his place, officials have said.

But their lawyers said today that Mr. Stephanopoulos and Mr. Ickes were

nevertheless taken aback upon learning on Feb. 25, after reporters inquired about it, that Mr. Altman had informed Howell Raines, the editorial page editor of The New York Times, earlier in the day that he indeed planned to recuse himself. Mr. Altman had not yet alerted the White House of his plans.

Mr. Bennett said that Mr. Ickes had believed strongly that "this was not the protocol that should have been followed" and that he made that clear during the conversation. Mr. Stephanopoulos would say only, "Roger explained that he had decided to recuse himself, and I suggested that as a courtesy he write a letter to the President explaining his decision."

In his written statement this afternoon, Mr. Cutler emphasized that he did not yet know all the facts in the case. But he expressed confidence that a "firewall" erected in the case earlier this month after the disclosure of other unusual contacts between White House and Treasury officials would make certain that "such conversations will not be repeated."



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Plucked-chicken ethics

When Bill and Hillary Clinton rolled into Washington last year, the new president promised his administration would "reform our politics so power and privilege no longer shout down the voice of the people." Judging from headlines jumping off the pages of the *Wall Street Journal* and the *New York Times* recently, it appears the Clintons have not always practiced what they preach.

While Clinton was attorney general and governor of Arkansas, he and his wife formed, and in Washington his administration has maintained, what appear to be inappropriately close ties to Arkansas chicken king Don Tyson. While neither newspaper suggests anything illegal about the relationship, the Clintons have profited personally and professionally. And the Tyson chicken business hasn't done badly, either. A yearlong Agriculture Department crackdown against unsanitary conditions in slaughterhouses, including the imposition of a zero-tolerance standard for fecal matter, bypassed the chicken industry entirely, including Tyson's 66 plants, until just last week when a preliminary proposal for chicken safety was announced.

According to a report in the *Times*, Hillary Clinton dipped into her family's modest income in 1978 and invested in the dangerously speculative commodities market, buying cattle futures. Over the course of a year, she turned a profit of \$100,000, relying on the investment advice of James B. Blair, a longtime Clinton political supporter and friend and, coincidentally, Tyson general counsel. If nothing else, Blair's profitable advice must have purchased a measure of Clinton family gratitude.

The *Journal* reported Tyson, the nation's No. 1 chicken producer, got \$8-million in tax breaks for plant expansion and efficiency on water-pollution standards while Clinton was governor.

This year, Tyson personally entertained

an Agriculture Department official from Washington who is slated to take charge of the department's meat and poultry inspection program. She was Tyson's guest in a swank skybox at an Arkansas-Vanderbilt basketball game and said later she definitely had "the feeling of being looked over."

Last January, Tyson took her boss, Agriculture Secretary Mike Espy, to a Dallas Cowboys-New York Giants football game. Espy acknowledges meeting with Tyson lobbyists "all the time." Tyson and company executives financially supported the failed Mississippi congressional campaign of Espy's brother, Henry, last year. Tyson and his wife, who contributed heavily to Clinton's presidential campaign, slept at the White House on inauguration night. And Hillary Clinton's Rose Law Firm has served as the chicken producer's outside counsel.

Through spokesmen, the Clintons deny any impropriety about these associations. As for his role as a mentor in the art of cattle futures, Blair told the *Times* he's simply very good at commodities trading and shared his streak of fortune with friends, his children, his fiancée, his fiancée's children, his law partners and his tennis partner, Hillary Clinton.

Illegal or not, unethical or not, this sort of blurring of the boundaries of appropriate sodality among public officials and those they regulate is common in many state capitals and defies conversion to arm's-length relationships when the occupant of a governor's mansion moves to the White House. As Blair understandably asked the *Times*: "Do (the Clintons) have to go weed their friends out and say they can only have friends who are sweeping the streets?"

The answer is no. And if the broad mystery called Whitewater weren't nipping at their heels, if the Clintons, by their deeds, had demonstrated sensitivity toward even the perception of unethical conduct, the question wouldn't need to be asked.

More quest on than answers

In the hopes of finding out how many of them had been issued permanent White House passes, the Arkansas Democrat-Gazette last week attempted to contact 48 Arkansians working there. Here are the results of the newspaper's survey:

Ashley Adams
White House Travel Office

"I can't discuss it. I might lose my job."

Judy Alright
Assistant to the director of presidential inquiries
Did not return calls.

Michelle Alston
Hillary Rodham Clinton's correspondence office

Said she has a permanent White House pass.

Kyle Baker
Correspondence office for Hillary Clinton

Referred questions to the White House press office.

Melissa Banks
Staff assistant in the White House Legislative Affairs Office
"I've had it (my permanent pass) a long time."

Ane Bartley
Hillary Clinton's office
Did not return calls.

Beaton Berry
Special assistant to the president for agriculture, trade and food exploration
Did not return calls.

Jenny Boshears
Office of presidential correspondence
Did not return calls.

Bill Burton
Office of the White House Chief of Staff

"No comment."

Kimberly Call
Office of the White House Chief of Staff

Said she has a permanent pass but could not recall when

"I have no interest in continuing this conversation."

Robyn Cagle
The president's personal secretary
"I'll have to refer you to the press office for that kind of comment."

Amanda Cawley
White House Communications
"I will have to call you back after I talk to the press office. I need to get some guidance. I usually don't take press calls."

Billy Cawley
White House correspondence
Referred questions to the White House press office.

Nolan Chisley
Staff assistant in Hillary Clinton's office
Did not return calls.

Reyna Chisley
Deputy director of the White House Visitors Office
Did not return calls.

Amanda Cooper
White House correspondence
Referred questions to the White House press office.

Karen Cooper
Special assistant for House legislative affairs in the presidential Legislative Affairs Office

A spokesman referred questions to the White House press office.

Barb Haskin
Staff assistant in the presidential Office of Scheduling and Advance
Out of town.

Nancy Hennrich
Presidential director of appointments and scheduling
"I don't take press calls." Referred questions to the White House press office.

Georgia Huber
Director of the president's personal correspondence
Did not return calls.

Thomas R. "Bud" McLary
White House chief of staff

A spokesman said McLary recently received a permanent pass.



Beth Middleton
Assistant to McLary
A spokesman said Middleton has had a permanent pass "for months."

Donna S. Myers
White House press secretary
Said she does not have a permanent pass.



Wanda Norcott
Staff assistant in the White House Office of Management and Administration
Referred questions to the White House press office.

Jill Payne
Vice president's assistant press secretary
Said she has had a permanent White House pass since autumn 1993.

Ashley Roberts
Staff assistant in the White House Office of Management and Administration
Did not return calls.

Carol R. Roach
Domestic policy assistant to the president
Did not return calls.



Tracy Salvendy
President's personal correspondence office
Did not return calls.

Deputy assistant is the for correspondence and presidential messages
Did not return calls.

Wayne Shuman
White House Visitors Office

Referred questions to the White House security office.

Erin Smith
Deputy director of the Office of Presidential Personnel

Said he was using a temporary pass but "I've only been working here three weeks."

Sean Smith
Agency liaison in the White House correspondence office
Did not return calls.

Elizabeth Spitzer
Executive assistant in the White House Office of Intergovernmental Affairs office
Out of town.

Tom Towner
Presidential liaison correspondence office



Referred questions to the White House press office.

Patsy Thompson
White House administrative director
Said she received her permanent pass March 5.



Aime Walley
Deputy scheduling director in the White House Office of Scheduling and Advance
Said she has a temporary White House pass, but paperwork had been submitted at least four or five months ago.

Nancy Ward
White House press office manager
Did not return calls.

Spokesman referred questions to the White House press office.

Janis Ward Williams
Director of presidential inquiries
Did not return calls.

David S. Weiss
Domestic policy adviser for Vice President Gore
"I still have a temporary pass. I applied for a permanent pass the last few months I was here, but they lost my piece of paper, and I had to reapply. I expect to have a permanent pass, just any day now."

Reynolds Miller Bailey
Executive assistant for the president's Domestic Policy Council
Did not return calls.

Paul Campbell
Office of Media Affairs staff assistant
Said she had had a permanent White House pass since August 1995.

Sublette Gaudin
President's Office of Scheduling and Advance
Referred questions to the White House press office.

Mac

6

Whitewater call 'natural' GOPer's mild reaction

By TIMOTHY CLIFFORD
Daily News Washington Bureau Chief

WASHINGTON — A Republican congressional critic of Whitewater downplayed conflict-of-interest questions concerning two top White House aides who complained to a Treasury official about the hiring of a former GOP prosecutor to probe the controversy.

"I hope we don't make too much of this part of the story," Rep. Jim Leach (R-Iowa) said on NBC.

Talking about White House aides Harold Ickes and George Stephanopoulos, who called Deputy Treasury Secretary Roger Altman on Feb. 25, Leach said they naturally "would be upset" with the decision to retain former U.S. Attorney Jay Bybee to investigate a failed Arkansas savings and loan tied to Whitewater.

Stephanopoulos, a White House legal aide in the Ronald Reagan administration, was the U.S. attorney for the District of Columbia until he was fired along with all the other U.S. attorneys when President Clinton took office.

A one-time GOP Senate hopeful from Virginia, Stephanopoulos said that his dismissal was designed to stall the still-ongoing probe into corruption charges against House Ways

and Means Committee Chairman Rep. Dan Rostenkowski (D-Ill.).

Despite the understanding tone of his comments, Leach kept the conflict-of-interest issue alive by saying, "It was probably a mistake (for Stephanopoulos and Ickes) to convey this in a way that may or may not have implied trying to release him (Stephanopoulos) from this job."

The White House has acknowledged that Stephanopoulos and Ickes placed a conference call after learning that the Resolution Trust Corp. had retained Stephanopoulos a day earlier to pursue possible civil claims against the failed Arkansas thrift.

Stephanopoulos told CNN he had expressed anger at the hiring of Stephanopoulos but was "just trying to get information."

"Do I wish now that I hadn't have gotten angry, that I hadn't blown off steam? Of course I do," he said.

House Speaker Tom Foley (D-Wash.), appearing on the same NBC program as Leach, said, "There's nothing to suggest any impropriety here ..."

White House spokesman Jeff Miller said the President and chief of staff Thomas (Mac) McLarty had confidence in Stephanopoulos, who said he would not resign. — *Mac News Wire Service*

Cattle report a lot of bull, says Prez

WASHINGTON — The White House moved quickly yesterday to undercut a report that Hillary Rodham Clinton made nearly \$100,000 in commodities trading without ever risking any of her own money.

In its April 4 edition, Newsweek magazine alleges that the First Lady benefited from a "sweetheart deal" in risky 1978 and 1979 cattle futures trading with the aid of an outside corporate lawyer for Arkansas-based Tyson Foods.

The Newsweek article quotes Columbia University Law Prof. Marvin Chirelstein, used by the White House as an expert on Clinton tax questions, as saying that he found no evidence that Hillary Clinton put up any money or faced any financial risk in the volatile trading.

Moreover, the magazine charges that the alleged arrangement with Tyson outside attorney James Blair — a close friend of the Clintons — "smacks of political favoritism."

During Bill Clinton's terms as Arkansas attorney general and governor — covering the time of these investments — Tyson benefited from various state actions such as favorable environmental and loan decisions that helped transform it into the nation's largest poultry company.

And there are charges that the Clinton administration still is protecting the poultry industry from stricter federal inspection rules.

The White House retorted that Chirelstein had denounced the article as "false and irresponsible."

While the professor acknowledged having a "speculative" discussion with Newsweek on the commodity trading issue, he says he was misunderstood and never saw any records that would substantiate allegations of risk-free investments.

But Newsweek maintained that Chirelstein "offered his interpretation of Mrs. Clinton's commodities trading. He... indicated that he had seen the relevant financial documents."

Clinton aides have conceded that the First Lady relied on Blair's advice in making the cattle trades, but deny any financial or political impropriety.

"The truth is... Mrs. Clinton used her own money, and invested at her own risk, in making her commodities investment," the White House said in a written statement.

However, the administration has consistently declined to say how much of her own money Clinton put at risk. — *Timothy Clifford*

DEADLY



SIDE OF HOUSE IS torn away in Tishomingo, Ok., after twister passed.

Tornadoes remain a mysterious threat

While the violence and damage from tornadoes are well known, the actual mechanics of these storms are complex and not completely understood.

They can occur in a variety of situations but are generated most often in severe thunderstorms that occur when warm air and cold air collide.

The collision forces warm air upward, and that creates a low pressure area at the ground. Surrounding air moves in to fill the vacuum.

In severe storms, cloud tops can rise high into the air, reaching the level of strong horizontal winds that blow the tops into the classic

anvil shape often reported around tornadoes. When this happens, more air is pulled upward in something like a chimney effect.

The air moving in toward the "chimney" begins to turn counterclockwise and then rises in a twisting column of extreme violence.

Winds in a tornado are believed to reach more than 200-to-300 mph, although no instruments have ever survived an encounter with one of the storms.

Normally tornadoes form in the rear portion of severe storms that move toward the east or northeast and are separate from the heavy rains that occur in these storms.

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BY KEVIN MCCOY
AND JOHN RILEY
STAFF WRITERS

THE FORMER LAW FIRM OF FIRST LADY HILLARY RODHAM CLINTON WAS DROPPED FROM REPRESENTING A FEDERAL BANKING AGENCY IN AN 11 MILLION FORECLOSURE ON AN ARKANSAS DEVELOPMENT PROJECT OVER A CONFLICT OF INTEREST INVOLVING ONE OF THE FIRM'S BIGGEST CLIENTS, A NEWSDAY INVESTIGATION HAS DETERMINED.

THE RESOLUTION TRUST CORP. TOOK THE ACTION IN 1992 AFTER THE ROSE LAW FIRM, WHERE ASSOCIATE ATTORNEY GEN. WEBSTER HUBBELL AND CLINTON WERE PARTNERS, REPRESENTED THE BANKING AGENCY FOR 18 MONTHS IN A FORECLOSURE ON A 3,200-ACRE UTOPIAN CITY SUBDIVISION IN MAUMELLE, ARK., JUST NORTH OF LITTLE ROCK.

INTERVIEWS AND A REVIEW OF FEDERAL COURT RECORDS SHOW THAT THE TERMINATION OCCURRED BECAUSE THE RTC DECIDED ITS LEGAL CLAIMS ON THE PROJECT CONFLICTED WITH THE FINANCIAL INTERESTS OF A TOP ROSE FIRM CLIENT STEPHENS INC., A MAJOR ARKANSAS-BASED INVESTMENT BANKING FIRM.

ALTHOUGH THE RTC HELD THE RIGHTS TO THE 11 MILLION MORTGAGE ON THE MAUMELLE, ARK., PROJECT, THE FEDERAL AGENCY'S LEAD ROLE IN THE FORECLOSURE WAS JEOPARDIZED BY THE CLAIMS OF THE OWNERS OF MILLIONS OF DOLLARS OF DEVELOPMENT BONDS ISSUED FOR THE PROJECT. STEPHENS INC. HELPED ISSUE AND OWNED SOME OF THE BONDS. WORTHEN BANK, A STEPHENS AFFILIATE AND MAJOR ROSE FIRM CLIENT, WAS THE ESCROW AGENT FOR THE BONDS.

THE EPISODE MARKS THE THIRD TIME THE ROSE LAW FIRM HAS BEEN AT THE CENTER OF A POTENTIAL CONFLICT OF INTEREST INVOLVING ITS LUCRATIVE LEGAL WORK FOR FEDERAL BANKING AGENCIES CREATED TO MANAGE THE BAILOUT OF THE SAVINGS AND LOAN INDUSTRY.

THE RTC AND THE FEDERAL DEPOSIT INSURANCE CORPORATION ARE INVESTIGATING THE ROSE FIRM'S ROLE IN HANDLING A LAWSUIT FROM 1989 TO 1991 INVOLVING THE FAILED MADISON GUARANTY SAVINGS & LOAN THAT IS AT THE HEART OF THE SO-CALLED WHITEWATER PROBE.

THE LAW FIRM ALLEGEDLY DID NOT DISCLOSE TO FEDERAL BANKING REGULATORS THAT HILLARY CLINTON WAS A BUSINESS PARTNER IN THE WHITEWATER LAND DEVELOPMENT PROJECT WITH FORMER MADISON OWNER JAMES MCDUGAL, OR THAT HUBBELL'S FATHER-IN-LAW, SETH WARD, WAS A MADISON INSIDER. CLINTON HAS ALSO DRAWN FIRE FOR REPRESENTING THE GOVERNMENT IN A LAWSUIT ON BEHALF OF A FAILED ILLINOIS THRIFT AGAINST DAN LASATER, A LONG-TIME FAMILY FRIEND AND MILLIONAIRE LITTLE ROCK BOND DEALER.

HUBBELL, WHO RECENTLY ANNOUNCED PLANS TO RESIGN HIS JUSTICE DEPARTMENT POST AMID ALLEGATIONS BY ROSE PARTNERS THAT HE MAY

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Bill Clinton and Spiro Agnew

By Kelly Johnston

An ambitious national public official resigns his office to stop the dogged pursuit of federal prosecutors over financial dealings that took place largely while he served as the governor of a small state, before he assumed national office.

The witnesses are former associates of the official who themselves were granted immunity from prosecution for their own crimes. To the bitter end, and even beyond, the disgraced former leader pleads innocence, but resigns to spare his country and his family from a painful ordeal.

A future story about Bill Clinton and Whitewater? Guess again. It's the true story of another prominent public figure whose slippery path to disgrace 20 years ago bears an eerie resemblance to today's Whitewater developments.

Former Vice President Spiro Agnew resigned shortly before appearing in a Baltimore, courthouse on Oct. 10, 1973, to plead no contest to one count of tax evasion. Many pundits have rushed to compare Whitewater to Watergate, but Mr. Agnew's case, at least from what we know now, may be a closer match.

To be sure, there are significant differences between the two cases: Mr. Agnew was vice president, Mr. Clinton is president. Unlike Whitewater, no special prosecutor was ever appointed to investigate Mr. Agnew. Mr. Agnew's alleged crimes seemed relatively simple and straightforward compared to the complicated maze of financial dealings involving Whitewater Development Corp., Madison Guaranty Savings and Loan, the Rose Law Firm, and a whole host of other businesses, government entities and political cronies.

But the comparisons between Mr. Agnew and Mr. Clinton are noteworthy. Both served as governors of relatively small states. Their troubles were rooted in financial dealings that took place before they assumed national office. The investigations began under the leadership of federal prosecutors, who granted immunity to gain the testimony of persons who themselves were under investigation or indictment. The statute of limitation became an issue. Congress played a pivotal role.

How it began.

Mr. Agnew's troubles began when the Maryland U.S. Attorney's Office began investigating bribes and kickbacks involving Maryland public officials.

Mr. Clinton's Whitewater woes first surfaced in a Resolution Trust Corp. criminal referral in October 1992 that suggested Mr. Clinton could have benefited from an apparent check-kiting scheme involving Whitewater while he was

governor of Arkansas. Interestingly, Whitewater was also being investigated by career federal prosecutors until the president gave in to demands for a special counsel in early January.

As is common in criminal investigations that target prominent individuals, both Mr. Agnew's and Mr. Clinton's chief accusers were granted immunity by federal prosecutors in exchange for their testimony. In Mr. Agnew's case, Maryland businessmen Lester Matz, I.H. Hammerman 2d and Jerome Wolff were granted immunity in exchange for their testimony. In Clinton's case, Special Counsel Robert Fiske on March 21 granted limited immuni-

Many pundits have rushed to compare Whitewater to Watergate, but Mr. Agnew's case, at least from what we know now, may be a closer match.

ty to former Arkansas Judge David Hale in exchange for two guilty pleas to felony charges.

Hale, a prominent and active supporter of the Arkansas Democratic political establishment, was also a small businessman whose company gave federally-backed loans to support the business endeavors of some leading Arkansas politicians, including now-Gov. Jim Guy Tucker, as well as to Whitewater. After Hale failed to win a plea-bargain agreement with Clinton-appointed U.S. Attorney Paula Casey, he publicly accused Mr. Clinton last November of pressuring him to issue an apparently illegal loan to the Clinton's Whitewater partner, Susan McDougal. Ms. Casey recused herself from the case shortly thereafter.

But in 1973, Maryland U.S. Attorney George Beall did not recuse himself from Agnew's case, although he certainly could have. Mr. Beall's appointment was cleared by then-Vice President Agnew (he was given the courtesy of personally clearing presidential appointees from his home state). Mr. Beall was also the brother of then-U.S. Sen. J. Glenn Beall Jr., a Republican. Nonetheless, Mr. Beall and his assistant U.S. attorneys aggressively pursued allegations of wrongdoing by Mr. Agnew, despite the fact that he was not the initial target of their investigation.

Low incomes.

Both Mr. Clinton and Mr. Agnew were paid relatively low salaries as governors. Mr. Agnew's annual salary was \$25,000. Mr. Clinton was paid \$35,000 annually. During their respective tenures, each was among the lowest-paid state chief executives. And neither were con-

sidered wealthy either before or during their early public careers.

Mr. Agnew best explained why salary is significant in his 1980 book, "Go Quietly or Else." Of the gifts received from his friend, Mr. Hammerman, (which totaled about \$9,000 to \$10,000 over some eight years), Mr. Agnew wrote: "He knew that I had accumulated very little savings from my modest earnings, and had no outside income. I could not possibly make ends meet on my twenty-five-thousand-dollar salary as governor or sixty-five-thousand-dollar salary as vice president and fulfill all the financial and social obligations of those offices. Rich men can do so from their reserves, but I had no reserves."

Mr. Clinton's financial woes may have been similar during his reign as governor. His Whitewater partner James McDougal told the Los Angeles Times (Nov. 14, 1993) that Mr. Clinton, while jogging one morning, stopped by his office in 1984. Claiming that finances were tight, he asked Mr. McDougal to throw some of Madison's legal business toward his wife, Hillary Rodham Clinton, then a partner in the Rose Law Firm. Shortly thereafter, Mr. McDougal retained Mrs. Clinton to represent Madison.

Problems go with them to Washington.

Both Whitewater and Mr. Agnew's problems spilled over into their tenure in national office. In Mr. Agnew's case, prosecutors pursued a claim by Lester Matz, a professional engineer from Baltimore, that Mr. Agnew accepted \$10,000 and \$2,500 in illegal cash payments, some of it in exchange for help in getting a General Services Administration contract.

Whitewater's woes also went with Mr. Clinton to Washington in early 1993. Then-Deputy White House Counsel Vince Foster had personally supervised the preparation of three years' worth of Whitewater income tax returns that had not been filed with the Internal Revenue Service, as law requires. The controversial handling of Mr. Foster's Whitewater files by other Clinton aides immediately following his death has become a significant issue.

Role of Congress.

According to an account in "A Heartbeat Away," Richard M. Cohen and Jules Witcover's account of Mr. Agnew's investigation and resignation, Mr. Agnew travelled to Speaker Carl Albert's office on the afternoon of Sept. 25, 1973, to personally present him a letter asking for a House inquiry. In the letter, Mr. Agnew cited a constitutional provision that "bars a criminal proceeding of any kind—federal or state, country or town—against a president or vice-president while he holds office."

The letter, as published in the Congressional Record of that day, further cited the 1826 "Calhoun precedent," where then-Vice President John C. Calhoun successfully asked the House to investigate charges that he had improperly profited from any Army contract while he had been secretary of war.

The House named a select committee, which in 1827 exonerated Calhoun of any wrongdoing. Quoting Calhoun, Mr. Agnew argued that the House was the repository of "the sole power of impeachment" and the "grand inquest of the nation," and called on the House to "discharge its Constitutional obligation."

The same day Mr. Agnew spoke to Mr. Albert, the Justice Department presented its evidence before a federal grand jury in Baltimore.

The next day, Mr. Albert denied Mr. Agnew's personal plea for a House investigation. In a terse statement read to the House by then-Majority Leader Thomas P. "Tip" O'Neill, Mr. Albert said, "The vice president's letter relates to matters before the court. In view of that fact, I, as Speaker, will not take any action on the letter at this time."

For more than four months, the Clinton White House and congressional Democratic leaders also stood behind legal proceedings—the special counsel's investigation—to avoid hearings or any kind of investigation. Not until mid-March did Senate and House leaders yield to carefully-worded resolutions to structure hearings in consultation with the special counsel.

How Serious?

"I admit that I did receive payments during the year 1967 which were not expended for political purposes and that therefore these payments were income, taxable to me in that year, and that I so knew," Mr. Agnew told federal Judge Walter E. Hoffman before sentencing on a single count of tax evasion.

No one has accused Mr. Clinton of tax evasion, but various news organizations, including the New York Times, have asked whether Mr. Clinton used Madison to divert campaign funds to personal funds. Money Magazine's April issue features its own audit of the Clintons' tax returns for the years 1980-1992, claiming they owe \$45,000 in back taxes, interest and penalties. Whitewater Development Corp. didn't file income tax returns for three years.

In the absence of further public disclosure by the Clintons, action by the special counsel and congressional hearings, it is not possible to know just how serious the Whitewater offenses may be. But Mr. Agnew's resignation was driven as much by a desire to spare President Nixon and the country a trial while Watergate raged as it was to get the Justice Department off the vice president's back.

This fate may never befall Mr. Clinton. Whitewater may turn out to be, as he and Mrs. Clinton have asserted, just another failed real-estate deal. But the similarities between Mr. Agnew's and Mr. Clinton's experiences underscore the potential seriousness of Whitewater, and why a growing number of Americans are telling pollsters that it is a matter worth investigating.

Kelly Johnston is staff director of the U.S. Senate Republican Policy Committee.

D'Amato suspects obstruction by two Clinton aides

By Ronald A. Taylor
THE WASHINGTON TIMES

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The ranking Republican on the Senate Banking Committee said yesterday that senior White House aides may be guilty of obstruction of justice if they tried privately to remove a lawyer retained by the Resolution Trust Corp. in connection with the Whitewater-Madison affair.

"While the White House was denying it had interfered with the Whitewater investigation and Deputy Treasury Secretary Roger Altman was telling the Senate Banking Committee the same thing, George Stephanopoulos was calling his friends at the Treasury Department regarding the hiring of Jay Stephens," Sen. Alfonse M. D'Amato, New York Republican, said in a statement.

"These alleged acts, if true, may amount to an obstruction of justice," he said.

But Rep. Jim Leach, Iowa Republican and the chief House Republican critic of President Clinton, yesterday downplayed the aides' actions and said he still believes the president's problems are ethical, not criminal.

"I think the White House may have made a mistake, but I think it'd be premature to draw any extraordinary conclusions," Mr. Leach said on NBC's "Meet the Press." "I hope we don't make too much of this part of the story."

Both men were referring to contacts with senior Treasury Department officials by Mr. Stephanopoulos, a Clinton senior advisor, and by White House Deputy Chief of Staff Harold Ickes, to complain about the hiring of Jay B. Stephens to investigate civil claims from the failure of Madison Guaranty Savings and Loan Association.

Mr. Stephens, a legal aide in the Reagan administration, was fired as U.S. attorney for the District of Columbia last March, two months after Mr. Clinton took office.

At the time, Mr. Stephens charged that his dismissal was aimed at thwarting his office's still-continuing investigation of House Ways and Means Chairman Dan Rostenkowski, Illinois Democrat, in the House Post Office scandal.

According to this week's issue of Time magazine, Mr. Stephanopoulos and Mr. Ickes placed a conference call on Feb. 25 to Deputy Treasury Secretary Roger Altman, the acting head of the RTC, after learning that the independent regulatory agency had retained Mr. Stephens a day earlier.

In a second conversation on Feb. 25, Time reports, Mr. Stephanopoulos called Treasury Department Chief of Staff Joshua Steiner to discuss ways to "get rid of" Mr. Stephens.

Mr. Stephanopoulos told CNN on Saturday that he had expressed anger at the hiring of Mr. Stephens

but was "just trying to get information."

Mr. Altman, Mr. Steiner and Mr. Stephanopoulos were subpoenaed by Whitewater-Madison special counsel Robert B. Fiske Jr. to testify before a federal grand jury about White House-RTC contacts at a time the Clintons were under investigation by the regulatory agency charged with dealing with failed S&Ls.

Mr. Clinton refused to discuss the telephone calls yesterday.

"There is not a damn thing he wants to say today," spokesman Jeff Eller, with the president in Dallas, told reporters. "He stands behind George 100 percent" but didn't want to voice those sentiments just yet, Mr. Eller said.

House Speaker Thomas S. Foley, Washington Democrat, also appearing on the NBC program, said the contacts between White House aides and Treasury officials were "just telephone calls for information that are being played up as some kind of an impropriety."

"We've lost the proportionality here in this whole matter going from being concerned about interference to being concerned about appearance of interference, to be concerned about appearances of appearances of interference," Mr. Foley said.

Mr. D'Amato said in his statement that he will be "providing additional information, that has not yet been made public, to Mr. Fiske involving improper conduct by members of the Executive branch in the Whitewater matter."

He provided no details in his statement but added, "In light of the fact that new information is uncovered on a daily basis, it's important that the press and the public continue their quest for the facts because I suspect there is more to be learned."

Mr. Leach said yesterday of the White House aides: "It's natural that they would be upset [with the Stephens appointment]." But, he noted, "It was probably a mistake to convey this in a way that may or may not have implied trying to release him from this job."

The congressman framed the episode as the latest in a string of missteps by the administration regarding disclosure of the Clintons' involvement with Madison and its owner, James B. McDougal, who

was their partner in the Whitewater Development Corp., a northern Arkansas real estate venture.

Mr. Leach said he saw no evidence of criminal wrongdoing so far.

"This is a breach of public ethics, in my judgment, that occurred prior to a president taking office. It isn't a breach of the law after a president has taken office, which is a major distinction with Watergate," he said.

As a presidential candidate, Mr. Clinton made much of the ethical problems of his predecessors, often singling out the S&L crisis as the result of a climate that allowed greedy Republicans and CEOs to take advantage of the public trust, Mr. Leach said.

While agreeing with much of Mr. Clinton's characterization of the 1980s, Mr. Leach said, "whether he has the moral stature to make those criticisms is open to question."

Last week Mr. Leach said there was evidence to suggest that federally insured deposits in Madison were used to cover interest payments on loans to the Clintons covering their investment in the Whitewater project.

He also said other Madison deposits may have been diverted to cover campaign debts incurred by Mr. Clinton in his bid for reelection as Arkansas' governor. Federal regulators have estimated that covering the federally insured deposits lost by Madison will cost taxpayers at least \$47 million.

ABC News reported last evening that the Clintons will turn over to Mr. McDougal Whitewater documents he says he needs to file tax returns.

• Frank J. Murray in Dallas contributed to this article, which is based in part on wire service reports.

The painful toll of Whitewater

The Clintons yell more, enjoy their work less

Bill Clinton had something other than Whitewater on his mind last week as he walked toward the East Room for his big press conference. The president told aides that his 14-year-old daughter, Chelsea, had just done well on an important test she had been worried about. The president saw it as a good omen. Then he walked jauntily into the den of reporters andaced his own high-stakes quiz on the single most damaging issue of his presidency.

Afterward, the president told aides he had done all he could to end the controversy and was eager to forget the issue for a while during a family vacation in California. "They really need to get out of town for some R & R," says a friend. "We hope they can put their problems aside for a while." But, as other presidents and first ladies have found, escape won't be easy.

Fuming. For one thing, Bill and Hillary Clinton are far more frazzled by the Whitewater furor than they have let on. In private, they often fume at staff members who ask about their failed real-estate venture in Arkansas, even in an effort to marshal a defense. The Clintons insist that their good intentions as public figures over the years should outweigh any transgressions or mistakes in their private lives, such as overstating a loss from Whitewater by more than \$22,000, which the president admitted last week.

But the strains go deeper. The last 14 months have been far more grueling than the Clintons ever imagined. The president's considerable legislative success on the budget, education and social policy initiatives has often been overshadowed by errors, ranging from botched personnel appointments to excessive secrecy on Whitewater.

"Think of the year they've had," says a senior White House official. There were the deaths of the president's mother, Vir-

ginia Kelley, and Mrs. Clinton's father, Hugh Rodham. And then there were the troubles of several close friends, including departing White House counsel Bernard Nussbaum and Justice Department official Webster Hubbell. The apparent suicide of deputy White House counsel Vincent Foster, an old family friend, is a source of continuing grief. In the words



All kidding aside. The Clintons hate being under siege.

of one senior aide, "There's still an element of sadness in the White House."

To this day, the president talks about how much he misses his mother. He likes to recall her experiences as a nurse and tells aides how much she believed the health care system should somehow improve care for the poor. "Most people who live through losses like that can be basket cases," a friend says. "But he's president. He can't afford to be."

Mrs. Clinton's personal challenge,

friends say, is coming to terms with lack of privacy. She deeply resents the scrutiny of her family's finances in the Whitewater affair and was one of the last holdouts against full disclosure. She stubbornly refuses to be trapped by life in the White House, often slipping out free of reporters and with a minimal Secret Service detail. She goes shopping and has visited the zoo and other sites around Washington with Chelsea, sometimes wearing sunglasses and a baseball cap. On such occasions, she rarely draws a crowd. The self-imposed pressure to deliver a health care bill also takes its toll. "You see the weight on her shoulders," says a White House aide. "It's a physical thing. She's under tremendous strain."

While the Clintons are on vacation, the White House hopes to tighten some procedures to make the rest of the year

go more smoothly for them. Partly in response to a story in *U.S. News* last week, White House Chief of Staff Mack McLarty moved to strengthen requirements for obtaining White House passes and will insist that procrastinating staffers fill out the paperwork needed for security clearances.

Impossible for Ickes. On a substantive level, administration aides predict that White House Deputy Chief of Staff Harold Ickes will lose some of his vast portfolio, which includes supervising health care strategy, helping to organize damage control on Whitewater and coordinating White House efforts to elect Democrats in this fall's campaign. Some party insiders say Ickes is being asked to do the impossible. They question whether the same person expected to work closely with Republicans on health care should also be the one to bash them in the fall election. Ickes's political duties could be shifted elsewhere in the White House, perhaps to senior adviser George Stephanopoulos.

But the White House's immediate hope is for the Clintons to rejuvenate themselves. The president recently reminisced with visitors about how much his life has changed. While he was in Little Rock, he said, he could follow sports, keep track of his favorite players and sometimes goof off. "That's when I used to have a life," he said ruefully. Those days, of course, are over.

By KENNETH T. WALSH

■ U.S. NEWS

Crime report under White House seal

Liberal planks might not fit the national mood

The Clinton White House has refused requests to release the recommendations of the administration's antiviolen- "working group." Some suggest the reluctance stems from fears that the proposals appear too soft-hearted in the current get-tough atmosphere. As one insider at the Justice Department sees it, "The White House seems afraid that it will somehow screw up the crime bill."

U.S. News has obtained a copy of the report's 89-page summary. It shows that government crime specialists—a combined force of 120 political appointees and civil servants—stress a preventive approach to violence like that favored by Attorney General Janet Reno, not the police-and-prisons formula being championed by hard-liners in Congress and by "new Democrats" like the president himself. A White House endorsement of its contents, which would anger powerful interests like the National Rifle Association, could upset an already delicate balance that threatens to delay enactment of a crime bill. House action stalled last week after Republicans vowed to press dozens of amendments to a Democratic version they called too lenient on criminals.

The White House says it never planned to make the antiviolen- document public and that it has never released such working papers. Aides note that some of the report's ideas have been put into effect, while others are under study. Among the controversial proposals:

■ **Guns.** Firearms should be regulated by government as "dangerous consumer products," making them subject to product-safety rules. Regulators might impose tight licensing and possession rules on a new class of "restricted weapons" that includes handguns and semiautomatic long guns. New kinds of government research are encouraged into patterns of firearms ownership, use, supply, fatalities and injuries—a tack that will

inspire fear of more regulation among gun advocates. The document urges officials to "reframe the public debate on firearms" by embarking on a "massive public education" campaign on the dangers of firearms, akin to similar drives against drunk driving and smoking.

■ **Kids.** The panel urges tougher sanctions in juvenile courts but does not want

backing for "home visitation," citing the example of Hawaii, which encourages parents in families where authorities suspect a risk of child abuse to allow outside counselors into their homes as early as during pregnancy.

■ **Media.** Decrying the "dangerous consequences" of routine violence on television, the report calls for a "Government/Media Antiviolen- Partnership" more formal than meetings with broadcast executives held by Clinton and Reno so far. The experts say that the high-level jawboning should include producers, writers, performers and advertisers. The report urges Washington to help "develop the consumer demand" for technology that allows parents to screen out violent programming.

While the report voices hope that concerted federal action can help reduce violence, it is pessimistic about

CHUCK HARRITY - USA/WR



Hot stuff. The report backs Reno's ideas. But are they Clinton's?

to send young suspects to trial as adults. Instead of waiting until youths turn violent, the experts want Wash-

ington to challenge communities nationwide to create 1 million "mentorships" allowing stable local residents to counsel young persons believed at risk of committing crimes. To expand the concept of "safe havens," the panel says Clinton should "challenge communities to open at least one school in each neighborhood after normal school hours."

■ **Families.** "Violence, just like learning or charity, often begins at home," the experts conclude. They urge federal

battling sexual assault. The experts favor tougher penalties, but they warn that the myth that most rapes are committed by strangers rather than victims' acquaintances stands in the way of short-term solutions.

"They asked us to be bold," says one federal employee who helped write the report. "But it's not clear that this administration is ready to be bold." Some Washington sages believe that the president will stick to basics like trying to persuade Congress to finance the 100,000 police officers that are the centerpiece of his anticrime policy.

BY TED GEST WITH MATTHEW COOPER

NOTEBOOK

THE CHINA SYNDROME: We understand there was a certain bumblingness to Secretary of State Warren Christopher's trip to China; but the important thing is that the secretary bumbled to the right place. The United States should be happy to be known by the mistreatment of Christopher by the world's most distinguished violators of human rights. The confrontation was morally clarifying and one of the Clinton administration's few fine hours in foreign policy. It was also, of course, unhelpful for American business. But it was our impression that the triumph of American profits over American values was one of the Democrats' principal objections to the foreign policy of George Bush. It is not surprising that Henry Kissinger and Lawrence Eagleburger are attacking the administration: they can live with repression that pays well. But it is surprising that some of the president's most prominent associates—Ron Brown, Robert Reich among them—are making the unqualified, unalloyed, utterly venal argument for money. The problem may be traced back to the president, naturally, who has become a full-time salesman for American products abroad, and who often mistakes trade policy for foreign policy. On China, this time, the president finds himself in the right place. We hope he can contain the salesman within.

BOOK NOTES: The scales just keep falling from our eyes. On the morning of March 20, the brunching citizens of the capital opened *The Washington Post* "Book World" to find an undistinguished, rambling review of some books about black anger and white rage by Tony Martin. "Book World" identified Tony Martin as a professor of Africana studies at Wellesley, and as the author and editor of some volumes on Marcus Garvey and black culture. Maybe that is all they knew about him. What they did not know was that they had invited into their pages one of the season's most accomplished

haters. Martin is the author most recently of *The Jewish Onslaught*, a virulently anti-Semitic account of his troubles (and the more, the better) at Wellesley for teaching a "text" called *The Secret Relationship Between Blacks and Jews*, which blames the Jews for the African slave trade. (A blurb on the back of the *Post*'s reviewer's book reads: "The Jews have made a hell of a mistake this time.") It is unlikely that the editors of "Book World" are knaves. That leaves fools.

WHERE IS POLITICAL CORRECTNESS WHEN YOU NEED IT?: "You are articulate. You are handsome. You are young. You have the opportunity to provide a unique level of leadership."—Senator Dianne Feinstein, at the confirmation hearing of Deval Patrick to head the Justice Department's Civil Rights Division

(Thanks to Stephen Burbank, Philadelphia, Pennsylvania.)

TWO JAKES: With this issue, Jacob Weisberg, formerly a senior editor, becomes a contributing editor, and will write

the national affairs column for *New York* magazine.

GLOBAL CHILLING

THE 5TH USEA GLOBAL CLIMATE CHANGE FORUM
originally scheduled for January 20, 1994
was postponed due to cold weather in Washington, DC

—from a recent U.S. Energy Association flier
(Thanks to Evan Wallace, Seattle, Washington.)

CROSSED WIRES:

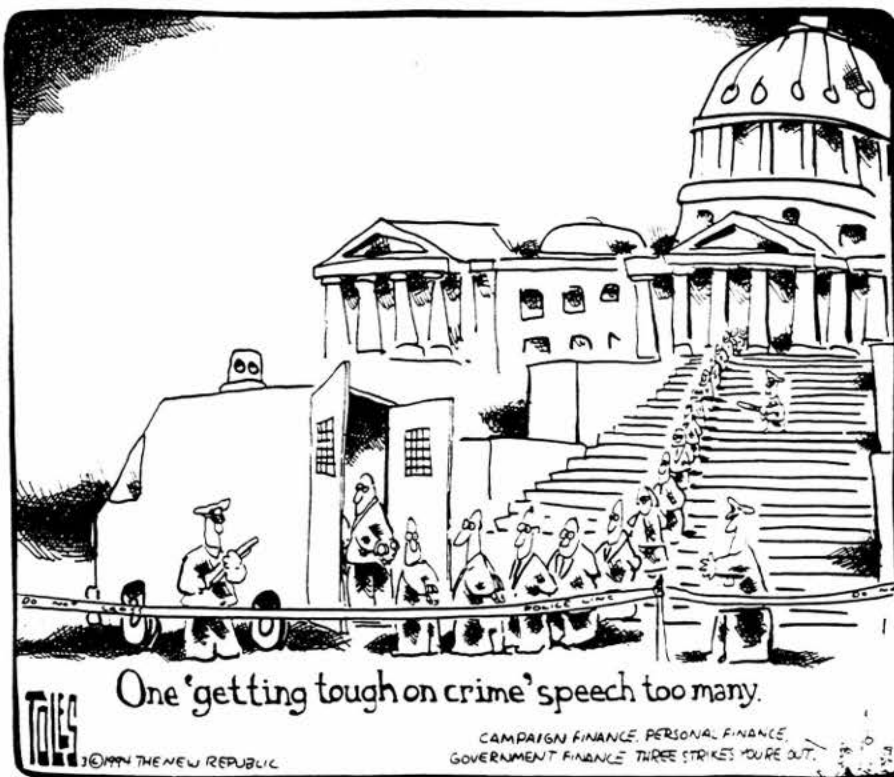
**Bell firms get boost
from House panels**

—*USA Today*, March 17

**Move Said to Hurt Baby Bell Chances
To Offer Long-Distance Phone Service**

—*The Washington Post*, same day

(Thanks to Charlotte Bruce, McLean, Virginia.) •



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The Satmars compare themselves to the Amish, and cite the 1972 *Yoder* case, which excused the Amish from sending their children to public schools. But there are two crucial differences. The Supreme Court in *Yoder* emphasized that "social values" (as opposed to religious scruples) are not enough to justify a religious exemption. And unlike the Amish, who don't believe in voting or holding office, the Satmars are not asking to withdraw their children from the secular world. Instead, they want to administer a state program for Satmar children on their own authority and their own terms.

The justices are likely to rule against the Satmars; but it is not clear which legal theory will command a majority. As Ira Lupu argues in the January issue of the *George Washington Law Review*, the various opinions by the New York State Court of Appeals reflect the conflicting strands of separationism that have muddled the Supreme Court's religion jurisprudence in the past two decades. Some of the New York judges saw Kiryas Joel as a discriminatory sect preference; others as a symbolic union of church and state; still others as a state endorsement of religion.

None of these theories is very convincing. It is implausible to argue, as the lower court did, that non-Satmars will perceive the village as a symbolic disapproval of their own religious choices. In a case as tangible as this, it seems foolish to speculate about perceptions rather than reality. It would be even more unfortunate if the justices endorsed the reasoning of Chief Judge Judith Kaye, who said that all religious accommodations are a kind of religious establishment, and therefore should be subject to the strictest scrutiny. In practice, this could mean the end of legitimate accommodations for religious minorities who, unlike the Satmars, seek exemptions from generally applicable laws.

The most convincing way of ruling against the Satmars is also the narrowest; and it would require the justices to tease out the ill-defined metaphor of religious gerrymandering. In the 1970 *Waltz* case, Justice John Harlan warned about the dangers of "political fragmentation on sectarian lines," and he suggested that government cannot, by ingenious draftsmanship, carve out homogeneous enclaves for particular religious sects. Kiryas Joel, far more dramatically than *Shaw v. Reno*, the landmark voting rights case last June, involves the use of political boundaries to enforce ethnic balkanization and cultural apartheid.

Religious minorities who fear the rigors of pluralism should be perfectly free to resist assimilation. But if they can fence themselves into separate governments and separate school districts, then racial and ethnic minorities will be entitled, by equal treatment principles, to segregated cities and schools of their own. "The Constitution is not violated if God smiles on Caesar's handiwork," says Nathan Lewin. But the Constitution is surely violated when Caesar smiles on God's handiwork, which is what New York state is attempting to do. •

ON THE HILL

DISREGARDING HENRY

By Weston Kosova

Henry Gonzalez was pouring it on thick. "The good people who have been smeared have the right to clear their names," he wrote of the Clintons in a surprise letter to House Speaker Tom Foley last Monday afternoon, "and the country deserves a chance to expose the Republican witch-hunt for what it is." After months of stonewalling, the chairman of the House Banking Committee was suddenly endorsing an extensive congressional investigation of the Whitewater mess. As he told *The Washington Post*: "It is, I believe, time for Democrats to use the truth, the weapon that Republicans fear most."

It was a classic Gonzalez performance. Only a day before he had seemed a rock-solid opponent of hearings. Now, for reasons that sounded like loyalty, he was unleashing Clinton's worst nightmare. A troubled Democratic president looked to the Democratic chairman of the committee that controls his fate and met the manic eyes of Henry Gonzalez, a judge and jury unto himself. If the Banking panel were controlled by virtually anyone else—John Dingell, Pat Moynihan, even—Clinton might hope for a manageable situation, some room to negotiate, a favor to call in. From Gonzalez he can expect nothing but unpredictability. The chairman owes Clinton nothing. And he has no need for his debt. Gonzalez is a loner. He hears no counsel but his own, has virtually no close allies in the House (Gonzalez didn't tell anyone, not even the ranking Democrats on his own committee, of his decision to come out for Whitewater hearings). The last of a generation of patronage congressmen, he is motivated much less by party than by what he perceives to be others' unforgivable acts of betrayal—against country, or, worse, against him.

Gonzalez's list of grievances is long. At one time or another he has called for the resignations of presidents Nixon, Bush and Reagan. But he also dragged the Democratic members of the Keating Five before his committee and treated them with scorn. Nor did Clark Clifford, the old Democratic hand and BOI suspect, escape Gonzalez's interrogation.

Gonzalez is the kind of man who sees potential betrayers all around him. "Brilliant, arrogant and a tinge jealous," is how one longtime observer of Texas politics describes him. He is "very mindful of who does and does not accord him the respect he expects." One aide to a Texas Republican puts it this way: "Gonzalez defines a line and then waits for you to cross it. And at

one point or another you usually do."

On two infamous occasions, Gonzalez flattened men who did cross his line. In 1963, shortly after he was elected to the House, Ed Foreman, a Texas Republican, denounced Gonzalez as a "pinko" in the House chamber. Gonzalez punched him out. Twenty-three years later, a man sitting in Earl Abel's, a popular San Antonio restaurant where Gonzalez frequently has breakfast, called him a Communist. (Gonzalez's refusal to recite the Pledge of Allegiance, which he once likened to the "Sieg Heil," ruffles some of the folks back home.) "Henry took one poke, and put the guy on the floor," recalls one San Antonian who has watched Gonzalez's career. Gonzalez was 70 years old. "Henry has always been quite proud that in his younger days he was a golden gloves boxer," she says. "He said the only thing for a good American to do when called a Communist is to punch him out."

Those who know Gonzalez from his days as a San Antonio city councilman and state senator in the 1950s and early '60s trace his insistence on personal deference to his early years as a politician. The first Mexican-American to make it in San Antonio politics, Gonzalez did battle against Jim Crow laws and the city's sometimes hostile Democratic machine, the Good Government League.

Gonzalez won his House seat in 1961. His success in Texas politics prompted other Hispanic politicians to trace his steps, including Henry Cisneros, who became San Antonio's mayor in 1981. Gonzalez was wary of his successors, whom he viewed as having had too easy a time of it. He was particularly wary of Cisneros. "I think ego and jealousy had a great deal to do with it," says one San Antonian who knows Gonzalez well. "And the fact that Gonzalez was no longer the one and only king of the mountain. At that point Gonzalez had been in Congress for better than twenty years, and was not nationally prominent. Henry Cisneros very quickly became a national figure." Whenever Gonzalez came to town, Cisneros tried to soothe him by "treating him with proper deference." But Gonzalez remained cool. It wasn't until 1988 that Gonzalez came

into power of his own in the House, when Banking Committee Chairman Fernand St. Germain was unexpectedly defeated. By dint of seniority, Gonzalez got the job.

And he has held on. Gonzalez's seat is considered practically bombproof. Even after sixteen terms, he carefully cultivates his constituents. "Henry is famous for walking down the street and calling people by name," says one San Antonio Republican. "He has a phenomenal talent for remembering names and faces and the personal details of people's lives."

In Washington Gonzalez keeps his staff, both in his office and on the committee, under tight rein. He has no

press secretary, preferring instead to schedule all of his appointments himself. (He returns calls from the press only if he's in the mood; lately he has not been.) Banking Committee staffers are strictly forbidden from speaking to the press.

As a committee chairman, though, Gonzalez controls his turf with a decidedly looser grip. He allows Democrats and Republicans to follow their legislative interests without much meddling. As a result, Banking Committee meetings are notorious for their length. Gonzalez frequently allows witnesses to speak for as long as they like, doing away with the red-light cutoff that other chairmen enforce. At times, Gonzalez will sit back in his chair at a hearing and talk about whatever is on his

mind. "Sometimes he'll just reminisce, talk policy, about his overall views," says a Washington lawyer who has appeared several times before the committee. "Frankly, you're very anxious to go to lunch, you have to take a pee or something. And he'll talk for nearly an hour."

Though Gonzalez grants his colleagues relative freedom, there is one unspoken rule about working with him: "The thing to know about Gonzalez is that he is in charge," says one staffer to a Democrat on the Banking Committee. "The worst thing you can do to him is try to tell him how to run his committee." And that is precisely what Jim Leach tried to do. Gonzalez and Leach, the panel's senior Republican, had been feuding publicly for months. Gonzalez was furious at Leach's constant calls



HENRY GONZALEZ BY VINT LAWRENCE FOR THE NEW REPUBLIC

for hearings, and became more so when the Republican planned to bypass him and use a routine March 24 committee hearing as a forum on Whitewater. Leach's maneuver left Gonzalez with few options. He could sit quietly and watch as Leach took over the hearing, or he could assert his authority as chairman and rule any questions about Whitewater out of order. Neither choice was acceptable to Gonzalez. If he stifled Leach's questions, "he would be providing the public with the first visual image of a cover-up," in the words of a Republican leadership aide. And there was no way Gonzalez would hand over control of his committee to Leach, especially not on television.

So Gonzalez got personal. He canceled the March 24 meeting and delivered his letter to Foley. His purpose in throwing the House doors open on Whitewater wasn't to foil the Republicans, just Leach. Gonzalez himself was said to favor hearings, but refused to embrace the idea as long as he was under pressure from the GOP. By undercutting Leach, he solved all three problems. Leach still gets the hearings he wanted, but not on Gonzalez's stage. And just to make sure Leach knew what hit him, Gonzalez sent him a taunting "Dear Colleague" letter informing him that the meeting had been scuttled. In the letter Gonzalez called Leach, among other things, "obstinate" and "obdurate." About the only thing Gonzalez didn't call him was a commie. •

The truth about Shooting Back.

SHOOTING BLANKS

By *Hanna Rosin*

Back in 1988, when Jim Hubbard founded a program to teach photography to homeless children, few imagined it would succeed on a grand scale. Yet within two years, Hubbard's Shooting Back mounted an exhibit of 150 photos at the Washington Project for the Arts (WPA)—the second most popular show in WPA's history. The exhibit spawned a three-year tour of the United States and France, a best-selling 115-page book and a movie deal, and it made a celebrity of Hubbard, an ex-PT photographer with a master's degree in divinity. In hundreds of interviews Hubbard preached about his mission to "help the children fight injustice," and claimed his program would "change their lives in a profound way." Today, as Shooting Back celebrates its fifth anniversary, it has a new office in Minneapolis and a new show at WPA called "Shooting Back from the Reservation," featuring photos by Native American children. Senators Daniel Inoué and Ben Nighthorse Campbell spoke at the opening, and Attorney General Janet Reno invited Hubbard, two of the kids and a drum group to a private reception in

her office, where she lately displays a small exhibit of their work.

So what's wrong with this picture? There is a dark side to Shooting Back's glowing success. Hubbard's autocratic management of the organization, and his obsessive control of the photos, has alienated almost everyone involved with the group. This year three of Shooting Back's young photographers plan to sue Hubbard, claiming that he has robbed them of tens of thousands of dollars in profits that are rightfully theirs, including those earned by his sale of their photos to companies like MTV and Mazda. They complain that they remain poor while he rakes in fees on the college lecture circuit. Also, eight of Shooting Back's ten original board members and all of its original staff have quit over Hubbard's intimidation tactics and his commitment to sabotaging the efforts of anyone whose success threatens to eclipse his.

"These parents and children... are hungry for someone to care," Hubbard wrote in the Shooting Back book. "Daniel Hall, with the sweetest smile in his voice, calls me at the Shooting Back office on a regular basis and asks, 'When are you gonna come pick me up, Jim, so we can take pictures?'" Daniel, however, hasn't spoken to Hubbard in three years. Like Dion Johnson and Charlene Williams—two other kids whose work is featured prominently in the book—he feels Hubbard has taken advantage of him. When Daniel was 9, he shot the picture of a child doing a backflip that appears on the book's cover. The picture has appeared on two C.D. covers, including the cover of a promotional disc put out by Quincy Jones for *Vibe* magazine. Daniel's mother and Charlene's mother each say they refused to sign forms that would have granted Hubbard sole copyright because they were wary of the terms of the agreement. Dion's mother says she signed a permission slip allowing her son to participate in Shooting Back but never signed a copyright form. Hubbard insists he received signed copyright forms from all three, though he could not produce them.

But even if the mothers did return the forms, their lawyer, Mitch Kreindler, believes the agreement would be invalid. Like other free-lance photographers, Kreindler says, the children are entitled to at least 50 percent of the profits. (Shooting Back's sales and royalties totalled \$31,500 in 1992, the last year the organization was audited.) "The kids feel they've been ripped off," Kreindler says.

Hubbard counters that the children have profited from the free teaching and equipment Shooting Back has provided. The profits, he says, should be used to offer other kids the same opportunity. He claims the kids can print from the negatives whenever they want. But Hubbard only granted them that right after a long struggle, and he has made it hard for them to take advantage of it. His resistance started in 1991 when Daniel, Charlene and Dion broke from Shooting Back and joined with ex-board member Ella McCall in a new profit-making venture, Dion and Friends. That May, free-lance photographer Lloyd Wolf, who works with Dion, wrote to Hubbard asking that the children be allowed to make prints. Wolf received no response. After

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Continued from Page 1A.

Chief of Staff Harold Ickes had questioned the hiring of former U.S. Attorney Jay B. Stephens to lead a Whitewater-related investigation.

Mr. Stephens, a vocal critic of the Clinton administration, and his law firm had been retained by the Resolution Trust Corp. to look into potential civil matters involving Madison Guaranty Savings and Loan.

The Arkansas thrift was owned by the Clintons' partner in Whitewater Development Corp., and its failure cost taxpayers approximately \$60 million.

When aides learned of Mr. Stephens' hiring, they reportedly angrily telephoned Deputy Treasury Secretary Roger Altman to determine what could be done. Mr. Stephanopoulos was quoted as asking whether the hiring was "final."

Later, Mr. Stephanopoulos reportedly discussed the matter with Treasury Secretary Lloyd Bentsen's chief of staff, Joshua Steiner.

No action was taken, however, and Mr. Stephens, a Republican who criticized the Clinton administration for firing him last year as the U.S. attorney in Washington D.C., is still on the job with RTC.

Responding to a shouted question Saturday at the children's hospital, Mr. Bentsen, who was traveling with the president, said he had "no knowledge" of the latest controversy.

Later, as he left a reception with the president and his supporters at the Mansion on Turtle Creek, Mr. Bentsen was handed a copy of the Time story and began reading it as he was driven away.

Both The Post and Time also reported that Mr. Steiner had kept detailed notes, which some administration officials described as a "comprehensive diary that could provide investigators a roadmap of the conversations concerning Mr. Stephens."

Explaining concerns

"The whole thing is being taken very seriously," White House spokesman Jeff Eller told reporters. "That's



Associated Press

This is the cover of Time magazine's April 4 issue. White House adviser George Stephanopoulos is involved in another round of questioning regarding the Whitewater affair.

"The whole thing is being taken very seriously.

That's why he (the president) went before the American people on Thursday night. That's why we've cooperated in turning over documents."

— Jeff Eller,

White House spokesman

why he (the president) went before the American people on Thursday night. That's why we've cooperated in turning over documents" to Special Counsel Robert B. Fiske Jr., who is investigating the Whitewater affair.

"It would be highly inappropriate for the White House to comment officially in any way about the ongoing investigation of the grand jury," Mr.

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Reports of senior White House aides' anger about Whitewater investigator cloud trip

By G. Robert Hillman

Washington Bureau of The Dallas Morning News

President Clinton brought his health care campaign to Texas Scottish Rite Hospital for Children on Saturday, but his reform message had to compete with new reports that some of his closest aides tried to interfere with a Whitewater investigation.

In his weekly radio address, delivered from the hospital, Mr. Clinton noted that a House subcommittee last week had approved a health care plan "like ours, covering every American."

In spite of all the special interests and TV ads, the committee made an important statement," he said. "After

■ Arkansans in D.C.	22A
■ President visits hospital.	37A
■ Clinton on the links.	40A
■ Whitewater feud.	1J

60 years of gridlock, the American people are being heard. They want us to take care of their important business like health care reform."

Mr. Clinton and his family are in Dallas this weekend for the wedding of his brother, Roger. He also played golf Saturday at the Prestonwood Country Club and plans to attend the Arkansas-Michigan college basketball game Sunday in Reunion Arena.

But despite his efforts to put the Whitewater controversy behind him, questions about the Clintons' Arkansas land deal and related issues followed the president to Dallas and threatened to cloud his Easter vacation this week in San Diego.

As White House aides were leaving the hospital, reporters peppered them with questions about Whitewater developments reported this weekend in The Washington Post and Time magazine.

Both publications reported that senior White House adviser George Stephanopoulos and Deputy White House

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HAVE OVERBILLED CLIENTS WHILE AT THE FIRM, WAS ONE OF TWO PARTNERS WHO WORKED ON THE MAUMELLE CASE

AS IN THE MADISON AND LASATER CASES, IT IS NOT YET CLEAR WHETHER THE ROSE FIRM OR HUBBELL ACTED ILLEGALLY OR IMPROPERLY IN THE MAUMELLE SUIT. DESPITE SEVERAL REQUESTS, RTC OFFICIALS REFUSED TO DISCUSS THE REASONS FOR DISMISSING ROSE. ALLAN BIRD, A ROSE PARTNER WHO WORKED ON THE CASE WITH HUBBELL, INSISTED THE RTC WAS INFORMED AS SOON AS THE LAW FIRM BECAME AWARE OF CONFLICTS INVOLVING STEPHENS AND WORTHEN.

THEY KNEW EXACTLY WHAT WAS GOING ON WHEN WE DID," BIRD, WHO IS MANAGING A NEW WASHINGTON OFFICE FOR ROSE, SAID IN AN INTERVIEW THIS WEEK.

BUT THE MAUMELLE CASE, LIKE THE ONES INVOLVING MADISON AND LASATER, ALSO RAISES QUESTIONS ABOUT WHETHER THE ROSE FIRM'S THEN TOP PARTNERS HUBBELL, CLINTON, WHITE HOUSE LAWYER WILLIAM KENNEDY III, AND NOW-DECEASED PRESIDENTIAL DEPUTY COUNSEL VINCENT FOSTER OVERLOOKED POTENTIAL ETHICAL PROBLEMS IN THEIR RUSH TO GET PROFITABLE LEGAL WORK FROM GOVERNMENT AGENCIES HANDLING THE THRIFT BAILOUT IN THE LATE 1980S AND EARLY 1990S.

THREE EXPERTS ON LEGAL ETHICS CONSULTED BY NEWSDAY CONFIRMED THAT THE ROSE FIRM'S POSITION IN THE MAUMELLE FORECLOSURE APPEARED TO REPRESENT A CONFLICT OF INTEREST, AND SAID THE PROPRIETY OF THE FIRM'S ACTIONS WOULD TURN ON WHAT THEY DISCLOSED TO THE RTC.

THERE'S DEFINITELY A PROBLEM WHEN YOU HAVE A SITUATION WHERE THE FINANCIAL INTERESTS OF ONE CLIENT WOULD ADVERSARILY SQUEEZE OUT THE INTERESTS OF ANOTHER CLIENT," SAID GEOFFREY HAZARD, A YALE UNIVERSITY LAW SCHOOL PROFESSOR.

THE CASE CENTERS ON MAUMELLE, A NEW CITY OF NEARLY 7,000 THAT WAS SPRUNG UP OVER THE PAST TWO DECADES JUST A FEW MILES NORTH OF LITTLE ROCK ACROSS THE ARKANSAS RIVER, AND REAL ESTATE ENTREPRENEURS, JOHN JAY DEHAVEN AND MICHAEL TODD, WHO BOUGHT UP MOST OF THE REMAINING DEVELOPABLE LAND IN THE CITY IN 1968 AND MANAGED TO SELL MORE THAN 2,000 LOTS SINCE THEN.

DEHAVEN AND TODD PURCHASED THE PROPERTY WITH THE HELP OF A 14 MILLION LOAN FROM A TEXAS-BASED THRIFT, SAN JACINTO SAVINGS & LOAN. BUT BY LATE 1990, THE THRIFT ITSELF HAD GONE BELLY-UP, AND REGULATORS FROM THE RTC RESPONSIBLE FOR CLEANING UP THE MESS FOUND THAT THE LOAN TO DEHAVEN AND TODD WAS IN ARREARS.

HUBBELL, ACCORDING TO BIRD, MADE THE INITIAL CONTACT WITH THE RTC OFFICIALS IN TEXAS AND ROSE WAS HIRED TO FORECLOSE ON THE LOAN TO RECOVER 11 MILLION IN PRINCIPAL AND OVERDUE INTEREST. DURING THE COURSE OF THE NEXT YEAR AND A HALF, BIRD, WHO SPECIALIZED IN COMMERCIAL LAW, AND HUBBELL, A LITIGATOR, TEAMED UP ON SIGNING MOST OF THE COURT PLEADINGS. BUT HUBBELL DID PROBABLY ONE-TENTH OF THE WORK I DID," BIRD SAID. HUBBELL'S LAWYER DECLINED TO COMMENT.

THE PROBLEM THAT WOULD EVENTUALLY LEAD TO ROSE'S DISMISSAL. IN THE COURSE OF DEVELOPING MAUMELLE, DEHAVEN AND TODD RELIED ON

MILLIONS OF DOLLARS IN SO-CALLED IMPROVEMENT DISTRICT BONDS TO FINANCE ROAD BUILDING AND WATER AND SEWER CONSTRUCTION. THOSE

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BONDS WERE SUPPOSED TO BE PAID OFF THROUGH ASSESSMENTS ON THOSE WHO OWNED LOTS. BUT IN THE EVENT THE PROJECT FAILED, THE BONDHOLDERS' RIGHTS UNDER ARKANSAS LAW WOULD LEGALLY TRUMP THE RTC'S CLAIM.

STEPHENS INC., THE LITTLE ROCK FINANCIAL CONGLOMERATE THAT IS ONE OF ROSE'S BIGGEST AND OLDEST CLIENTS, HAD UNDERWRITTEN MANY OF THE BONDS AND, BIRD CONFIRMED, OWNED SOME OF THEM. STEPHENS GENERAL COUNSEL DAVID KNIGHT IS A FORMER ROSE PARTNER.

THE STEPHENS FAMILY, IN TURN, CONTROLS A LARGE BLOCK OF STOCK IN WORTHEN BANK. THE ESCROW AGENT RESPONSIBLE FOR ENFORCING THE BONDHOLDERS' RIGHTS, WORTHEN, ACCORDING TO SECURITIES AND EXCHANGE COMMISSION FILINGS, PAID THE ROSE FIRM AS MUCH AS 446,000 FOR LEGAL WORK DURING THE 1980S.

BIRD SAID THAT WHEN HE AND HUBBELL BEGAN WORK ON THE CASE IN 1990, THEY DIDN'T ANTICIPATE A CONFLICT PROBLEM BECAUSE THEY DIDN'T KNOW ABOUT THE BONDS AND AS THEY BECAME INFORMED, THEY BELIEVED THEY COULD MAINTAIN A NARROW FOCUS ON THE FORECLOSURE AND ACCOMPLISH THAT WHILE THE PAYMENTS TO BONDHOLDERS CONTINUED UNINTERRUPTED.

AS THE FORECLOSURE DRAGGED ON, BIRD SAYS, AND EVIDENCE ACCUMULATED THAT DEHAVEN AND TODD MIGHT NOT MAKE REQUIRED PAYMENTS TO WORTHEN FOR STEPHENS AND OTHER BONDHOLDERS, CONCERNS ABOUT A CONFLICT GREW. BUT THE REGULATORS WERE KEPT FULLY INFORMED. HE BELIEVES THE AGENCY FINALLY CUT ROSE LOOSE IN APRIL, 1992, BECAUSE NEW RTC CASE MANAGERS EVALUATED THE RISKS OF CONFLICT DIFFERENTLY THAN THEIR PREDECESSORS.

I KNEW THERE WAS A GROWING CONCERN AT STEPHENS THAT THE BONDS WERE NOT GOING TO BE SERVICED, AND I SPECIFICALLY KEPT THE RTC ADVISED OF THAT FACT," BIRD SAID.

BUT ONE RTC SOURCE FAMILIAR WITH THE CASE, SPEAKING ON CONDITION OF ANONYMITY, SAID THE RTC IDENTIFIED THE CONFLICT PROBLEM INDEPENDENTLY, AND THAT ROSE NEVER RAISED THE ISSUE OF A POTENTIAL CONFLICT WITH THEM. DURING THE COURSE OF TIME I WAS INVOLVED IN IT, I AM NOT AWARE OF ANY REPRESENTATION TO THAT EFFECT BY THE ROSE LAW FIRM," THE SOURCE SAID.

THE SOURCE ALSO SAID ROSE WAS TERMINATED BECAUSE THE CONFLICT WAS UNAMBIGUOUS. IF WE GOT INTO LITIGATION WITH THE BONDHOLDERS, THE RTC WOULD HAVE BEEN IN A VERY BAD POSITION, THE SOURCE NOTED. AND THE SITUATION WAS THAT ROSE REPRESENTED BOTH THE RTC AND STEPHENS.

LEGAL ETHICS EXPERTS, AFTER BEING PRESENTED WITH DETAILS OF THE MAUMELLE MATTER BY NEWSDAY, SAID THAT WHILE THE DISCLOSURE ISSUE WAS CRITICAL, IN SOME CASES A CONFLICT CAN BE SO SERIOUS THAT A FIRM SHOULD SIMPLY WITHDRAW.

THE SAME LAW PARTNERSHIP SHOULDN'T REPRESENT COMPETING INTERESTS," SAID JANIS MCDONALD, WHO TEACHES LEGAL ETHICS AT

SYRACUSE UNIVERSITY LAW SCHOOL. THAT'S RELATIVELY STRAIGHTFORWARD. ... ONCE YOU IDENTIFY A CONFLICT WITH COMPETING INTERESTS, NOT ONLY SHOULD YOU DISCLOSE IT BUT YOU MAY ALSO HAVE TO CONSIDER WITHDRAWING FROM THE CASE.

STEPHEN GILLERS, A LEGAL ETHICS SPECIALIST AT NEW YORK UNIVERSITY LAW SCHOOL, SAID THE SAME RULES APPLY EVEN IN CASES WHEN A PREVIOUSLY UNFORSEEN AND UNAVOIDABLE CONFLICT SUDDENLY

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PITS TWO LEGAL CLIENTS OF THE SAME ATTORNEY OR LAW FIRM. IT'S THE LAWYER'S RESPONSIBILITY FIRST TO BE AWARE OF ANY CONFLICT AND SECOND TO ALERT THE CLIENTS AND REMOVE THE LAW FIRM FROM THE CONFLICT POSITION," GILLERS SAID.

BY MARTIN KASINDORF
WASHINGTON BUREAU

WASHINGTON WITH WHITE HOUSE OFFICIALS UNDER CONTINUING FIRE YESTERDAY OVER WHITEWATER, PERMANENT SECURITY PASSES AND BACK TAXES FOR A NANNY, PRESIDENT BILL CLINTON SCHEDULED A NEWS CONFERENCE FOR TONIGHT TO DEAL WITH THESE ISSUES AND TO TRUMPET WHAT AN AIDE CALLED ADMINISTRATION ACCOMPLISHMENTS " SO FAR THIS YEAR.

CLINTON EXPECTS QUESTIONS ON THE WHITEWATER AFFAIR DURING THE 7:30 P.M. TELEVISED EVENT ONLY THE SECOND NIGHTTIME NEWS CONFERENCE OF HIS PRESIDENCY BUT WILL MAKE ONLY LIMITED COMMENTS ON MATTERS UNDER INVESTIGATION BY JUSTICE DEPARTMENT SPECIAL COUNSEL ROBERT FISKE, PRESIDENTIAL SPOKESWOMAN DEE DEE MYERS SAID.

ABC, CBS, NBC AND CNN PLAN TO PROVIDE LIVE TV COVERAGE OF THE NEWS CONFERENCE, THOUGH LOCAL AFFILIATES CAN DECIDE TO BROADCAST SOMETHING ELSE.

OTHER QUESTIONS MAY CONCERN YESTERDAY'S REASSIGNMENT OF ASSOCIATE WHITE HOUSE COUNSEL WILLIAM KENNEDY, WHO HAD BEEN RESPONSIBLE FOR VETTING THE BACKGROUND OF PRESIDENTIAL APPOINTEES AND FOR SUPERVISING THE ISSUANCE OF WHITE HOUSE PASSES.

A STATEMENT ISSUED BY WHITE HOUSE CHIEF OF STAFF THOMAS MCARTY AND COUNSEL LLOYD CUTLER SAID THE REASSIGNMENT TO OTHER DUTIES WITHIN THE COUNSEL'S OFFICE " WAS AT KENNEDY'S REQUEST.

EARLIER THIS WEEK, KENNEDY ACKNOWLEDGED THAT HE WAS LATE IN PAYING SOCIAL SECURITY TAXES FOR AN ARKANSAS CHILD-CARE WORKER LIKE FIRST LADY HILLARY RODHAM CLINTON AND WEBSTER HUBBELL, WHO RECENTLY RESIGNED AS ASSOCIATE ATTORNEY GENERAL, KENNEDY WAS A PARTNER IN LITTLE ROCK'S ROSE LAW FIRM.

UNDER HIS WIFE'S PREVIOUS NAME, KENNEDY PAID 1,352 IN 1992 SOCIAL SECURITY TAXES FOR THE PART-TIME WORKER EARLY LAST YEAR, SHORTLY BEFORE COMING TO THE WHITE HOUSE DURING THE NANNYGATE UPROAR INVOLVING ATTORNEY GENERAL CANDIDATES ZOE BAIRD AND KIMBA WOOD.

THREE WEEKS AGO, AMID A BITTER DIVORCE PROCEEDING, KENNEDY PAID ABOUT 800 IN BACK SOCIAL SECURITY TAXES FOR 1991. HE HAS SAID HE DIDN'T PAY SOONER BECAUSE HE HAD NO RECORDS OF THE WORKER'S EARNINGS FOR THAT YEAR.

HOUSE MINORITY WHIP NEWT GINGRICH (R-GA.) YESTERDAY DEMANDED THAT KENNEDY RESIGN FOR THE PUBLIC GOOD AND THE WHITE HOUSE GOOD. MYERS SAID KENNEDY HAS NO INTENTION OF RESIGNING.

IN ANOTHER REPUBLICAN STRIKE, HOUSE REPUBLICAN CONFERENCE CHAIRMAN DICK ARMEY (R-TEXAS) CALLED FOR THE DEPARTURE OF DEPUTY TREASURY SECRETARY ROGER ALTMAN. ALTMAN, WHOSE RESIGNATION AS ACTING HEAD OF THE RESOLUTION TRUST CORP. TAKES EFFECT WEDNESDAY, TOLD THE SENATE FEB. 24 THAT HE HAD BRIEFED SENIOR WHITE HOUSE OFFICIALS EARLY THAT MONTH ON AN RTC INVESTIGATION THAT TOUCHED

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Embattled Clinton bids to halt slide To meet press tonight as troubles grow

By Michael Kranish
and John Aloysius Farrell
GLOBE STAFF

WASHINGTON - President Clinton, dismayed by the congressional decision to hold Whitewater hearings and forced yesterday to reassign a top aide who failed to pay nanny taxes, plans to hold a rare evening press conference tonight in an effort to halt his political erosion.

Meanwhile, a senior administration official, speaking on condition of anonymity, told the Globe that the White House would soon revise downward the president's own estimate of his losses on Whitewater. But the official said the revision - while potentially embarrassing - would not necessarily increase Clinton's tax liability.

■ New civil rights chief sees more suits on behalf of women and the handicapped. Page 16.

Clinton in recent days has been hit by new questions about how White House associate counsel William Kennedy 3d - who oversaw the "nanny tax" issue that killed the attorney general nomination of Zoe Baird - failed to pay some of his own nanny taxes on time. Kennedy will be reassigned as a result of his error, according to a statement from the White House last night.

Kennedy, one of three Rose Law Firm partners brought to Washington by Hillary Rodham Clinton, will no longer review backgrounds of presidential appointees for embarrassing episodes, such as failing to pay back taxes.

In a separate flap yesterday, a spokesman acknowledged for the first time that one-third of the 1,000 White House employees still do not have regular passes and one-tenth do not have security clearances.

Both matters, while secondary to Whitewater, have added to a sense of siege in the White House. Fanning the concern, an ABC News poll released yesterday said Clinton's job approval rating had fallen to 48 percent, the first time it has below 50 this year. With the Whitewater affair continuing to dominate news coverage, Clinton's approval rating has dipped 11 points in less than a month, the poll said.

There was speculation yesterday that Clinton may use the 7:30 p.m. press conference to announce several new measures designed to show that he is trying to come clean on Whitewater and other controversies, perhaps by releasing some old tax returns and announcing the results of an audit that may show he underpaid his taxes. There was also

talk that Clinton might turn the session into a mea culpa, similar to the way his wife, Hillary Rodham Clinton, recently said she had made mistakes regarding the Whitewater matter.

"I expect there will be a lot of questions about Whitewater," White House press secretary Dee Dee Myers said. At Clinton's last press conference, the president curtly said he had nothing more to say about the matter, but Myers yesterday left the impression that Clinton would answer questions.

A glimpse into the president's mood - exemplified by his podium-pounding attack on Republicans last week in Boston - was visible again on Monday in Florida. Clinton bristled that allegations by a former Arkansas judge about the Whitewater matter were "a bunch of bull." The former judge, David Hale, who pleaded guilty on Tuesday in a Whitewater-related case, has said Clinton pressured him to make a government-backed loan, some of which went into the Whitewater real estate venture.

Meanwhile, a senior White House official said that the administration will soon scale down its estimate of how much money the president and his wife claim to have lost in the Whitewater investment.

During the 1992 presidential campaign, Clinton asked James Lyons, a Denver attorney, to review financial records of the Whitewater deal. The resulting Lyons Report, as it is known, said the Clintons lost \$69,000.

The Lyons Report was prepared by a group of friendly accountants and was limited, its own authors admitted, by a lack of necessary documentation. The president's partner in the deal, James McDougal, says the Clintons lost just \$13,000.

The White House official said yesterday that freshly obtained records show that the Clintons did not lose \$69,000, but in fact lost a lesser amount. The official said that the calculations are ongoing, but that the eventual figure would still show that the president and his wife lost money. The final estimate would be closer to the Lyons Report than to McDougal's figure, the official said.

The recalculated losses, the official said, did not necessarily mean that the Clintons underpaid their taxes. The couple's accountants never claimed losses on the scale of those listed in the Lyons Report, the official said. "They didn't take all the losses as tax deductions," the official said. "The Lyons number could move without increasing their tax liability."

The president and Mrs. Clinton have already acknowledged a tax problem stemming from their earliest investment in Whitewater. The Clintons first

borrowed money as individuals to buy land in the Ozarks in 1978. It was not until 1979 that the Whitewater corporation was formed.

Because their original debt was a personal liability, rather than a corporate debt, the Clintons were entitled at first to use the interest they paid as a deduction on their income taxes. Once the corporation was formed, however, the corporation claimed the interest deductions.

In 1984 and 1985, however, the Clintons claimed interest deductions on their personal taxes for Whitewater, and after the Lyons Report was released in 1992 they voluntarily paid \$4,000 in taxes and interest to the IRS. They attributed the error at that time to a bank's mistake - the bank was said to have mailed the Clintons an interest-paid statement that should have gone to the corporation.

An upcoming review of the Clintons' tax returns, in the April edition of Money magazine, concludes that the president and his wife may have underpaid their income taxes by \$8,000 in the 12 years from 1980 to 1992 because of such unjustified Whitewater-related deductions.

In addition to Whitewater, the White House was

dealing with several other controversies yesterday:

■ William Kennedy 3d disclosed this week that he did not pay \$800 in 1991 nanny taxes for a domestic worker until three weeks ago, and did not pay \$3,000 in similar 1992 taxes until a year after they were due.

Myers said that Kennedy made a "mistake," calling it "something that he wishes that he had dealt with but didn't."

Meanwhile, House Minority Whip Newt Gingrich of Georgia yesterday called on Kennedy to resign.

The nature of Kennedy's new duties was not known last night. The White House said the reassignment came at his own request.

■ Myers disclosed that one-third of the 1,000 White House employees - including herself - do not have permanent passes, and one-tenth do not have clearance to deal with top-secret matters. Myers said the problem was due to a paperwork backlog, but Republicans have said the matter was an illustration of ineptitude.

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THE REGISTER'S EDITORIALS

Whitewater rapidly rising

There's more turmoil for Clintons,
whether they deserve it or not.

A few days ago one of President Clinton's aides said the president had been through a rough week with Whitewater but had regained command of the situation. Far from it. Two new developments this week are likely to mean more grief for the Clintons.

• Today's Banking Committee hearing — at which Rep. Jim Leach wanted to present witnesses who could deliver a "blockbuster" — was postponed by Chairman Henry Gonzalez. The chairman sent Leach a very nasty letter accusing him of trying to subvert the limited purpose of the hearing, which was required by law to hear reports on the progress of the savings-and-loan cleanup.

Democratic leaders had been urging Gonzalez to delay the hearing because it would be lose-lose for the Democrats. If Leach's witnesses were called, or Leach were allowed to ask questions about Whitewater, there would be testimony that could further stain the presidential image. But if Leach's witnesses were rejected and his questions ruled out of order, it would look like more cover-up.

House leaders quickly saw that delaying the hearing also looked like a cover-up, so they joined with the Republican leadership on a measure, which the House quickly passed by 408 to 15, for setting ground rules for full-scale congressional hearings. The Senate already has voted unanimously for such hearings.

• An old friend of the president, former Arkansas judge and loan-company owner David Hale, who had been indicted on fraud charges unrelated to Whitewater, made a plea bargain with Special Prosecutor Robert Fiske. Hale will avoid prison time by telling a grand jury the story he has been peddling for months: that Clinton, as governor, pressured him to make an ille-

gal \$300,000 loan to one of the Clintons' partners in Whitewater.

Clinton dismisses Hale's story as "bull," and Hale has produced no supporting evidence or corroborating witnesses. But merely by testifying before a grand jury he will embarrass the president again.

There appears to be bipartisan agreement that hearings should not be held so

Given the overwhelming votes in both houses of Congress, the hearings are almost certain to happen. If handled properly, they need not wreck the investigation.

soon as to compromise the special prosecutor's investigation, which is only fair. But how soon? Here the consensus seems to be as soon as Fiske has finished the Washington part of his work. That investigation involves charges that several meetings between regulators and White House staff were improper or illegal cover-ups, and it should take about a month.

Given the overwhelming votes in both houses, the hearings are almost certain to happen. If handled properly, they need not wreck the investigation.

What the hearings will do is keep Whitewater in public view, and that may distract the president from accomplishing much of anything in his second year in office.

That would be a high price to pay if it all turns out to have been nothing but White House fumbling to hide embarrassing but not unlawful activities by the Clintons in Arkansas.

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ATTN: National editors) (Includes optional trims)

Democrats Distancing Themselves From Clinton on Whitewater (Washn)

By Ronald Brownstein= (c) 1994, Los Angeles Times=

WASHINGTON The move by congressional Democrats toward hearings on Whitewater reflects growing dissatisfaction with White House management of the controversy and rising desire among many Democrats to distance themselves from President Clinton on the issue, legislators and party political consultants say.

To some extent, the drive for hearings demonstrates that senior legislative Democrats believed Republicans were making gains in their argument that Congress was joining with the White House to stonewall legitimate inquiry. Legislative and White House officials agree that the decision also illuminates a longstanding unwillingness among many congressional Democrats to bind their fates too closely to Clinton's.

"I don't think it does a lot of good necessarily to be a Friend of Bill in some of these districts," said one leading House moderate.

Democrats on Capitol Hill say they have yet to see anything that belies the president's claim that he has not done anything wrong. But the decision to accept hearings illustrated their growing belief that the White House compounded its problems by resisting each new step toward disclosure from release of documents relating to the original Whitewater investment, to appointment of a special prosecutor, to congressional hearings.

"It is clear that the political strategy in the White House was not succeeding, that the story had legs of its own, and it was counterproductive to try and delay," said the House moderate. "Their's was a naive approach."

So far, congressional Democrats maintain, the enormous press and political focus on Whitewater hasn't seriously slowed down other legislative activities: major education and crime bills are moving toward completion and in the House, Democrats believe they are making progress toward compromise on the administration's massive health care reform plan.

Republican strategist William Kristol warned in a memo this week that the GOP's preoccupation with Whitewater "is keeping Republicans from being able to focus on health care at just the moment ... when inattention to the issue is most dangerous."

White House and congressional strategists admit they are uncertain whether agreeing to hearings has increased or diminished the prospect of Whitewater impeding other legislative initiatives. But it's clear many Democrats felt that with the Republicans hammering away, resisting hearings might prove more disruptive than accepting them.

Democrats acknowledge that hearings represent a roll of the dice that could open unanticipated new questions and increase public attention on the controversy. "If we get into hearings, it can be dragged out for a year, which would be a real problem," said one senior House Democrat.

In both houses, Republicans and Democrats have just begun negotiations over the timing and scope of the hearings, and over whether they will be conducted by existing committees or panels formed specifically for that purpose. House Speaker Thomas S. Foley said in television interviews Wednesday that there was little prospect of joint House-Senate hearings.

The resolutions passed in both houses called for hearings that would not interfere with special counsel Robert B. Fiske's investigation. Congressional officials say Fiske has assured them he intends to finish the Washington elements of his investigation sometime in April, which could open the door for hearings soon afterward.

The first step could be rescheduling the recently delayed House Banking Committee oversight hearings on the Resolution Trust Corporation at which Republicans have said they intend to press questions about White House contact with investigators looking into the failure of Madison Guaranty Savings & Loan, which was owned by the Clintons' partner in the Whitewater development,

James B. McDougal. House sources said the hearing could come sometime in April.

"My calculus is that I would like to get this over as quickly as possible," especially with mid-term elections approaching in the fall, said a top House leadership aide.

Publicly, administration officials from the president down have insisted that Congress alone should decide whether to hold hearings. But privately senior officials have resisted hearings, arguing they would interfere with the special counsel's investigation and offer Republicans an opportunity to keep the Whitewater controversy in the news.

Until last week, the Democratic leadership in both chambers had staunchly backed the administration's position. But over the past week that opposition has crumbled, as greater numbers of rank-and-file Democrats grew uneasy about resisting the GOP demands.

In the end, said the senior House Democrat, the party leadership in both houses was forced to capitulate "because they were afraid of losing a vote on the floor" if Republicans offered an amendment demanding hearings.

(Optional add end)

Congressional Democrats are not acting based on any sign that voters have focused on Whitewater or made any final judgments against the president on the controversy, Democratic political consultants and congressional aides say. "This isn't Watergate in the sense that people are riveted by it," said Democratic media consultant Joe Trippi.

But Democrats say they feared that prolonging the fight over whether to hold hearings could eventually strengthen GOP and conservative charges that Congress was attempting to sweep the Whitewater questions under the rug.

"The Republican bitching and moaning was effective enough that individual members thought, 'I didn't want to be tainted with this,'" said an aide to one Democratic senator. When you have Rush Limbaugh, a conservative who is host of a nationally broadcast talk show, speaking out "about the alleged cover-up of a Democratic president, eventually that seeps into the public domain," the aide said. "People were thinking about themselves."

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1010

Whitewater questions cause second hearing cancellation

By J. Jennings Moss
THE WASHINGTON TIMES

A senior House Democrat late yesterday abruptly canceled a regular appropriations hearing scheduled for today because Republicans on the panel intended to ask questions related to the Whitewater-Madison affair.

The cancellation of the House Appropriations subcommittee on Veterans Affairs, Housing and Urban Development and independent agencies was the second this week. It came a day after the House voted overwhelmingly to explore holding overall hearings on Whitewater-Madison.

Rep. Louis Stokes, Ohio Democrat and chairman of the subcom-

mittee, met with the committee's ranking Republican, Rep. Jerry Lewis of California, on the House floor in the afternoon and told Mr. Lewis the hearing would not take place.

"He said, 'I just don't want our committee to be involved in the politics that's going on around this place,'" Mr. Lewis quoted Mr. Stokes as saying.

Mr. Lewis noted that President Clinton is scheduled to hold a news conference tonight and said he thought the White House event and the hearing cancellation may be connected.

"It almost sounds as if their war room's working overtime down there. I just don't know what someone has to hide. If they're working

so hard to control the agenda in the House, interrupting legitimate business by subcommittees, you have to wonder how far they'll go," Mr. Lewis said.

Mr. Stokes was unavailable for comment last night, and his spokeswoman did not return a telephone call.

The subcommittee was scheduled to hear from Andrew C. Hove, acting chairman of the Federal Deposit Insurance Corp. and FDIC Inspector General James A. Renick. Also set to testify was John J. Adair, inspector general for the Resolution Trust Corp., which oversees S&L bailouts, including that of Arkansas' Madison Guaranty Savings and Loan Association.

Mr. Lewis said he had several questions for the officials that focused on Madison, which failed in 1989 at a cost to taxpayers of \$50 million.

Madison's president, James B. McDougal, was a business partner with President Clinton and Hillary Rodham Clinton in the Whitewater Development Corp., a real estate venture in the Arkansas Ozarks. Mrs. Clinton, then with Little Rock's Rose Law Firm, represented Madison during part of its legal troubles with state regulators while her husband was governor.

Whitewater-Madison special counsel Robert B. Fiske Jr. is conducting a criminal investigation into the ties between Whitewater

and Madison.

Mr. Lewis said that when RTC and FDIC officials testified before the subcommittee last year, they talked about contracts the federal government has with law firms around the country to recover money from failed savings and loans.

Rose was one of those law firms. Federal officials said they paid Rose \$353,091 for its services and received a net return of \$671,909 to the Treasury, Mr. Lewis said.

This year, Mr. Lewis said he wanted to question the officials about how they check a law firm for possible conflicts of interest and ask if they checked Rose.

"It has to be clear to anybody that a person like myself, who has

really been lowballing this thing [Whitewater-Madison], does have the right in his responsibilities that involve legitimate oversight to ask questions in a forum that's appropriate," Mr. Lewis said.

Another hearing that was scheduled for today was a general RTC oversight hearing before the House Banking Committee. But committee Chairman Henry B. Gonzalez, Texas Democrat, canceled it on Monday.

On Tuesday, the House voted to allow the bipartisan leadership to meet and develop a schedule for general hearings into Whitewater-Madison. The Senate last week passed the same resolution, and congressional officials said hearings could begin in a month or two.

Policy lifeline?

Whitewater, with sequels, is not going away. It is already in the media firestorm mode. The story is moving from real estate to real people. Americans are fascinated by any first family, and the Clintons are of particular interest. With the issues of money, sex, partisanship, corruption, cover-up, cronyism and suicide now in play, the ritual press feeding frenzy is unstoppable, like it or not.

But will scandal affect policy? Luckily, Americans still do care about policy. Luckily for the Clintons, they have some policies to peddle. A number of scenarios are available.

Scenario One. Reporters will try to show that a distracted administration functions poorly. But, it may turn out, such a linkage of policy to scandal hardly exists. After all, the policy wonks do keep working away. That is a good posture for the president: working tirelessly to help America in its moment of need.

Scenario Two. The case is made that it will help liberal Democrats. Why? Because when a politician gets into personal trouble, one law of the jungle is "Hold On To Your Base." As long as there is a solid core of liberal Democrats in Congress who think President Clinton is doing essentially the right things on health, crime and welfare, they may be able to help protect him from some of the worst tortures

*The wide-angle
Whitewater story is
press-driven, not
politics-driven.
Americans want to
know, "What Are The
Clintons Really Like?"*

that a Congress can inflict upon a president. And so it may be, by currying liberals. Mr. Clinton will go for too much on health and too little on crime and welfare.

There is a problem with this one. The wide-angle Whitewater story is press-driven, not politics-driven. Americans want to know, "What Are The Clintons Really Like?" Such a story, by the way, is not irrelevant to the workings of democracy. Voters want information. The press wants to serve the voters (as measured by ratings and circulation).

Scenario Three. This is the one I like, because it turns a sow's ear into a policy purse. It means Mr. Clinton takes a hard-line turn on welfare and crime, and takes half a loaf on health care. That's what the public wants, and that is where the public interest is. By delivering, the president becomes a hero and voters say, "Well, I'm finding out what they're really like. I'm not happy about it, but he is delivering what America needs. He really is a New Democrat. He is transforming his party, so I'll stick with him."

Will Mr. Clinton do that? The much-leaked deliberations of the Clinton welfare task force seem to be giving birth to a mouse that may never end welfare as we know it, spending more money on more programs for more people. Republicans will make hay, appropriately, by saying we should stop giving money to teen-agers who bear illegitimate babies and thereby discourage such behavior. But remember: The Clinton welfare task force is not President Clinton. As the process goes forward, he can make the program tougher and smarter.

The crime situation is a mystery. Mr. Clinton talks about "our crime bill," but no one knows what it is. The House is now proposing changes to a tough Senate bill, some of which are necessary, some of which could turn the bill to mush. The key is to ensure that the states have more prison space while pushing them to cut back on parole time. That would keep predators off the streets for longer periods. Mr. Clinton can make it happen and then, properly, brag.

The health care half a loaf would guarantee that insurance is portable, that it cover pre-existing conditions, that it is available to all and that it minimizes malpractice awards. For now at least we don't need new super-bureaucracies and price controls that could make medicine worse.

For Bill Clinton, doing what's both right and popular is the best insulation from scandal.

Ben Wattenberg, a senior fellow at the American Enterprise Institute, is the host of the forthcoming weekly public television program, "Think Tank."

COMMENTARY

PAUL GREENBERG

Now and then, on one of those rare days when no higher-up in the administration is submitting his resignation or answering a subpoena, a welcome lull sets in and hope springs ephemeral that Whitewater will just go away and never come back another day. Like the October Surprise, and Billygate, and forgotten nonscandals of other years. The administration and its more reflexive supporters do what they can to support this happy hope, whispering incantations that don't quite work. ("Whatever you do, do not think of that purple elephant in the corner.")

The technique may work for 24 hours, even 36, maybe 48, but soon enough the danged elephant lifts its trunk and trumpets unmistakably. ("Nussbaum, Ickes tell their side / Grand jury gets scoop on briefing" ... "Senate votes, 98-0, to eventually hold hearings on Whitewater ...") Veteran journalists pooh-pooh the story, saying there's no story there and also it's been overplayed, but the thing won't die. On the contrary, just when it begins to fade, a George Stephanopoulos is subpoenaed, a David Hale makes a plea bargain, or the Securities and Exchange Commission opens a new front, or ... well, what's on the front page today?

This is how trying to keep a scandal under wraps works: It doesn't. Light and ventilation might exorcise whatever Whitewater is, but right

Sporadic glimpses through the m's

now the public is being allowed only partial, sporadic glimpses under its many covers, and the public's suspicion grows in tandem with a kind of irritable boredom. This is not the kind of atmosphere in which leadership thrives, or attention can be paid to basic reforms. A slick patina of scandal begins to adhere to all the rest of the news.

Sometimes it feels as though the country has entered a time warp. Is this 1994 or closer to 1974? Out of the Golden West of Yesteryear comes the image of Barry Goldwater, asking the opposition to lay off the president and let him do his job. Didn't he sympathize with the president in the early stages of Watergate, too? It's bad enough when the Muse of History repeats a few scenes, or replays a few notes from a familiar overture, but when it starts serving up the same cast of characters 20 years later ... it's eerie. Cut it out, Clio!

Eventually, the senator and icon from Arizona did catch on to Richard Nixon and urge him to make full disclosure. To quote Barry Goldwater's irresistible language in a memoir about Watergate:

"... I publicly asked the president to level with the American people on Watergate. Trying to move

Nixon off his butt, I told the Christian Science Monitor: 'The Watergate. The Watergate. It's beginning to be like Teapot Dome. I mean, there's a smell to it. Let's get rid of that smell.'

"In December, during another interview with the Monitor, I tried again to get Nixon to open up by saying the president was doing too little, too late about Watergate: 'He chose to dabble and dabble and argue on very nebulous grounds like executive privilege and confidentiality when all the American people wanted to know was the truth.'"

Whitewater, Whitewater ... There's a smell to it. Instead of dithering and dithering and hiding behind a special prosecutor, and eventually being forced into full disclosure anyway, why not cut short this Chinese water torture, this unstoppable process of leak after leak after leak, and just try to tell the American people the truth?

Good ol' Barry Goldwater, he can't help but be revealing even when he wants his party not to be. Urging his fellow Republicans to lay off Whitewater, he told the press: "So far I haven't seen anything that convinces me that it's all that big." Do you think he means it smells



only a little now? And that the smell will get better if everybody pretends not to notice?

Bill Clinton would do better to heed a not so subtle hint from Indiana's Lee Hamilton, chairman of the House Foreign Affairs Committee and good Democrat: "One possibility for getting this information out would be through congressional

hearings." Soon.

Instead, this president, too, dithers and dithers while Whitewater mushrooms.

Paul Greenberg is editorial page editor of the Arkansas Democrat Gazette in Little Rock and a nationally syndicated columnist.

What did Mrs. Clinton invest and when did she do it? ✓

By Christopher Cox

Recently, Hillary Rodham Clinton's investment in a Little Rock "hedge fund" has gained national attention. Understanding why requires an appreciation of the Ethics in Government Act, which regulates conflicts of interest in the federal executive branch.

Under the act, it is a criminal offense for any federal employee to knowingly maintain a financial interest in any specific area in which he or she is "personally and substantially" involved. Since Ms. Rodham Clinton was clearly so involved in health care as chairman of the president's Health Care Task Force, and since in that capacity she has been adjudged a federal employee (unlike other first ladies) by a federal court, there remains only one serious question on her compliance with the Ethics in Government Act. Did she know her money was invested in a partnership that was short selling health care and pharmaceutical stocks?

The very limited financial disclosures by the Clintons thus far suggest, tentatively, that the answer may be yes.

Despite the protestations of the partnership's Little Rock manager, Bill Smith, those disclosures show that Ms. Rodham Clinton almost certainly knew not only that nearly \$100,000 of her money was invested in ValuePartners I, but also that the partnership took short positions in certain health care stocks.

For this reason, 81 Republican members of Congress have asked the Office of Government Ethics to investigate the complete facts. The request did not allege wrongdoing by Mr. Smith, or by ValuePartners I. Nonetheless, Mr. Smith has risen to the Clinton's defense, and in so doing has misrepresented several key facts.

In an interview with the Arkansas Democrat-Gazette's Paul Greenberg, Mr. Smith noted that

the Clintons have "always been a bit careless about the appearance of conflicts of interest." That much is certainly true. Unlike Presidents Reagan and Bush, who put their personal investments in a blind trust before taking office, the Clintons couldn't let go of their money. They didn't set up a blind trust until half a year into the Clinton presidency.

This, of course, put Hillary Rodham Clinton in a position to know where her investments were. Not so, Mr. Smith told the Democrat-Gazette: He stopped reporting to the Clintons about specific stocks in March 1992.

That is demonstrably false. A Dec. 31, 1992 report from Smith Capital is attached to President Clinton's financial disclosure report of May 14, 1993. It lists that day's short positions. They include Bioplasty, a surgical device manufacturer; Cryomedical Sciences, a cryogenic surgical instrument provider; Health Professionals, a health-care service company; and Royce Labs, a generic drug manufacturer.

And while selling short these health care issues creates the most serious appearance problem, the same report to the Clintons from Smith Capital also shows that ValuePartners took long positions in Grancare, a long-term health care company; Health Care and Retirement, also a long-term health care provider; Lincare, a specialist in respiratory therapy services; and United Health Care, which runs HMOs and preferred provider plans.

It is not just on this point that Mr. Smith misspoke. He also told the Democrat-Gazette that the partnership's "last investment in pharmaceutical stocks was closed out in May 1992."

This, too, is easily proven false. According to the May 14, 1993 disclosure statement personally signed by Bill Clinton, in December 1992 ValuePartners was short Royce Laboratories, a manufacturer of generic drugs. And according to the May 21, 1993 Wall Street Journal, Mr. Smith acknowledged that "one of the stocks shorted this year [1993] was Synergin, Inc., a biotechnology company whose shares plunged 68 percent in value

after the company announced poor results for a major trial of its key drug."

Finally, Mr. Smith claims that none of this matters anyway, because February 1993, when the partnership actually lost money on its health care hedges, was "one of the [partnership's] worst months in years." But whether Ms. Rodham Clinton lost money in a particular month is irrelevant, since her investment covered all of 1992 and half of 1993. According to the Clintons' May 14, 1993 financial disclosure, she also profited at other times, and specifically from short sales. Neither Mr. Smith nor Ms. Rodham Clinton has been sufficiently forthcoming to provide information about short sales (and profit or loss therefrom) for the entire period, which is one of the chief reasons an investigation is necessary.

More to the point, the congressional request for an investigation accurately noted that ValuePartners I "was intentionally structured to profit from price declines of pharmaceutical stocks." Whether it succeeded in doing so is of no moment under Ethics in Government Act. The law punishes anyone who knowingly has a "financial interest" in the area of his or her particular responsibility. It is being in a position where one has the opportunity to profit that constitutes the criminal offense.

Surely, ValuePartners I intended to profit by virtue of its short sales of health care and pharmaceutical stocks. If Ms. Rodham Clinton knew of these investments, she is properly the subject of the law. Were it otherwise, the criminal law would not punish attempted murders — only successful ones.

Compliance with the Ethics in Government Act isn't easy. It requires great sacrifice by the men and women who serve in the executive branch — just ask any cabinet secretary who's had to liquidate personal investments at a loss. The Clintons' apparent unwillingness to make the same sacrifice as every other senior federal employee can only undermine public confidence in our ethics laws. At the very least, they now owe it to the American people to accept the consequences of their failure to divest.

Christopher Cox, a member of the House Government Operations Committee, served in the White House Counsel's office during the Reagan administration.

Clinton's tax records offer no surprises

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — Tax records released Friday show that highly successful speculation in commodities more than offset costs of the Whitewater Development Corp. land deal, helping to raise the incomes of Bill and Hillary Rodham Clinton from \$41,731 in 1977 to \$158,495 in 1979.

The records — tax returns, supporting documents and other information compiled by Washington attorney David

• McDougal says tax data show Clintons close to mark 12A
• Related articles 8A, 9A, 12A

Kendall — were released by the White House. They show the Clintons paid \$46,635 in interest, taxes and other payments for the controversial Whitewater investment.

The Clintons were partners from 1978-92 with James and Susan McDougal in Whitewater, a 230-acre real estate development along the White River in

Marion County.

The Clintons claim all the money they invested in Whitewater was lost except for the \$1,000 they received for selling their remaining Whitewater interest to James McDougal in December 1992. McDougal also owned Madison Guaranty Savings & Loan Association, which failed in 1989 at a cost to the taxpayers of at least \$47 million.

McDougal's business activities are being investigated by special counsel Robert Fiske Jr., who was appointed in Janu-

ary by Attorney General Janet Reno.

When asked whether the returns would clear the air about the Whitewater controversy, the president replied, "They ought to."

"They were normally very simple returns," Clinton said before leaving Washington on Friday. "I didn't have a lot of complicated things on them, and we've given them out — all the way back to '77 now. ... You can do what you want with them."

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Clinton

• Continued from Page 1A

The Clintons' tax returns actually became more complex with each passing year as the couple claimed deductions for interest payments and depreciation.

Also noted were a variety of income sources, including about \$100,000 in cattle futures trading gains.

That income, along with most of the other information in the tax forms, already had been disclosed either by the Clintons or through news accounts.

The New York Times reported last week that Hillary Clinton made the cattle futures trades in consultation with longtime friend James Blair, who is now general counsel for Tyson Foods Inc. at Springdale.

Administration officials refused to disclose Friday the amount of the Clinton investment in cattle futures.

The tax returns only indicate the profit, not the original investment.

More likely to raise questions are the reasons for some of the deductions, such as a \$10,131 deduction in 1978 for interest paid to Great Southern Land Co.

Officials said the deduction was the first interest payment by the Clintons for the Whitewater investment. Great Southern was owned by the McDougals.

"In the spirit of full cooperation and openness, the Clintons have now made public their tax returns for the past 16 years," Kendall told reporters Friday.

During his successful 1990 gubernatorial campaign, Bill Clinton released a decade's worth of tax returns after being challenged to do so by his Republican opponent, Sheffield Nelson.

The president said Thursday that Kendall would brief the media when the returns

Clinton's Whitewater payments

1978	Interest	\$10,130.58*
1979	Interest	\$11,752.52
	Interest	\$237.50**
	Capital contribution	\$500.00
1980	Interest	\$4,350.00
	Interest	\$9,000.00
1981	Interest	\$243.00
1986	Interest	\$1,835.51
1987	Interest	\$2,561.33
1988	Interest	\$1,473.60
	Real estate tax	\$1,275.15
1989	Real estate tax	\$291.35**
	Franchise tax	\$345.15**
	Accountant's bill	\$2,838.24**
	TOTAL	\$46,635.75

* The amount deducted was \$11,749.

** These amounts not deducted on tax returns.

SOURCE: White House

Arkansas Democrat-Gazette

were released.

But when reporters were briefed Friday, administration officials insisted any information would have to be attributed to "a source familiar with the Clintons' tax returns."

Also released was a letter from James Lyons, the Denver lawyer hired by the Clinton presidential campaign in 1992 to analyze Whitewater documents.

Lyons said at the time that based on his analysis, the Clintons lost \$68,900 on their Whitewater investment. However, he emphasized the analysis was based on incomplete information.

The letter released Friday corroborates a statement the president made at a news conference Thursday night. It notes that Bill Clinton received a \$20,000 loan in 1981 from Madison Bank & Trust Co. of Kingston to help purchase a home for his mother, Virginia Kelley of Hot Springs. The bank was owned in part by James McDougal.

Before Thursday, Clinton had claimed the loan was part of his Whitewater expenses. He said Thursday that upon reading a proof of his mother's soon-to-be-published biography, he remembered the money had not been spent on Whitewater.

Kelley died Jan. 6 of complications related to breast cancer.

"It does not appear that any additional tax liability is owed by the Clintons for 1981 or 1982 in connection with this lake house transaction," the report stated.

The documents also showed that:

- The Clintons had adjusted gross incomes of \$41,731 in 1977; \$85,214 in 1978; and \$158,495 in 1979. Hillary Clinton then got out of the commodities market. The couple's 1980 adjusted gross income, released in 1990, dropped to \$87,175.

- Whitewater interest payments for 1978 and 1979 totaled \$22,120. The 1979 returns were far less specific on the interest payments than the 1978 returns, which listed Great Southern. The couple's 1979 returns listed \$11,749 in interest expenses to unspecified "bank and loan companies." That return also lists a \$238 expense for interest paid to McDougal.

The deductions reflect the interest paid on loans the Clintons took out for the initial Whitewater investment. The source familiar with the tax returns said that investment consisted of three loans — a \$183,000 loan taken out by the Clintons and McDougals in 1978 from Citizens Bank of Flippin; a \$20,000 loan in 1978 from Union National Bank of Little Rock; and a \$30,000 loan taken out by Hillary Rodham Clinton to build a model home on a lot on the Whitewater property from the Bank of Kingston, the predecessor of Madison Bank & Trust.

- The Clintons made \$2,150 on the sale of a five-acre plot of land they purchased in 1977 and sold in 1978.

SAT 3/24

Two former Clinton appointees say they did not aid McDougal

BY JOE STUMPE
Democrat-Gazette Staff Writer

Two men whom then-Gov. Bill Clinton appointed to the state Savings and Loan Association Board on the recommendation of James McDougal say they don't see how McDougal could have benefited from their appointments.

"I attended a few meetings and there was nothing ever done at them," Jerry Kendall of Camden said, adding that he eventually stopped going to the meetings.

The other man, John Latham, agreed and said he doesn't consider it odd that Clinton would accept the recommendation of McDougal, who was the owner of Madison Guaranty Savings & Loan Association and a partner with Clinton and his wife, Hillary Rodham Clinton, in Whitewater Development Corp.

"I've never been a governor, but I would imagine all his appointments came from people he knew," said Latham, a former Madison chairman.

McDougal's 1985 memo to Clinton recommending that year's appointment of Kendall and Latham was among documents that Rep. Jim Leach, R-Iowa, released in Washington on Thursday as part of his investigation into Madison and Whitewater, a 230-acre real estate development along the White River in Marion County.

Kendall said he knew McDougal from having bought a lot in McDougal's Maple Creek Farms residential development in Saline County. But Kendall said he never talked to McDougal about the Savings and Loan Association Board and believes McDougal might have put Kendall's name forward after talking with Bill Henley, a former state senator from Camden.

McDougal was married to Henley's sister, Susan, and Henley worked on some of the McDougals' land ventures.

"At one time, it (the board) was real big because most of the S&Ls were state-chartered and had a lot of business to do," Kendall said.

But Kendall said there were only about five state-chartered savings and loans at the time he served.

Asked if Madison Guaranty's subsequent failure, at a cost to taxpayers of \$47 million suggests that the board should have paid more attention to it, Kendall said: "I don't know enough about it to say whether the state should have or not."

Charles Handley, the state's assistant securities commissioner, agreed with Kendall's

characterization of the board's lack of activity. He said the board's chief responsibility is to hear appeals of decisions by the state securities commissioner regarding state-chartered savings and loans, and there have been few of those. Currently, there are three such institutions, most savings and loans being federally chartered.

Clinton appointed both men on Feb. 22, 1985. Latham resigned the next year and Kendall's term expired in 1990. Latham pleaded guilty in 1990 to making a false entry on Madison Guaranty's books and was sentenced to six months in a halfway house.

Tax documents shine new light on venture

Democrat-Gazette Washington Bureau

WASHINGTON — Tax returns released Friday by President Clinton and first lady Hillary Rodham Clinton raised new questions about Great Southern Land Co., a James McDougal-owned real estate venture with ties to Whitewater Development Corp.

The 1978 income tax return for the Clintons showed a \$10,131 interest expense deduction for a payment to Great Southern. The *Arkansas Democrat-Gazette* reported Monday that the company, owned by McDougal, was the eventual owner of Lorraine Heights, a south Pulaski County real estate development.

Lorraine Heights originally was purchased by Whitewater Development in 1986.

Shortly after that sale, the land was transferred by Whitewater to Great Southern. The

company since has been sued by Lorraine Heights landowners, who allege it has failed to provide guaranteed roads, city water service, natural gas service and other amenities.

About 35 lots were sold in the development. The rest of the land has returned to its original owner, International Paper Co., in a loan foreclosure action.

The interest expense deduction stems from the first year's payment made by the Clintons for the Whitewater investment, a source familiar with the couple's tax payments said Friday. The source was provided to reporters by the White House on the condition of anonymity.

"All the Clintons know about that is that it was a McDougal entity," the source said of Great Southern. "He asked them to make the first interest payment to it."

100

SIT 3/26

Disclosure of returns nothing new

Clintons responded
to request in 1990

BY JOE STUMPE
Democrat-Gazette Staff Writer

President Clinton's release of income tax records Friday wasn't the first time he had found it politically prudent to make tax returns public.

In 1990, Sheffield Nelson, Clinton's Republican gubernatorial opponent, said during a debate that Clinton should fully disclose his tax records for the previous decade.

During that year's GOP gubernatorial primary, Nelson's opponent — then-Rep. Tommy Robinson, R-Ark. — had forced Nelson into the release of a decade's worth of tax returns.

Three days after Nelson's debate challenge, Clinton released his tax returns for the previous 10 years.

On Friday, the president released tax returns for 1977, 1978 and 1979 as part of an attempt to dispel questions about his investment in Whitewater Development Corp. The president and first lady Hillary Rodham Clinton were partners with James and Susan McDougal from 1978-92 in Whitewater, a 230-acre real estate development along the White River in Marion County.

In 1990, Whitewater was barely a blip in the coverage of Clinton's tax returns by the two statewide daily newspapers.

The Arkansas Democrat noted simply that it was one of two "contingent liabilities" claimed by the Clintons.

The Arkansas Gazette listed it among the Clinton's assets, valued at \$1,000.

Nelson told the Democrat he had been advised to "look carefully" at the Clintons' investments, but he rarely made those investments an issue during the campaign.

Much of the media coverage focused on the fact that Hillary Clinton, a partner in Little Rock's Rose Law Firm, was the family's breadwinner. During the 1980s, Bill Clinton was the lowest-paid governor in the nation with a \$35,000 annual salary.

In 1990, the Clintons said their net worth of \$418,692 reflected their fiscal conservatism. Hillary Clinton acknowledged several small investments.

Nelson, a former Arkla Inc. chairman then worth \$9.3 million, said Bill Clinton had decided to "stay at the public trough his entire lifetime."

Hillary Clinton also made a point to say she had avoided conflicts of interest regarding state business handled by the Rose firm.

"I have always been as careful as I knew how not to take one penny that could be construed as state business," she said at the time.

The first lady has come under Republican criticism in recent months for accepting a \$2,000-per-month retainer from Madison Guaranty Savings & Loan Association, the institution owned by McDougal that failed in 1989 at a cost to taxpayers of at least \$47 million. Hillary Clinton made contacts with state regulators on behalf of Madison.

One of the tax matters first publicized in 1990 that has been frequently reported on since was Bill Clinton's practice of claiming deductions for underwear donated to the Salvation Army and other charitable organizations.

SIT 3/26

Disclosure of returns nothing new

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to request in 1990

BY JOE STUMPE

Democrat-Gazette Staff Writer

President Clinton's release of income tax records Friday wasn't the first time he had found it politically prudent to make tax returns public.

In 1990, Sheffield Nelson, Clinton's Republican gubernatorial opponent, said during a debate that Clinton should fully disclose his tax records for the previous decade.

During that year's GOP gubernatorial primary, Nelson's opponent — then-Rep. Tommy Robinson, R-Ark. — had forced Nelson into the release of a decade's worth of tax returns.

Three days after Nelson's debate challenge, Clinton released his tax returns for the previous 10 years.

On Friday, the president released tax returns for 1977, 1978 and 1979 as part of an attempt to dispel questions about his investment in Whitewater Development Corp. 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 development along the White River in Marion County.

In 1990, Whitewater was barely a blip in the coverage of Clinton's tax returns by the two statewide daily newspapers.

The Arkansas Democrat noted simply that it was one of two "contingent liabilities" claimed by the Clintons.

The Arkansas Gazette listed it among the Clinton's assets, valued at \$1,000.

Nelson told the Democrat he had been advised to "look carefully" at the Clintons' investments, but he rarely made those investments an issue during the campaign.

Much of the media coverage focused on the fact that Hillary Clinton, a partner in Little Rock's Rose Law Firm, was the family's breadwinner. During the 1980s, Bill Clinton was the lowest-paid governor in the nation with a \$35,000 annual salary.

In 1990, the Clintons said their net worth of \$418,692 reflected their fiscal conservatism. Hillary Clinton acknowledged several small investments.

Nelson, a former Arkla Inc. chairman then worth \$9.3 million, said Bill Clinton had decided to "stay at the public trough his entire lifetime."

Hillary Clinton also made a point to say she had avoided conflicts of interest regarding state business handled by the Rose firm.

"I have always been as careful as I knew how not to take one penny that could be construed as state business," she said at the time.

The first lady has come under Republican criticism in recent months for accepting a \$2,000-per-month retainer from Madison Guaranty Savings & Loan Association, the institution owned by McDougal that failed in 1989 at a cost to taxpayers of at least \$47 million. Hillary Clinton made contacts with state regulators on behalf of Madison.

One of the tax matters first publicized in 1990 that has been frequently reported on since was Bill Clinton's practice of claiming deductions for underwear donated to the Salvation Army and other charitable organizations.

Clintons' tax returns clarify some issues

But they don't answer all Whitewater questions

By Richard Whittle

Washington Bureau of The Dallas Morning News

WASHINGTON — President Clinton released tax returns and other data Friday showing that almost all of the amount that he and his wife consider their loss in the Whitewater venture was tax-deductible interest on loans.

Mr. Clinton's personal attorney, David Kendall, told reporters at a White House briefing that the president and first lady Hillary Rodham Clinton were releasing the documents in "a spirit of full cooperation and openness."

■ Tax earnings, expenditures. 16A
■ Editorial. 28A

The returns for the years 1977-79 supported the Clintons' descriptions of their role in the Whitewater investment and clarified some figures. But they failed to resolve critics' questions about the relationship between Whitewater and a savings and loan owned by James McDougal, one of the Clintons' partners in the real estate venture.

At the briefing, a source familiar with the tax returns acknowledged

that because the interest deductions reduced the Clintons' taxes, their overall losses actually were less than the \$46,635 the president now figures the real estate deal cost them.

But the source — who spoke under ground rules set by the White House — said changes in tax rates and in the Clintons' income had made it impossible to calculate how the investment affected their net worth.

"That's a pre-tax loss," the source said of the \$46,635 figure. "They did. Please see INVESTMENT on Page 16A.

Continued from Page 1A.

however, deduct interest, so they got some tax benefit."

The Clintons' deductions would have been limited to a maximum of \$3,000 per year if they had invested cash in the venture and been unable to recover it.

But the source familiar with the returns confirmed that — as Mr. McDougal has said in several television interviews — the Clintons paid no cash for their 50 percent share in the partnership when they launched the Whitewater venture in 1978.

The Clintons and Mr. McDougal and then-wife Susan co-signed \$293,000 in loans from two banks to purchase 233 acres of land for vacation and retirement homes along Arkansas' White River. Whitewater Development Corp. was formally established a year later.

Along with the tax returns, the White House released a summary of the "Clintons' Whitewater Payments" from 1978-90, which showed that of the \$46,635 they spent on the venture, \$41,385 was interest on loans.

The additional \$5,250 included a 1990 accountant's bill for \$2,839, another \$1,911 in real estate and franchise taxes paid in 1988-90, and a "capital contribution" of \$500 paid in 1979. The summary said the Clintons' deducted only \$1,275 of those amounts from their taxes.

Different figures

Mr. Clinton's aides have said since 1992 that the Clintons lost \$68,900 in Whitewater Development Corp. But the president said Thursday at a news conference he had discovered that a \$20,744 loan included in that sum was actually used to buy his mother land for a cabin.

The \$68,900 figure was based on a report commissioned by the Clinton campaign in 1992 and compiled by Denver lawyer James Lyons.

In a letter to Mr. Kendall released with the tax returns, Mr. Lyons said his report counted the \$20,744 loan and \$1,500 in interest as Whitewater expenses in part based on "interviews and statements by the Clintons concerning the nature and purpose of this 10-year-old check."

The size of the Clintons' Whitewater losses has been a key issue because of suspicions that money from Mr. McDougal's Madison Guaranty Savings and Loan might have been used to help the Clintons financially or politically. Special counsel Robert B. Fiske Jr. is investigating those questions, among others.

The president said at his news conference that he had "absolutely no knowledge" of any money from Madison being used to benefit either Whitewater or his Arkansas gubernatorial campaign treasury.

Federal Inquiry

Rep. James Leach, R-Iowa, on Thursday released a memo written by an investigator for the Resolution Trust Corp., the federal S&L cleanup agency, which related her "opinion and belief that Whitewater did, in fact, cause a loss to Madison because of the amount of unauthorized loans McDougal made ... to entities in which he was a primary party and beneficiary."

*Dallas Morning News
Sat 3/26*

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A pivotal week for Whitewater

Some answers, but also
some more questions.

The past few days have been pivotal in terms of the issue/non-issue that is Whitewater. Congress agreed to hold hearings. Iowa Rep. Jim Leach provided some documentation relating to his charges of abuse of power. The president held a news conference, smoothly defended himself and then released tax returns clarifying the Clintons' income and losses from their investment in the Whitewater real-estate venture.

As scandals in high places go, this is one of the more frustrating. It involves an investment made by the Clintons 16 years ago. There's been no smoking gun. Even Leach's extensive documents regarding actions of federal banking officials don't appear to offer proof of wrongdoing. All of that leads many people to ask, what's the problem? Even Leach, while speaking strongly about abuses of authority, maintains that Whitewater is a mere bump in the political landscape.

Yet there are doubts. Every time the administration moves to provide answers, there are more questions. Yes, the president said, he and his wife overstated the losses from Whitewater, partly because he had confused it with a \$20,000 real-estate investment for his mother. Most Ameri-

cans, who don't have \$2,000 to invest for their parents let alone \$20,000, no doubt wonder how somebody could not recall the details of such a large transaction.

That, on top of the unanswered questions regarding the files taken from White House counsel Vincent Foster's office after he committed suicide and before investigators entered the office, and on top of questions regarding lax regulation of the savings and loan in Arkansas that was run by Clinton's Whitewater partner.

Clinton is perturbed, as are many Americans, about Whitewater's interference into the administration's ability to sell its programs to Congress and the public. But the administration brought much of this onto itself by not fully disclosing details early on and by resisting the call for a special counsel.

The president seemed to acknowledge Thursday night that lessons had been learned.

"I think one of the things that I've learned about is that it's very important to try to decide what the legitimate responsibility of the president is to be as forthcoming as possible and to do it," Clinton said. Right. Do it.

Restoring Mexico's confidence

It's in United States' interest
to help our neighbor.

It's as though there was a light on here, with NAFTA and with the election. Now it's as if the lights have all gone out. That reaction of novelist Carlos Fuentes reflects the deep anxiety gripping Mexico after the assassination of presidential candidate Luis Colosio, who was almost certain to win the Aug. 21 election.

There is no evidence that the young killer, a self-proclaimed pacifist, had any political connections, and there is nothing to link the assassination with the peasant and Indian rebellion in Chiapas state earlier this year, or with the powerful drug cartels. Yet the killing reminds Mexicans of the tumultuous times of revolution early in the century when three presidents were murdered within 15 years.

The following 65 years of stability under the Institutional Revolutionary Party (PRI) were expected to continue under Colosio. He was handpicked (as are all PRI candidates) by the incumbent president, and was expected to continue Carlos Salinas' successful economic reforms that were crowned by ratification of the North American Free Trade Agreement.

The assassination, coming so soon after the Chiapas rebellion, has shaken the confidence of those who thought that Mexico was at last moving up into the ranks of de-

veloped countries. To accomplish that requires massive investment from abroad, and investors don't put much money into shaky situations.

The unease, the sense that the "lights have gone out," was contagious. In New York the stock and bond markets both took steep dives. The Mexican securities and money markets were closed by a government fearing a costly sell-off and a devastating decline in the peso.

The U.S. government moved quickly to help President Salinas by offering a \$6 billion line of credit to support the currency when the markets reopened on Friday. It's in the U.S. interest to help our neighbor through these troubled times. It's in Iowa's interest, too, because NAFTA had opened great opportunities for exports from Iowa.

In the end, though, it will be up to President Salinas and his advisers to find a credible successor to Colosio, who can restore confidence at home and abroad.

Salinas is hobbled by a constitutional restriction that prevents anyone now in the government from running because the election is less than six months away. He will need to get the constitution amended or else postpone the voting, and either action could create more instability.

*As Mexico's Reg. with
Sat. 3/26*

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The investigator, L. Jean Lewis, also wrote that she had told one of her superiors from Washington that such loans "ultimately benefited his (Mr. McDougal's) business partners — the same business partners that knew they had real estate ventures that were not cash flowing, but that also knew their mortgages and notes were being paid."

Madison Guaranty was under investigation because it failed in 1989 at a cost to taxpayers of \$47 million.

The source familiar with the Clintons' finances declined to comment on Mr. Leach's evidence. But he said Whitewater Development's loans and interest on them were covered in part by payments received from the few customers who bought lots in the development.

"The Clintons received nothing directly from Madison Guaranty ... or indirectly," the source said. "We have no reason to believe they may have benefited from Madison Guaranty."

In addition, the source said, the Clintons took no day-to-day role in operating Whitewater Development, leaving that to Mr. and Mrs. McDougal.

And Mr. Kendall's review of the records, the source said, showed that Whitewater was run in hip-pocket manner.

"The degree of informality here was great," the source said. "This was a company that never had an office or employee."

The records show, and the source confirmed, that the informality began immediately.

For example, there was never a written partnership agreement, the source said.

And, the source said, the Clintons' first \$10,130.58 interest payment on the loans they co-signed with the McDougals was paid not to the banks from which the funds were borrowed, but to another McDougal venture, the Great Southern Land Co.

The source said he could not explain why Mr. McDougal "asked them to make the first interest payment" to Great Southern Land. He added that there was no documentation to prove that the payment was in fact used to pay interest on the Whitewater loans.

Nevertheless, the source said he considered the Clintons' tax deduction proper because "this looks like about half of the first year's interest" on the \$203,000 borrowed to

start Whitewater. And, the source said, the Clintons "paid it as interest" whether it was used that way or not.

Mr. Clinton had released his tax returns since 1980 during his campaign for president. But until Friday, he had declined to release the 1977-79 returns, which showed that the Clintons made more than \$72,000 in 1979 — almost double their income the year before — by trading in commodities futures.

White House Press Secretary Dee Dee Myers said the returns had been withheld because "we had released their tax forms going back more than a decade and I think that was already an extraordinary amount of disclosure."

The release of the returns came a week after *The New York Times* revealed that Mrs. Clinton made the risky commodity futures trades that resulted in that substantial gain with help from a friend who was a lawyer for Tyson Foods, a politically powerful Arkansas company.

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Jim Leach locks horns with President Clinton

17PM : D. M.

The Iowa's remarks on the House floor later became questions at the White House news conference.

By JANE NORMAN

OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Though the hearing he planned on the Whitewater affair was canceled by Democrats, Rep. Jim Leach still produced the "blockbuster" he had promised.

In an extraordinary display of an Iowa congressman in direct conflict with the president, Leach read a 20-page statement on the floor of the House with headline-making charges that officials of the Washington office of the Resolution Trust Corporation tried to muzzle Whitewater investigators in Kansas City, Mo.

In his televised remarks Thursday, Leach roared from Arkansas in the late 1970s to Washington, D.C., in 1994, touching on allegations of improper use of funds, his protest against Democrats' refusal to hold hearings and his praise for the courage of RTC investigators who bucked their Washington superiors.

"In a nutshell, Whitewater is about the arrogance of power — Machiavellian machinations of single-party power," Leach said.

Clinton Responds

A few hours later, reporters questioned President Clinton about Leach's allegations while Americans watched on television. "Mr. President, Congressman Leach made some very dramatic charges today," said one. "He said that Whitewater is really about the arrogance of power. And he didn't just mean back in Arkansas."

Clinton denied any cover-up and any obstruction of justice. "And it's my understanding . . . that Mr. Leach was rather careful in the words that he used and apparently he didn't even charge that any political appointee of our administration had any knowledge of this," the president said.

Asked later if he would take any

action against RTC officials, Clinton said that "the last thing in the world I should do is talk to the Treasury Department about the RTC." He said, "Mr. Leach will see that whatever should be done is done."

Clinton, asked if he was abandoning responsibility for his own department, said he wasn't. "You can't have it both ways," he said. "Either we can talk to them or we can't. And, you know, I just think this is a matter of public record now, and Mr. Leach will certainly see to it that it is looked into. He's already said that's his job, and I'm sure he will see that it is."

The president, who appeared very calm through the press conference, said this with a small smile.

"Charming"

Clinton didn't watch Leach's remarks, but Leach watched the president's. Speaking on CBS Friday morning, Leach said, "I thought the president did an absolutely fabulous job in terms of his presentation. He may well be the most charming president in American history."

But Leach also said "there's a whole lot about Whitewater that isn't known."

Leach — who notified White House counsel Lloyd Cutler Thurs-

day that he planned to deliver a statement on Whitewater — contributed somewhat to the body of Whitewater knowledge with his release of a thick packet of documents to bolster the claims made in his speech.

They included computer messages between investigators in the Kansas City RTC office that detail their struggle to find out what had happened to a criminal referral they had made to the Justice Department on Whitewater.

The RTC is the independent agency responsible for disposal of failed thrifts. The Kansas City office was in charge of an investigation into Madison Guaranty Savings and Loan of Little Rock and its ties to the Whitewater real estate venture. A memo from one investigator, Jean Lewis, said a senior RTC attorney told her that RTC superiors would be "happier about" a conclusion that Whitewater did not cause a loss to Madison.

Sensitive Documents

But the documents released by Leach don't by any means explain everything, and they make up only a small portion of what he has turned over to the special counsel appointed to investigate Whitewater, Robert Fiske. Joe Pinder, press secretary to Leach, said Friday that some documents were too sensitive to put out for public view, and others are still being analyzed.

Pinder said Leach will continue to press for hearings, and will continue his investigation.

Pinder said calls from Leach's eastern Iowa district and fr around the country poured into the office Thursday, most of them favorable. But there are also always those who object to "anyone who would say anything about a Democratic president," Pinder said.

Pinder said Leach will appear on NBC's "Meet the Press" Sunday morning and next week will return to Iowa for the two-week congressional recess. Leach's very high visibility in the nation's capital thus may fade a bit, something his staff did not appear to dread.

"We're all a little tired," Pinder said.

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Expert: Flood victims can't be forced to move

An authority on natural disasters foresees more incentive programs for relocating residents of flood plains.

By LARRY STONE
REGISTRATION STAFF WRITER

Indianapolis, Ind. — Despite lessons from the Flood of 1993, the nation does not have the political will to order people to move out of flood-prone areas, an authority on natural disasters and land-use planning said here Thursday.

Rutherford Platt, professor of geology and geography at the University of Massachusetts, said the

government can't be expected to force people to move. But he predicted new policies to give residents a choice, with government incentives to go to safer areas.

Platt, who spoke at Simpson College, cited a program in the Des Moines area involving the buy-out of 120 homes that were damaged by last year's floods.

Andrea Hauer, an economic development official for the city of Des Moines, said the \$6 million program, to be paid for by the Federal Emergency Management Agency and a federal grant to the city, is among the first in the nation to actually buy flood-ravaged property. Deals have been closed with more than 50 property owners in the Des Moines area. At least 50 other sales are nearing completion, she said.

Platt contrasted the buy-out approach, which should end the flood threat to private property, with calls by some groups for more government aid to protect structures that remain in flood areas.

He laughed when told of a proposal by the Upper Mississippi Flood Control Association to spend \$1.8 billion in federal money to add eight feet to the height of 2,000 miles of levees along the river.

Benefits of such a massive program should be carefully weighed, he said. If private property is to profit from such spending, the individual owners should be assessed for the costs, Platt said.

"I think it really boils down to who pays," he said.

"It's really easy to propose something if you only have to pay a tiny

fraction."

If levees are rebuilt, Platt said, plans should include a provision that the highest floodwaters would be allowed to inundate agricultural or undeveloped regions to save urban areas.

Too many levees and the draining of wetlands can make floods worse, he said.

The level of the 1993 flood at St. Louis was the highest ever recorded, he said, yet the water volume was less than in some earlier floods.

"The river itself has been denied full width of the flood plain or full capacity of flood storage," he said.

Platt said flood control was a local issue until a disastrous Mississippi River flood in 1927, after which the federal government be-

came more involved. There followed a period of "engineering heaven," during which man-made structures were seen as the solution to flooding, he said.

A 1968 National Flood Insurance Program began to offer people incentives to avoid developing the floodplain, Platt added.

The Flood of 1993 could usher in a new era that combines flood protection, floodplain avoidance and environmental measures.

But Platt also questioned heavy federal aid to victims of natural disasters, such as floods, while victims of crime and drug abuse receive less money.

"How generous do we need to be to natural disaster victims versus the social disaster victims?" he asked.

Des Moines Register
Sat 3/26
p. 5

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Leach lauds charm of president under grilling by media

But says Clinton fails to tell whole story

By J. Jennings Moss
THE WASHINGTON TIMES

President Clinton's chief congressional critic on Whitewater-Madison — Rep. Jim Leach — says the president's give-and-take Thursday night with reporters was a "fabulous" presentation.

But the Iowa Republican — who blistered Mr. Clinton, the White House and Democrats over Whitewater-Madison on the House floor earlier Thursday — also was left unsatisfied with the Clinton response.

"He may well be the most charming president in American history," Mr. Leach said on "CBS This Morning" while making the rounds on network morning shows.

"In terms of the issues, however, he is maintaining that the [Madison] savings and loan and Whitewater are unconnected, despite the fact that we have produced overwhelming evidence that Whitewater was used in partial measure to fleece the S&L of resources," said Mr. Leach, the ranking GOP member of the House Banking Committee, who is conducting his own Whitewater-Madison investigation.

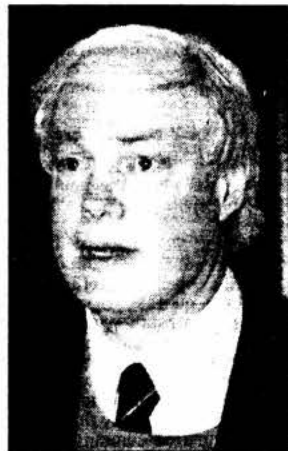
Mr. Leach told ABC-TV's "Good Morning America" he did not believe the president was telling the whole story.

"I think when the special counsel is through with his report, there may be a more forthcoming response from the White House, but at this point in time, the president is responding with his wonderfully open and charming personality, but a little less with the facts of the circumstance," he said.

Mr. Clinton told reporters and the nation he did nothing wrong when he made an investment in Whitewater Development Corp., an Arkansas real estate partnership of the Clintons, James B. McDougal, owner of the failed Madison Guaranty Savings and Loan Association, and his then-wife, Susan.

Special counsel Robert B. Fiske Jr. is probing the ties between Whitewater and Madison, which include accusations that Mr. McDougal routed Madison funds to Mr. Clinton's 1984 gubernatorial campaign. Madison was seized by federal regulators in 1989 at a cost to taxpayers of \$50 million.

Hours before Mr. Clinton walked into the White House's East Room and fielded 21 questions — all but three about Whitewater-Madison — Mr. Leach stood on the House floor and summarized his



Rep. Jim Leach

investigation.

Mr. Leach said that money from Madison went to pay for part of Whitewater. He also released a memo from a federal regulator in Kansas City, Mo., who charged that officials in Washington were trying to squelch that information.

The reaction from Mr. Leach's congressional colleagues to his speech on the floor was minimal. Some Republicans said he raised a number of thought-provoking issues while Democrats were largely silent.

Democratic officials said Mr. Leach's calm and qualified presentation of his information diminished the need for an immediate response from Democratic lawmakers. And Whitewater-Madison is expected to be fleshed out in congressional hearings, which could begin in early May.

At that time, Mr. Leach himself will be judged, one Democratic leadership aide said.

"That's where his credibility will be either upheld or diminished, depending on what we find out of how much he said was true," the official said.

"I'm confident Mr. Leach will be able to look himself in the mirror one month from now and 10 years from now and know that his reputation for veracity will not be impeached by future disclosures," said Tony Blankley, spokesman for House Minority Whip Newt Gingrich, Georgia Republican.

One lawmaker who stayed silent Thursday about Mr. Leach's charges — House Banking Chairman Henry B. Gonzalez — likely will state his opinion at a Washington news conference Monday.

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Cl'n on tax papers lack support for deductions

The Washington Times SATURDAY, MARCH 26, 1994

By Jerry Seper
THE WASHINGTON TIMES

The White House yesterday released tax records showing that President and Mrs. Clinton claimed interest deductions of \$46,635 for Whitewater Development Corp., but it offered no evidence, such as canceled checks, credit statements or debit slips, to support the claims.

The figures are included in 64 pages of tax records and other documents released by the Clintons' attorney, David Kendall, including previously undisclosed returns for 1977 through 1979 — the last two of which show \$22,120 in purported Whitewater interest deductions.

The Clintons — who had said during the 1992 presidential campaign that the interest deductions amounted to \$68,900 — used the tax returns as a basis for revising that figure downward to \$46,635. They say the figure represents their losses in Whitewater, since they paid the interest but never received any income from the investment.

In another development, John Podesta, the White House staff secretary, became the 12th current or former Clinton administration official to be subpoenaed by a federal grand jury in Washington investigating briefings federal regulators provided for White House officials to discuss the investigation of the Whitewater-Madison affair.

"In a spirit of full cooperation and openness, the Clintons have now made public their tax returns for the past 16 years, since Mr.

RTC free of GOP appointees

By Michael Hedges
THE WASHINGTON TIMES

The Resolution Trust Corp. yesterday disputed President Clinton's claim that RTC investigators concerned with a possible Whitewater-Madison cover-up by the White House were all "Republican appointees."

Nearly all RTC employees are nonpolitical, career government workers, said spokesman Steve Katsanos, adding that there are no Republican appointees at the independent agency charged with the savings and loan cleanup.

But three times during a nationally televised news conference Thursday night, the president dismissed charges of administration pressure to play down a criminal referral that mentioned him and his wife by insisting that the RTC accusers

were appointed in the Bush years.

"With all due respect to the president, we are career government employees. There is only one political appointee here, and he is a Democrat," Mr. Katsanos said.

That appointee is interim RTC Director Roger C. Altman, who is embroiled in the controversy over RTC contacts with the White House on the progress of the agency's probe of an Arkansas S&L.

Mr. Altman, also deputy Treasury secretary, has admitted to attending a series of meetings with former White House Counsel Bernard W. Nussbaum; Margaret A. Williams, Mrs. Clinton's chief of staff; and others.

Mr. Altman and agency attorney April Breslaw have ties to

see RTC, page A13

Clinton's first year in public office," Mr. Kendall told reporters at a White House briefing about the tax returns.

White House officials said the checks had been turned over to Whitewater-Madison special counsel Robert B. Fiske Jr. and would not be made public. They said other documentation is missing.

The White House assertion that the Clintons never received any income from the 14-year Whitewater venture was sharply chal-

lenged by Rep. Jim Leach, Iowa Republican and ranking GOP member of the House Banking Committee, who is conducting an independent investigation of the matter.

In a statement yesterday, he said a review of available documents and information showed the Clintons made at least \$152,000 from Whitewater and Madison Guaranty Savings and Loan Associ-

see PAPERS, page A9

1040 U.S. Individual Income Tax Return 1979

For the calendar year 1979, or for the calendar year ending on 12/31/79, or for the calendar year ending on 12/31/79, or for the calendar year ending on 12/31/79.

NAME Bill Clinton
ADDRESS 1800 C Street, N.E., Washington, D.C. 20002
STATE D.C.
ZIP 20002
DATE 3/29/80
FILE 1040-1000

PREPARED BY David Kendall
DATE 3/29/80
FILE 1040-1000

INCOME
1. Wages, salaries, tips, etc. 70,250
2. Dividends, interest, etc. 14,635
3. Capital gains or losses 19,222
4. Other income 6,243
5. Total income 110,150

ADJUSTMENTS TO INCOME
6. Adjustments to income 63,515
7. Total adjustments 63,515
8. Taxable income 46,635

TAXES
9. Federal income tax 15,104
10. State income tax 1,672
11. Total taxes 16,776

REFUND OR OVERPAYMENT
12. Refund or overpayment 16,776
13. Total refund or overpayment 16,776

ADDITIONAL INFORMATION
14. Total income 110,150
15. Total adjustments 63,515
16. Taxable income 46,635
17. Total taxes 16,776
18. Refund or overpayment 16,776

1040 U.S. Individual Income Tax Return 1979

For the calendar year 1979, or for the calendar year ending on 12/31/79, or for the calendar year ending on 12/31/79, or for the calendar year ending on 12/31/79.

NAME Hillary Rodham Clinton
ADDRESS 1800 C Street, N.E., Washington, D.C. 20002
STATE D.C.
ZIP 20002
DATE 3/29/80
FILE 1040-1000

INCOME
1. Wages, salaries, tips, etc. 15,104
2. Dividends, interest, etc. 1,672
3. Capital gains or losses 19,222
4. Other income 6,243
5. Total income 42,241

ADJUSTMENTS TO INCOME
6. Adjustments to income 1,672
7. Total adjustments 1,672
8. Taxable income 40,569

TAXES
9. Federal income tax 15,104
10. State income tax 1,672
11. Total taxes 16,776

REFUND OR OVERPAYMENT
12. Refund or overpayment 16,776
13. Total refund or overpayment 16,776

ADDITIONAL INFORMATION
14. Total income 42,241
15. Total adjustments 1,672
16. Taxable income 40,569
17. Total taxes 16,776
18. Refund or overpayment 16,776

Copies of the 1040 form from Bill Clinton and Hillary Rodham Clinton's 1979 income tax returns, which were released yesterday.

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ation, owned at the time by their Whitewater partner James B. McDougal.

Mr. Leach said the "income" came from legal fees, lot sales, tax deductions, capital gains, "infusions of capital" from Madison and loan payments on personal debts.

"What Kendall's selective release of documents cries out for is full release of all Whitewater records," he said.

The 1978 and 1979 returns, which the Clintons had previously declined to release, also show that the couple — while he was governor and she was a partner at Little Rock's Rose Law Firm — made \$118,148 in commodities trading profits and consulting fees during the two-year period.

The returns document that Mrs. Clinton was active as a commodities trader and apparently was quite successful.

The New York Times reported last week that Mrs. Clinton made a \$100,000 profit in highly volatile cattle futures in trading that was guided by James Blair, attorney for Tyson Foods Inc. of Springdale, Ark., the nation's largest chicken-processing company and the state's largest employer. Its owner, Don Tyson, is a longtime Clinton political ally.

The trading began three weeks before Mr. Clinton won his first term as Arkansas governor and ended about a year later, the newspaper said.

The tax returns released yesterday show that:

- In 1977 the Clintons reported an adjusted gross income of \$41,731, with a tax liability of \$8,194 — about 20 percent. Whitewater, a \$203,000 real estate venture in the Arkansas Ozarks with Mr. McDougal and his then-wife, Susan, had not yet been formed.

The Clintons and the McDougals purchased the 230-acre Whitewater site in 1978 with a \$20,000 unsecured loan from Union National Bank of Little Rock and a \$183,000 loan from Citizens Bank & Trust of Flippin, Ark., using the land as collateral.

- In 1978, the couple showed an adjusted gross income of \$85,214 and paid \$22,627 in taxes — about 27 percent. The Clintons claimed \$10,130 in interest payments on the loans from Citizens Bank and Trust and Union National Bank. The money went, however, to Great Southern Land Co., a development company wholly owned by the McDougals.

- In 1979, the Clintons reported an adjusted gross income of \$158,495, with a tax liability of

WHITewater PAYMENTS

The Clintons made the following payments associated with their Whitewater investment:

Year	Type of payment	Amount
1978	Interest	\$10,130.58
1979	Interest	*11,752.52
1979	Interest	237.50
1979	Capital contribution	**500.00
1980	Interest	4,350.00
1980	Interest	9,000.00
1981	Interest	243.82
1986	Interest	1,635.51
1987	Interest	2,561.33
1988	Interest	1,473.60
1988	Real estate tax	1,275.15
1989	Real estate tax	**291.35
1990	Franchise tax	**345.15
1990	Accountant's bill	**2,839.24
Total		46,635.75

* Amount deducted was \$11,749 ** Not deducted on tax returns

CLINTON TAX RETURNS

President Clinton released his 1977, '78 and '79 federal income tax returns yesterday.

	1977	1978	1979
Adjusted gross income	\$41,731	\$85,214	\$158,495
Deductions claimed	5,893	18,103	20,033
Total tax	8,194	22,627	59,388

The Washington Times

\$59,388 — about 37 percent. The couple claimed interest deductions of \$11,990, the money going this time to Citizens Bank & Trust on the Whitewater loans. They are shown on the return, however, only as "banks and loan companies."

A source close to the Clintons said yesterday the payment to Great Southern was requested by Mr. McDougal as a way to pay the Whitewater loan, but that the Clintons had no idea what the company did or why the payment should go through it.

He did not say whether the Clintons, both lawyers, had ever asked about the arrangement, indicating that the Whitewater deal was "very informal."

Great Southern was an Arkansas land development company directly involved with Whitewater in at least one other land deal. Records show it assumed the title for 810 acres purchased directly in 1986 by Whitewater. The development was known as Lorraine Heights, about 12 miles southeast of Little Rock. Great Southern later was involved in sales of the plots in the development, which eventually was foreclosed at a loss of \$510,000.

White House officials have said the Clintons were unaware of the Lorraine Heights deal.

Mr. Clinton, at a news confer-

ence Thursday in which he answered 18 questions on the Whitewater-Madison affair, promised to release the tax records as the White House sought to dissipate coverage of the matter.

The interest total of \$46,635, detailed in the tax returns, is substantially less than the \$68,900 figure released during the 1992 campaign. Mr. Clinton explained the difference by saying he had misapplied a \$20,744 loan — to help his mother purchase a cabin — to the Whitewater account.

Mr. Clinton said during the news conference that he did not remember specifics of the loan until he recently read the galley proofs of the autobiography by his mother, Virginia Kelley.

Before flying to Pope Air Force Base, N.C., yesterday to meet with the survivors of an Air Force crash, he attributed the mistake to "the heat of the '92 campaign."

"Keep in mind, when I was first asked about this back in '92, just off the top of my head, I said we lost money but I don't think it was a great deal. ... I think I'm quoted in '92, as saying I thought we lost about \$25,000, from memory," he said. "So apparently we lost quite a lot more than that."

- Paul Bedard contributed to this report.

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Clin on tax papers lack support for deductions

The Washington Times SATURDAY, MARCH 26, 1994

By Jerry Seper
THE WASHINGTON TIMES

The White House yesterday released tax records showing that President and Mrs. Clinton claimed interest deductions of \$46,635 for Whitewater Development Corp., but it offered no evidence, such as canceled checks, credit statements or debit slips, to support the claims.

The figures are included in 64 pages of tax records and other documents released by the Clintons' attorney, David Kendall, including previously undisclosed returns for 1977 through 1979 — the last two of which show \$22,120 in purported Whitewater interest deductions.

The Clintons — who had said during the 1992 presidential campaign that the interest deductions amounted to \$68,900 — used the tax returns as a basis for revising that figure downward to \$46,635. They say the figure represents their losses in Whitewater, since they paid the interest but never received any income from the investment.

In another development, John Podesta, the White House staff secretary, became the 12th current or former Clinton administration official to be subpoenaed by a federal grand jury in Washington investigating briefings federal regulators provided for White House officials to discuss the investigation of the Whitewater-Madison affair.

"In a spirit of full cooperation and openness, the Clintons have now made public their tax returns for the past 16 years, since Mr.

RTC free of GOP appointees

By Michael Hedges
THE WASHINGTON TIMES

The Resolution Trust Corp. yesterday disputed President Clinton's claim that RTC investigators concerned with a possible Whitewater-Madison cover-up by the White House were all "Republican appointees."

Nearly all RTC employees are nonpolitical, career government workers, said spokesman Steve Katsanos, adding that there are no Republican appointees at the independent agency charged with the savings and loan cleanup.

But three times during a nationally televised news conference Thursday night, the president dismissed charges of administration pressure to play down a criminal referral that mentioned him and his wife by insisting that the RTC accusers

were appointed in the Bush years.

"With all due respect to the president, we are career government employees. There is only one political appointee here, and he is a Democrat," Mr. Katsanos said.

That appointee is interim RTC Director Roger C. Altman, who is embroiled in the controversy over RTC contacts with the White House on the progress of the agency's probe of an Arkansas S&L.

Mr. Altman, also deputy Treasury secretary, has admitted to attending a series of meetings with former White House Counsel Bernard W. Nussbaum; Margaret A. Williams, Mrs. Clinton's chief of staff; and others.

Mr. Altman and agency attorney April Breslaw have ties to

see RTC, page A13

Clinton's first year in public office," Mr. Kendall told reporters at a White House briefing about the tax returns.

White House officials said the checks had been turned over to Whitewater-Madison special counsel Robert B. Fiske Jr. and would not be made public. They said other documentation is missing.

The White House assertion that the Clintons never received any income from the 14-year Whitewater venture was sharply chal-

lenged by Rep. Jim Leach, Iowa Republican and ranking GOP member of the House Banking Committee, who is conducting an independent investigation of the matter.

In a statement yesterday, he said a review of available documents and information showed the Clintons made at least \$152,000 from Whitewater and Madison Guaranty Savings and Loan Associ-

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1040 U.S. Individual Income Tax Return 1979

Part I. Personal and Family Information

Name: Clinton, Bill
 Social Security Number: 42-254-9907
 Date of birth: 1942-08-19
 Occupation: Lawyer
 Address: 1000 Capitol Mall, N.W., Washington, D.C. 20540
 Home phone: 722-0600
 Tax preparer: David Kendall
 Signature: [Signature]
 Date: 3-25-80

Part II. Filing Status

1. Single ☐
 2. Married filing jointly ☒
 3. Married filing separately ☐
 4. Head of household ☐
 5. Qualifying widow(er) ☐

Part III. Exemptions

6. Yourself ☒
 7. Spouse ☒
 8. Dependents ☐
 9. Other persons ☐

Part IV. Income

10. Wages, salaries, tips, etc. 124,460
 11. Dividends 1,200
 12. Interest income 1,200
 13. Capital gains or losses 1,200
 14. Taxable part of capital gain distributions 1,200
 15. Taxable part of capital loss distributions 1,200
 16. Supplemental wages or interest 1,200
 17. Fully taxable pensions and annuities not reported on Schedule E 1,200
 18. Taxable part of IRA distributions 1,200
 19. Taxable part of IRA distributions 1,200
 20. Taxable part of IRA distributions 1,200
 21. Taxable part of IRA distributions 1,200

Part V. Adjustments to Income

22. Total income 124,460
 23. Moving expenses 1,200
 24. Charitable contributions 1,200
 25. Payments to an IRA 1,200
 26. Payments to a Rollover 1,200
 27. Interest penalty on early withdrawal of savings 1,200
 28. Attorney fees 1,200
 29. Total adjustments 1,200
 30. Taxable income 123,260

Part VI. Credits

31. Earned income credit 1,200
 32. Child tax credit 1,200
 33. Credit for child and dependent care expenses 1,200
 34. Investment credit 1,200
 35. Foreign tax credit 1,200
 36. Other nonrefundable credits 1,200
 37. Total credits 1,200

Part VII. Other Taxes

38. Self-employment tax 1,200
 39. Alternative minimum tax 1,200
 40. Tax on investment income 1,200
 41. Tax on capital gains 1,200
 42. Tax on dividends 1,200
 43. Tax on interest 1,200
 44. Tax on other income 1,200
 45. Total other taxes 1,200

Part VIII. Refund or Credit Due

46. Refund or credit due 1,200
 47. Total refund or credit due 1,200

Part IX. Payments

48. Total federal income tax withheld 1,200
 49. 1979 estimated tax payments and amount from 1978 return 1,200
 50. Current income credit 1,200
 51. Amount paid with Form 4080 1,200
 52. Amount paid with Form 4080 1,200
 53. Amount paid with Form 4080 1,200
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 100. Amount paid with Form 4080 1,200

Copies of the 1040 form from Bill Clinton and Hillary Rodham Clinton's 1979 income tax returns, which were released yesterday.

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RTC

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the Clintons. Mr. Altman is a long-time friend of Mr. Clinton's, and Miss Breslaw, as a government lawyer in 1989, steered a \$400,000 contract to Little Rock's Rose Law Firm, where Hillary Rodham Clinton was a senior partner.

Last night, federal regulators said that senior White House officials inquired last month about removing Republican Jay B. Stephens, who had been hired by the RTC to investigate claims arising from the failure of Madison Guaranty Savings and Loan Association. Federal regulators seized the Arkansas thrift in 1989 at a cost to taxpayers of \$50 million.

RTC sources told the Associated Press that senior aide George Stephanopoulos and Deputy Chief of Staff Harold Ickes, outraged when they learned in February that the RTC had hired Mr. Stephens, inquired about his removal. Mr. Stephens had criticized the Clinton administration after being fired from his post as U.S. attorney for the District.

Mr. Stephens had been hired to handle civil claims in the Madison matter, including the possible liability of Hillary Rodham Clinton's former Little Rock law firm.

Senior White House officials raised the issue of Mr. Stephens' hiring in two conversations with Treasury officials on Feb. 25, just after discovering Mr. Stephens had been retained, said the sources, who spoke on the condition of anonymity.

The Washington Post reported the discussions in today's editions.

The newspaper said the White House apparently dropped the subject of removing Mr. Stephens after being told by Mr. Altman and Treasury Chief of Staff Joshua Steiner that nothing could be done.

In Dallas, a White House spokesman said no effort was made to thwart the hiring of Mr. Stephens.

"There is no suggestion that any action was taken. Mr. Stephens is continuing to conduct his inquiry

for the RTC," said a formal statement attributed to White House Chief of Staff Thomas F. "Mack" McLarty and read by spokesman Jeff Eller.

But when pressed by reporters he said there had been a conference call.

"This was not a phone call that was unexpected or inappropriate. It was just a phone call that was made concerning this. No action was taken. His law firm was still hired by the RTC," Mr. Eller said.

In a speech on the House floor Thursday, Rep. Jim Leach, Iowa Republican, detailed charges by an RTC investigator that she was pressured to "let [the Clintons] off the hook" in the probe of Madison.

RTC investigator L. Jean Lewis, in a memo released by Mr. Leach, recounted a long conversation in which Miss Breslaw urged her to change her mind on criminal referrals on Madison.

Mrs. Lewis had determined that there were several prosecutable offenses, but she said Miss Breslaw told her "head people" at the agency would be happier if Mrs. Lewis told them there were no problems, as that would "get them off the hook."

Two of the "head people" Mrs. Lewis said Miss Breslaw mentioned were Deputy Chief Executive Officer Jack Ryan and General Counsel Ellen Kulka. Mr. Altman chose both for their jobs in December.

Mr. Katsanos said Mr. Ryan and Ms. Kulka would have no public comment on the matter because they are cooperating with the federal Whitewater-Madison investigation.

In his news conference Thursday, Mr. Clinton responded to Mrs. Lewis' charges by saying Mr. Leach "may be talking about an internal dispute within the RTC from career Republican appointees for all I know."

"Keep in mind, until I came here, all appointees of the RTC were hired under previous Republican administrations," Mr. Clinton said.

Later in the news conference, a reporter said the Leach speech indicated "that federal regulators

tried to stop investigators for the Resolution Trust Corporation in Kansas City from putting Whitewater into their criminal referrals. That would amount to a cover-up and possibly obstruction of justice. Do you have any knowledge of that?"

"I have had absolutely nothing to do and would have nothing to do with any attempt to influence an RTC regulatory matter. And I think if you look at the actions of the RTC just since I've been president, and you examine the facts that everybody that works there was appointed by a previous Republican administration, the evidence is clear that I have not done that," Mr. Clinton said.

Those statements silenced that line of inquiry during the news conference. But they also upset RTC employees, Mr. Katsanos said.

"That is what I have heard about from more people here today than what Leach released," he said.

The secret White House briefings on the Madison probe are the subject of a federal grand jury investigation led by Whitewater-Madison special counsel Robert B. Fiske Jr., who is seeking to determine whether an obstruction of justice occurred as a result of those meetings.

Mr. Altman and several White House officials have been subpoenaed to testify about the meetings before a grand jury in Washington.

"The president was making a broader point that the RTC staff in recent history was hired during Republican administrations," White House Communications Director Mark Gearan said yesterday. The RTC was created in 1989.

RTC officials said the agency has 2,300 employees nationwide. Almost all are Schedule A workers who were hired based on experience and, under law, cannot be hired based on political affiliation.

Mr. Katsanos said some RTC employees who had taken exception to Mr. Clinton's remarks noted that they were Democrats who had contributed to his campaign "and were elated when he was elected."

● Frank J. Murray contributed to this report in Dallas.

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Secret Service rejected workers

White House fired some, aide testifies

By Rowan Scarborough
THE WASHINGTON TIMES

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A senior White House aide testified yesterday that the Secret Service has in some cases recommended turning down employees for permanent access passes and that the administration did not retain these workers.

The testimony of Patsy Thomason before a Senate panel appeared to be the first time the White House has acknowledged that FBI background checks uncovered derogatory information about personnel awaiting permanent building passes.

Ms. Thomason, a former Arkansas political and business figure who now directs the White House Office of Administration, testified about a backlog in issuing permanent passes to executive branch employees 14 months after President Clinton took office.

When asked if the Secret Service had recommended that some White House employees not receive permanent passes, Ms. Thomason said, "Yes." She added that the administration complied with the Secret Service suggestion that those employees not be retained.

She did not offer, and was not asked to provide, details about how many employees were rejected by the Secret Service. She and two of her aides refused to speak with reporters after her testimony before the Senate Appropriations subcommittee on the Treasury, Postal Service and general government.

The Washington Times reported Wednesday that the backlog started last year after the Secret Service raised security concerns about two aides based on a review of their FBI background reports.

White House spokeswoman Dee Myers said that day that she was unaware of the Secret Service recommendation that a permanent pass be withheld from any employee.

The Times reported that Associate White House Counsel William Kennedy III had delayed re-

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WORKERS

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ferring hundreds of the reports to the Secret Service, which conducts a final review before the counsel's office approves the passes.

The White House announced Wednesday that Mr. Kennedy was being relieved of his duties in approving passes and scrutinizing the backgrounds of Clinton appointees.

Miss Myers said that, of some 1,000 White House employees, about one-third still do not have permanent passes. She only recently filled out the necessary forms to trigger her own FBI check and still wears a temporary pass.

Ms. Thomason arrived at the White House more than a year ago but received her pass just two weeks ago. She said she completed the necessary paperwork six months after assuming her duties.

"I have appreciated the questions raised by some members of Congress," Ms. Thomason testified yesterday. "In candor, those questions prompted us to take a look at this important area."

Two House Republicans wrote the General Accounting Office this week, asking Congress' inves-

tigative arm to probe the pass backlog.

The letter was signed by Rep. Frank R. Wolf of Virginia and Rep. William F. Clinger of Pennsylvania, ranking member on the House Government Operations Committee.

"Over the past several weeks it has become apparent that this White House has failed to follow the standard procedures followed by previous administrations in processing permanent White House passes and as a result hundreds of White House employees had temporary passes for longer than the customary three to four month period when an employee first starts work at the White House," the two congressmen wrote.

They specifically requested the GAO investigate how the White House counsel's office, the FBI and the Secret Service determine whether personnel are worthy of getting a pass.

In the Senate, 14 Republicans signed a letter to interim White House Counsel Lloyd Cutler, asking him to explain why so many White House aides still do not hold permanent passes.

The signers include John McCain of Arizona, Trent Lott of Mississippi, Orrin Hatch of Utah and Connie Mack of Florida.

An administration official has

told The Times that more than 500 FBI background checks on White House employees have turned up sufficient derogatory information to deny them employment at the FBI, CIA and Defense Department. The offenses included past drug use, drug convictions, delinquent taxes and debts.

At yesterday's hearing, Sen. Alfonse M. D'Amato, New York Republican, attempted to question Ms. Thomason on her past business ties. But Sen. Dennis DeConcini, Arizona Democrat and subcommittee chairman, ruled the question out of order.

The Wall Street Journal reported this week that Whitewater-Madison special counsel Robert B. Fiske Jr. has subpoenaed documents related to the business activities of Dan R. Lasater, a convicted Arkansas cocaine dealer whose company won lucrative bond work when Mr. Clinton was Arkansas governor.

Ms. Thomason is a former executive in several of Mr. Lasater's companies and helped run his business after he was sentenced to 30 months in prison in 1987.

The Journal also reported that the Phoenix Group, an investment firm once headed by Ms. Thomason, is being investigated by the Securities and Exchange Commission in connection with possible insider trading.

bc-whitewater-press-comment
(ATTN: Editorial Page editors)
Adv sun mar 27

With Press in Unbridled Pursuit Could Anyone Get Out Alive?
Von Hoffman, a columnist on The Washington Post during the Watergate investigation, is author of "Citizen Cohn," a life of Roy Cohn, and "Capitalist Fools" (Doubleday). He is now writing a play.
By Nicholas von Hoffman= Special to the Los Angeles Times=

The mass media is into its binge-purge cycle again. The Whitewater scandal, such as it may be, has the hacks, both print and electronic, in paroxysms of investigative fury and fits of exaggerated reportage. Hare and hounds we go, over the Arkansas countryside in unbridled pursuit of the presidential couple.

In due course this excess will be followed by a great trooping to the journalistic wailing wall, where we shall see editors and reporters look at their handiwork and cry out, "Forgive us, we have sinned!" There will be remorseful seminars at the Schools of Journalism and those horrid Centers for the Study of God Knows What, where the men and women of the news media will disport in self recrimination as they delight themselves analyzing their professional faults and happily playing the guilt game.

Binge-purge. No sooner have we recovered from the maniacally silly coverage of that dysfunctional couple of the year, John Wayne and Lorena Bobbitt, then the media hoses down the nation with Whitewater. Without missing a beat, we've gone from round-table discussions about whether family newspapers should print the word for the male member to the great Arkansas fox hunt. Until the Pulitzer Committee meets, we won't know who will be awarded the ears and brush.

Pending the switch to the purge phase, it remains for the rest of us to dope out why the no-longer-quite-so-august New York Times would run a front-page story telling its readers that many years ago Hillary Rodham Clinton made herself and her old man a small pile (\$100,000) speculating in pork bellies. Actually it was cattle futures, but pork bellies sounds better and is more in keeping with patronizing evocations of razor-back hogs, Ozark music and barefoot hillbillies in bib overalls calling, "Soooooeeeeee!"

These are the fancies that reinforce the mass media's cliché image of the Clintons' origins in a small, ignorantly corrupt Southern state, where the politicians and the lawyers don't know enough not to do each other favors of doubtful legality and questionable ethics. Well, pardon me! Nothing like that goes on in Sacramento, Calif., or Albany, N.Y.

The gratuitous story about Hillary Clinton's investments was nothing compared to CNN's wacky report, taken from a right-wing newsletter, to the effect that the body of Vincent W. Foster Jr., the White House aide who killed himself, had been moved. That idea seems to have been scotched for the nonce, but in the overly excited air of scoop-happy big-time journalism, you can find more than one person in the press room who wonders if the poor man wasn't murdered and is ready, at the drop of the slightest of clues, to suggest the same on camera.

Tabloid journalism is not an affliction specific to our times. In 1924, the New York Graphic the tabloidiest tab there ever was ran a fake picture of the lady in the scandalous "Peaches" and "Daddy" Browning annulment case standing nude in front of the jury. The great unwashed loved it and circulation jumped by a quarter-million.

But if mass journalism is much as it has been throughout the 20th century, class journalism isn't. Why are the once tonier mass-media precincts leering and smearing with the best or worst of the tabs?

In part, it's due to the change in the character of media ownership. The single owners of the past often, though by no means always, put their principles ahead of profits. It's problematic, for instance, if The Washington Post of today a publicly held enterprise would have taken the risk of going

ahead with the Watergate investigations after the Nixon people had signaled they would be going after the company's TV station licenses. But owner Katharine Graham and editor Benjamin C. Bradlee prized a certain kind of journalism more than money. They had a moral-vocational compass by which to set the newspaper's course.

They didn't have to convene a focus group to tell them what to print or, at least as important, what not to print. It's questionable whether a swashbuckler like Bradlee would be appointed to the editor's chair of a major newspaper today. Those jobs now go to suits with blank faces, people without internal gyroscopes, who don't care what the public ought to know only what they will buy.

Ergo, television, publicly owned and commercially driven, puts on whatever is thought will snag viewers, and print journalism, even the elite dailies, still unable to accept that it is no longer a mass medium, apes TV.

The monkey-see-monkey-do decline of the quality press can be seen not only in the marmalade with which it slathers its pages, but in vocabulary and syntax. Compared to the up-market newspapers of 75 years ago, the better journals of our era carry less serious news and often present it in the threadbare language of a high-school English book report.

What happened was that even the better-educated reading public is debased by the standard of Nation's Work, or some other of the magazines that Theodore Roosevelt wrote for without benefit of ghost writers. We live and read in a time when dippy celebrity profiles, 10-best lists, low-IQ, hotel-room interviews and health hints constitute the brain food of millions. Of course, they're going to be fed tidbits about the sex lives of the only 50 names and faces they know and recognize. Bottled Whitewater is about all there's a market for.

Newspapers and magazines of a 100 years ago differed from each other not only in the social class and educational level they appealed to, but also in party affiliation and ideological slant. Were this 1890, at least you wouldn't get doused with Whitewater foam in newspapers aligned with the Democrats so you could flee that particular kind of scandal mongering if you wanted to.

Under other circumstances, an unconscionable mass media is held in check by what it assumes is the outer limits of public tolerance. That tolerance, as far as politicians go, is now limitless. Since our nation's earliest days, Americans have had misgivings about people who practice the political craft. In the last generation, however, the public has been inundated with books and shows depicting politicians as craven, corrupt, scheming, criminal parasites. The aggregate effect is to destroy the barriers that once restrained an all-too-venal press from saying anything that comes into its head about the occupants of the White House.

Alas, Bill Clinton hasn't helped his own cause. His and Hillary's spoof of the insurance industry's ad was mildly funny, but surely there were two others in the White House who could do it if they were going to release it to TV. A president who clowns for home videos invites derision. It's one thing to be a man of the people, another to be the slob next door.

There is a story, perhaps apocryphal, that when the 350-pound William Howard Taft moved into the White House, he asked Theodore Roosevelt, who was moving out, if he had any advice. "Yes," Roosevelt replied, "don't let them take a photograph of you playing tennis, Willie." Politicians who do may drown in their own Whitewater.

End adv sun mar 27

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**** printed by:WHPR(162) on 03/26/94 at 08:44EST ****

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(ATTN: Editorial Page editors)
Adv sun mar 27

With Press in Unbridled Pursuit Could Anyone Get Out Alive?
Von Hoffman, a columnist on The Washington Post during the Watergate investigation, is author of "Citizen Cohn," a life of Roy Cohn, and "Capitalist Fools" (Doubleday). He is now writing a play.
By Nicholas von Hoffman= Special to the Los Angeles Times=

The mass media is into its binge-purge cycle again. The Whitewater scandal, such as it may be, has the hacks, both print and electronic, in paroxysms of investigative fury and fits of exaggerated reportage. Hare and hounds we go, over the Arkansas countryside in unbridled pursuit of the presidential couple.

In due course this excess will be followed by a great trooping to the journalistic wailing wall, where we shall see editors and reporters look at their handiwork and cry out, "Forgive us, we have sinned!" There will be remorseful seminars at the Schools of Journalism and those horrid Centers for the Study of God Knows What, where the men and women of the news media will disport in self recrimination as they delight themselves analyzing their professional faults and happily playing the guilt game.

Binge-purge. No sooner have we recovered from the maniacally silly coverage of that dysfunctional couple of the year, John Wayne and Lorena Bobbitt, then the media hoses down the nation with Whitewater. Without missing a beat, we've gone from round-table discussions about whether family newspapers should print the word for the male member to the great Arkansas fox hunt. Until the Pulitzer Committee meets, we won't know who will be awarded the ears and brush.

Pending the switch to the purge phase, it remains for the rest of us to dope out why the no-longer-quite-so-august New York Times would run a front-page story telling its readers that many years ago Hillary Rodham Clinton made herself and her old man a small pile (\$100,000) speculating in pork bellies. Actually it was cattle futures, but pork bellies sounds better and is more in keeping with patronizing evocations of razor-back hogs, Ozark music and barefoot hillbillies in bib overalls calling, "Soooooooooooo!"

These are the fancies that reinforce the mass media's cliché image of the Clintons' origins in a small, ignorantly corrupt Southern state, where the politicians and the lawyers don't know enough not to do each other favors of doubtful legality and questionable ethics. Well, pardon me! Nothing like that goes on in Sacramento, Calif., or Albany, N.Y.

The gratuitous story about Hillary Clinton's investments was nothing compared to CNN's wacky report, taken from a right-wing newsletter, to the effect that the body of Vincent W. Foster Jr., the White House aide who killed himself, had been moved. That idea seems to have been scotched for the nonce, but in the overly excited air of scoop-happy big-time journalism, you can find more than one person in the press room who wonders if the poor man wasn't murdered and is ready, at the drop of the slightest of clues, to suggest the same on camera.

Tabloid journalism is not an affliction specific to our times. In 1924, the New York Graphic the tabloidiest tab there ever was ran a fake picture of the lady in the scandalous "Peaches" and "Daddy" Browning annulment case standing nude in front of the jury. The great unwashed loved it and circulation jumped by a quarter-million.

But if mass journalism is much as it has been throughout the 20th century, class journalism isn't. Why are the once tonier mass-media precincts leering and smearing with the best or worst of the tabs?

In part, it's due to the change in the character of media ownership. The single owners of the past often, though by no means always, put their principles ahead of profits. It's problematic, for instance, if The Washington Post of today a publicly held enterprise would have taken the risk of going

bc-whitewater-letter - a1717

(ATTN: National editors) (Includes optional trims)

Letter Shows Feds Debated Whitewater Probe in '92 (Little Rock)

By Ronald J. Ostrow and William C. Rempel= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Although a federal bank investigator was pressing aggressively for prosecutors to act on Whitewater, the then U.S. attorney in Little Rock argued vehemently against it, contending such steps immediately before the 1992 presidential election would constitute "prosecutorial misconduct," it was learned Friday.

Former U.S. Attorney Charles A. Banks, a Republican appointee, warned in a letter to the FBI that taking federal action immediately before the 1992 presidential election would be unfair because it could give a sense of legitimacy to allegations affecting a candidate that could not be proven.

The unusual October 1992 letter from Banks to Don Pettus, then special agent in charge of the FBI's Little Rock office, sheds light on a little-known struggle within the federal bureaucracy on what to do about the Whitewater affair as election day approached.

It provides the basis for a central dispute that rages today on the matter: Was it a clear case of financial and political abuse that was long stifled and stalled for political reasons? Or was it a tangled financial mess of marginal importance compared with other savings and loan prosecutions and that required delicate handling and attention to fairness?

Republican critics have moved toward the former interpretation. They released documents Thursday from investigator R. Jean Lewis, who worked for the Resolution Trust Corp., conveying her frustration and suspicions about delays in the case.

Banks' letter, which he acknowledged writing Friday but refused to discuss, reflects the position held by some other Justice Department officials who saw Lewis as overzealous and unfairly single-minded about a matter that could have major electoral repercussions.

A spokesman for Rep. James A. Leach of Iowa, the leading House Republican critic in the Whitewater controversy who released documents in the case Thursday, said Leach did not have a copy of Bank's letter. Leach, in releasing the documents, charged that the Arkansas real estate venture ultimately was used "to skim, directly or indirectly, federally insured deposits" from a Little Rock savings and loan.

(Optional add end)

In the letter, Banks noted that he had met with the FBI on the referral for possible criminal prosecution involving Madison Guaranty Savings & Loan, which was owned by James McDougal, a partner with then-Gov. Bill Clinton and Hillary Rodham Clinton in the Whitewater Development Corp.

Banks said that even after a second review of the case he still had serious reservations about it being one that could be successfully prosecuted against any of the witnesses. The Clintons, as investors in Whitewater, one of the McDougal enterprises that investigators believe was used as to skim from Madison, were among the witnesses.

The letter noted that Pettus had been ordered to conduct an immediate review of the case to determine if prosecution was warranted and to provide an answer later that week. He did not make clear who in the FBI was ordering Pettus to move quickly.

FBI spokesman John Collingwood said Friday that he would make no comment on the matter.

Banks, in declining to comment, said: "As U.S. attorney, I could not properly discuss reports and correspondence about cases, and I don't feel I have been relieved of that restriction today. And now that there is an independent prosecutor assigned to the case, it is even more inappropriate for me to comment."

But in his letter to Pettus, Banks made clear that he resented the pressure for action, without disclosing its source. He said that neither he nor anyone in the U.S. attorney's office would take further part before the Nov. 3 election.

along the White River in northern Arkansas. The two couples borrowed \$203,000 to buy the property and Clinton claimed an interest deduction of \$10,131 for payments made on the loans in 1978.

(Begin optional trim)

Mrs. Clinton began in commodities trading in October 1978 at the urging of the Clintons' close friend, the well-connected Arkansas lawyer James B. Blair, now the general counsel of Tyson Foods Inc., the nation's largest poultry producer.

Her investment in the high-risk cattle futures market is surprising, given that the Clintons had relatively low incomes and very few assets. White House aides would not say how much of her own money Mrs. Clinton put at risk or how much of the trading was done on credit.

(End optional trim)

In 1979, Clinton took office as governor, at a salary of \$33,519.14 for the year, while Mrs. Clinton made partner at the Rose firm and saw her income rise to \$38,615.60. But her luck in the futures market continued and she reported profit of \$72,996 before bailing out of commodities in October of that year.

The Clintons that year continued to pour money into Whitewater without reporting any income from the land deal, the returns show. They paid \$11,990.02 in interest charges on the venture, as well as making a \$500 capital contribution, about which officials could not provide any further detail.

After they got out of the commodities market, the Clintons' income fell substantially. Tax returns released previously show their adjusted gross income for 1980 was \$87,175, almost all of it from their salaries. By 1992, their income had grown to \$280,000, most of it Mrs. Clinton's law earnings and directors' fees.

In addition to the new tax returns, the White House provided a new accounting of the Clintons' Whitewater investment. The Clintons now believe they lost \$46,635.75 on the Ozark Mountains land deal, rather than the \$68,900 they have been claiming for the past two years, Kendall said.

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White House Releases Clintons' Tax Returns for 1977-'79 (Washn)

By John M. Broder= (c) 1994, Los Angeles Times=

WASHINGTON The White House, in response to continuing questions about the first family's personal finances, on Friday released the Clintons' tax returns for the years 1977-'79, when President Clinton entered public office in Arkansas.

The documents paint a fascinating picture of a relatively low-paid couple dabbling in highly speculative commodity and real estate ventures that in one case paid spectacular returns and in another the ill-fated Whitewater deal resulted in sizeable financial losses and incalculable political costs.

The tax returns also show that the Clintons were involved in an earlier real estate investment with their Whitewater partner, James B. McDougal, a deal that made them a modest \$2,150 profit and emboldened them to try their luck at the much larger Whitewater project.

The tax returns were presented Friday by the Clintons' private attorney, David E. Kendall of the Washington law firm Williams & Connolly. Kendall, in a briefing for reporters at the White House, also provided additional documentation regarding the Clintons' losses in the Whitewater deal.

Kendall said the Clintons were releasing the 1977-'79 tax returns "in a spirit of full cooperation and openness," noting that the first family had now made public 16 years of tax filings, beginning with Clinton's first year as attorney general of Arkansas in 1977.

Kendall said that all the material had previously been provided to special counsel Robert B. Fiske Jr., who is investigating the Whitewater project and a number of related matters involving the Clintons' years in Arkansas and the administration's handling of the aftermath of the collapse of Madison Guaranty Savings & Loan, a Little Rock, Ark., thrift owned by McDougal.

The news came as the grand jury investigating Whitewater issued a subpoena for another senior White House aide. The White House issued a brief statement saying that staff secretary John Podesta had been summoned to testify about his knowledge of contacts between the White House and the Treasury Department concerning the investigation of Madison Guaranty.

The tax returns for the years 1977-'79 show a remarkable growth in income for the couple, from \$41,731 in 1977 to \$85,214 in 1978 to \$158,495 in 1979.

Salary increases account for very little of the growth. In 1977, Clinton's first year as Arkansas attorney general, he was paid \$25,378.77, while his wife, who then used her maiden name, Hillary Rodham, was paid \$14,800 as a first-year associate at the Little Rock law firm Rose, Nash, Williamson, Carroll, Clay & Giroir now known simply as the Rose Law Firm.

(Begin optional trim)

Her low salary reflects that she started at the firm in March and was paid for only 10 months. It also illustrates the low wages paid lawyers in small towns. At the time, associates at law firms in New York or Los Angeles made at least twice as much.

That year, they reported virtually no additional outside or investment income.

(End optional trim)

In 1978, their combined salaries grew to about \$51,000, but they also reported income from two investments a land deal with McDougal known as Rolling Hill Manor, for which they claimed a capital gain of \$2,150, and profits of \$26,541 from commodity trading.

That year also marked the establishment of Whitewater Development Corp., a 50-50 partnership with McDougal and his wife, Susan, to buy 230 acres of land

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On Capitol Hill, Waxman's subcommittee on health and the environment convened several panels of medical experts as well tobacco industry officials and anti-smoking advocates to launch what clearly will be a long and contentious debate over whether the FDA should regulate cigarettes.

A month ago, FDA commissioner David A. Kessler publicly asserted his agency's authority to classify nicotine as a drug a move that could lead to the regulation or even banning of virtually all cigarettes.

At the time, Kessler all but accused the tobacco industry of stoking a public addiction, citing "accumulating" evidence that nicotine content in cigarettes are being manipulated by manufacturers for that very end thus making cigarettes for all practical purposes a drug that falls under FDA purview.

Kessler also testified on Friday, calling some cigarettes "high-technology nicotine delivery systems" that feed smokers the substance in "quantities that are more than sufficient to create and to sustain addiction" in most smokers.

Much of the hearing focused on the intricacies of cigarette-making, with industry representatives vociferously denying that manufacturers manipulate nicotine content.

But Kessler cited numerous patents obtained by cigarette makers for various processes that control nicotine levels. Such sophistication, he said, "more and more resembles the actions of a pharmaceutical manufacturer."

But Alexander W. Spears III, a North Carolina tobacco company executive, argued that the existence patents did not mean that manufacturers are actually using the processes.

Rep. Mike Synar, D-Okla., a staunch tobacco foe, urged Congress to force cigarette makers to disclose all ingredients, but said banning all tobacco products would be "cruel and unusual punishment" to those addicted.

Tobacco industry advocates, including Sherwin Gardner, a former deputy FDA commissioner, said the FDA should not be asked to regulate tobacco products because it is already overburdened and any new responsibilities would further slow its ability to approve new drugs.

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'Forgotten' Clinton Loan Generated Few Documents

By Howard Schneider and Albert B. Crenshaw
Washington Post Staff Writers

With little more than his signature, Bill Clinton in 1981 got a \$20,000 loan from his business partner James B. McDougal's bank in Kingston, Ark., money he says he used to help his mother purchase a home half a state away in Hot Springs.

In Clinton's eyes, the transaction was so insignificant he forgot about it: For the last two years that money was included as part of what he claimed to have lost in the Whitewater Development Corp. he and McDougal owned. When his interest in the \$75,000 house was transferred to his stepfather a year later, the transaction was not mentioned on the Clintons' tax returns, even though a sale of a capital asset such as real estate should be accounted for under Internal Revenue Service regulations.

"I had genuinely forgotten," said Clinton, describing in a Thursday news conference how after "racking his brain" and reading a draft of his late mother's autobiography he recalled the loan and realized it had nothing to do with Whitewater.

But to bank examiners in Arkansas, loans like the one McDougal made to Clinton were significant—and a cause for them to criticize McDougal's banking practices. As head of the Bank of Kingston in northwest Arkansas, McDougal and his partners came under sharp criticism from then-Gov. Clinton's banking commissioner Martin Jackson for making too many loans outside of the immediate service area around Madison County.

One of those loans, made in 1980, was to Hillary Rodham Clinton, who borrowed \$30,000 from the

Kingston bank to build a model home on a White-water lot. That loan was refinanced at another state-controlled bank after Jackson warned Clinton that McDougal's lending practices at the tiny Kingston bank had drawn attention from regulators.

In the transaction with his mother and stepfather, Clinton said, "I helped her to purchase" the property and "I was co-owner of that property for just a few months." After that, he said, his stepfather bought out Clinton's interest.

Records in Garland County show that Clinton and his mother bought the house on May 4, 1981. She borrowed \$15,000 from the Grand National Bank, and the previous owners of the property apparently accepted a mortgage for an unstated amount.

Land records show that no cash changed hands when Clinton's share of the home was transferred to Richard W. Kelley on Feb. 8, 1982. No record of the sale appears on the Clintons' 1981 or 1982 tax returns and, according to accountants, it should.

"Sale of a capital asset is a reportable event," said Arthur Auerbach of Einhorn, Auerbach & Associates, a Bethesda accounting firm that reviewed the Clintons' returns for The Washington Post. "The instructions for Schedule D [of the tax return] are pretty clear. If you have a transaction with a capital asset it should be reported."

The reporting requirement remains even if there was no gain or loss, Auerbach said. He acknowledged that if there is no gain, taxpayers do not always realize the transaction should be reported, but professional preparers would be expected to understand the requirement.

The loan for his mother's house was one of four—totaling \$250,000—that Bill and Hillary

Clinton secured from Arkansas banks between 1978 and 1981 with little documentation. Bankers involved in the loans say they were repaid. Some of the banks have been subpoenaed as part of the Whitewater investigation by special counsel Robert B. Fiske Jr.

In 1978, when Clinton served as state attorney general and was a Democratic favorite for governor, the Clintons and McDougals borrowed \$202,000 to purchase the 230-acre Whitewater development. Bankers involved in those loans say there was no appraisal on the property and that the transactions probably would not be allowed under today's stricter banking standards.

Former board members of the Citizens Bank of Flippin, where the Clintons and McDougals secured \$182,000 of the Whitewater money, said they would never have approved the loan if they had known the Whitewater partners also borrowed their down payment on the property in a \$20,000 unsecured loan from Union National Bank.

Gary Bunch, who remained an executive at the Bank of Kingston after McDougal bought it from his family, said the \$30,000 and \$20,000 loans that Bill and Hillary Clinton took out in 1980 and 1981 also would probably not pass scrutiny under current banking laws.

Bunch said he recently tried to determine if Hillary Clinton's loan had been secured by a mortgage on the lot where she had the home built. "We couldn't find a paper trail on it," he said. McDougal owned the Bank of Kingston before purchasing the Madison Guaranty Savings & Loan, the thrift whose \$60 million collapse in 1989 is under investigation by Fiske.

Md. House Strengthens Abuse Bill

Vote Seen as Victory For Women's Caucus

By Charles Babington
— Washington Post Staff Writer

ANNAPOLIS, March 25—Maryland's female legislators, who long have struggled for respect and influence in the male-dominated General Assembly, scored a stunning victory today by toughening a domestic violence measure despite strong objections from a powerful committee.

The action in the House of Delegates, which some longtime lawmakers called unprecedented, came one day after female senators corralled enough votes for a bill that would end Maryland's 14-year-old ban on state-funded abortions for many poor women.

The two events signal the political maturing of a legislative women's caucus that only a year ago was criticized as being ineffective and indecisive during an uproar over a lawmaker's allegedly sexist comments to female lobbyists.

"It's a new day," said Del. Jennie M. Forehand (D-Montgomery), as female legislators hugged and slapped high-fives after the domestic violence debate on the House floor.

Lawmakers said the House is likely to pass the amended package as early as Saturday and then try to work out minor differences with a version that the Senate unanimously approved on March 8. Gov. William Donald Schaefer (D) supports the legislation and urged female legislators at a breakfast today to fight for the stronger version on the House floor.

"He said, 'You women have power, and you need to stand up and make a difference,'" said Sen. Mary H. Boergers (D-Montgomery).

With barely two weeks left in the 1994 legislative session, the House also rejected a measure today that would have made English the official state language in Maryland. And Schaefer signed a measure that will allow Maryland to use lethal injections, rather than the gas chamber, to execute criminals.

Today's victory for women was sweet because numerous organizations had criticized the women's caucus last year for failing to oppose the judicial nomination of Del. John S. Arnick (D-Baltimore County). Arnick was accused of making sexist comments to two women who were trying to lobby him on a domestic violence measure in 1992. Today, Arnick did not vote on the three amendments that strengthened the measure, saying he was busy talking with colleagues in a nearby office.

Female delegates won passage of four amendments today designed to strengthen the rights of domestic violence victims.

The votes were remarkable because the House Judiciary Committee resisted three of the measures. The panel of 18 men and four women had severely weakened the measure before sending it to the full House.

"I really think it's unprecedented that women legislators had such clout," said Kathleen N. Ryan, legislative director of Maryland's chapter of the National Organization for Women.

By tradition, Maryland legislators rely heavily on their committees to recommend which bills to kill or enact, and House leaders typically quash efforts to override a committee's handiwork. But many male and female legislators said the Judiciary Committee went too far when it cut the heart from the domestic violence legislation. A coalition of women's groups had drafted the package, and the legislative women's caucus made it the group's top priority for 1994.

Today, female delegates took their revenge on the committee that Arnick previously headed. The panel has killed several proposals affecting women's rights in recent years.

By a 77 to 34 vote, they won passage of an amendment to make it easier for a woman to bring rape charges against her estranged husband. The amended version would allow such charges to be filed after a couple has lived separately for three months, as opposed to six months in the committee version.

"Rape is rape," regardless of one's marital status, said Del. Leslie Hutchinson (D-Baltimore County), who sponsored the amendment.

Del. Joseph F. Vallario Jr. (D-Prince George's), chairman of the Judiciary Committee, urged the House to reject the amendment, and House Speaker Casper R. Taylor Jr. (D-Allegany) showed his support by voting nay. Thirty of the House's 141 members declined to vote. Not one of the House's 36 female members voted against the amendment, however, and the 77 to 34 outcome

showed that the committee's authority had been breached.

Del. Jean W. Roesser (R-Montgomery) then offered an amendment that would add "mental injury" to the offenses that can result in child abuse charges. Supporters said Maryland is the only state without such a law, an omission that costs the state \$500,000 a year in federal funds because of a 1974 federal law.

Vallario attacked the amendment as vague. "If you tell your child to go to his room because he did something wrong, is that mental injury?" he said.

After two other female legislators told about abused children they have known, the House adopted the amendment 63 to 59.

The House then voted 84 to 23 for an amendment offered by Del. Nancy K. Kopp (D-Montgomery) to require police officers to give domestic violence victims a printed list

of shelters and other services available to them.

Both the House and Senate versions of the legislation would authorize police to make arrests when there is "probable cause" to believe domestic violence has occurred. Under current law, police must witness the violation.

Kopp, who was instrumental in organizing the women's strategy, called the setbacks to Vallario's committee "extremely unusual." The votes were not a blow to Taylor's leadership, she said, but a sign of the "deep feelings and concern" that male and female legislators have about domestic violence.

Taylor appeared resigned to the outcome. At one point in the debate, when two women sought recognition at the same time, he said somewhat helplessly, "Please don't make me choose."

THE WASHINGTON POST
SATURDAY, MARCH 26, 1994

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RTC Lawyer Drew White House Ire

Clinton Aides Questioned Hiring

By Ruth Marcus

Washington Post Staff Writer

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WHITEWATER, From A1

A senior White House official inquired last month about removing a prominent Republican hired by the Resolution Trust Corp. to investigate claims arising from the failure of Madison Guaranty Savings & Loan, according to sources familiar with the discussions.

The sources said senior White House officials George Stephanopoulos and Harold Ickes were alarmed and outraged when they discovered in late February that the RTC, an independent regulatory agency, had hired former federal prosecutor Jay B. Stephens to handle possible civil suits growing out of Madison. Stephens severely criticized the Clinton administration after he was fired as U.S. attorney for the District in March 1993.

The White House apparently dropped the subject of reversing the hiring of Stephens after being told by Deputy Treasury Secretary Roger C. Altman and Treasury chief of staff Joshua Steiner that there was nothing to be done about it.

But the alleged efforts—which the White House officials say they do not recall—to find out whether Stephens could be replaced represents the first indication the White House may have actively attempted to affect the handling of the politically sensitive investigation. One area of the RTC civil investigation concerns the potential liability of the Rose Law Firm, including former partner Hillary Rodham Clinton, for its representation of Madison.

Senior White House officials raised the issue of Stephens's hiring in two conversations with the Treasury official.

WHITEWATER, A5, Col. 1

5 = 1980s Clinton loans generated few records. Page A4

cial on Feb. 25, just after discovering Stephens had been retained.

Ickes, the deputy chief of staff, and Stephanopoulos, Clinton's senior adviser, called Altman, who was also serving as acting head of the RTC and had just announced he would recuse himself from the RTC's investigation of Madison.

Ickes and Stephanopoulos were furious Altman had announced his recusal without telling White House officials. The day before, Altman revealed to the Senate Banking, Housing and Urban Affairs Committee he had briefed senior White House officials Feb. 2 about the Madison case, and the White House had spent much of the day defending the propriety of the briefing and explaining why Altman should not remove himself from the Madison probe.

In the course of the conference call with Altman, Ickes and Stephanopoulos also raised the subject of Stephens, asserting his hiring was an "outrageous choice," and asking, "Can anything be done about it? Is it final?" according to sources familiar with the conversation. The sources were uncertain whether it was Stephanopoulos or Ickes who raised the subject.

Stephanopoulos also spoke with Steiner, chief of staff to Treasury Secretary Lloyd Bentsen and a friend of Stephanopoulos since the 1988 Michael S. Dukakis presidential campaign.

One source, describing Stephanopoulos as "pretty fired up," said the White House aide asked Steiner "whether that [Stephens's hiring] was final, whether anything could be done about it." Steiner told him there was nothing he could do.

Stephanopoulos said yesterday he did not "remember exactly what was said" during his conversation with Steiner but that he "asked how Jay Stephens came to be retained by the RTC. I was puzzled and blew off steam over the unfairness of that decision. . . . Once I got the facts from Josh, that ended the matter as far as I was concerned."

Stephanopoulos said he did not remember asking Steiner whether the decision could be reversed or discussing the issue with Altman.

Ickes's lawyer, Robert Bennett, said, "Based on my inquiry, I am satisfied that Mr. Ickes did not make that statement, and he has no recollection of making that statement."

In a statement last night, White House Chief of Staff Thomas F. "Mack" McLarty said, "Both Mr. Stephanopoulos and Mr. Ickes have

told The Washington Post that they have no recollection of asking anyone to change the RTC's decision to retain Mr. Stephens and his law firm, as the Post is reporting. There is no suggestion that any action was taken. Mr. Stephens is continuing to conduct his inquiry for the RTC."

According to one source familiar with the discussions, Altman was "aghast" at the White House inquiry about dismissing Stephens and immediately went to Steiner to describe the call from Ickes and Stephanopoulos.

Steiner later related to Altman the call he received from Stephanopoulos. Steiner's reaction was, "something like, 'I can't believe these guys want to fire this guy,'" another source said.

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Staff writer Susan Schmidt contributed to this report.

THE WASHINGTON POST

SATURDAY, MARCH 26, 1994

21

Tax Records Back Clinton Account

By Ann Devroy
and Charles R. Babcock
Washington Post Staff Writers

President Clinton yesterday released his tax returns for his first years in public office as the White House erupted in a geysier of tax forms, tax lawyers, explanatory letters and addenda aimed at showing that Whitewater was what the president has stated: a losing land investment.

The returns—for 1977-79—and additional data supplied by the White House generally support the amended Clinton explanation of the family's investment in the Arkansas land development and the losses they sustained.

The Clintons invested and lost, according to their account, \$46,636, most of which was the interest they paid over the years on their half-share of the loans they and James and Susan McDougal took out to buy 203 acres in the Ozarks mountains. James B. McDougal, who has repeatedly questioned the Clintons' estimate of their Whitewater investment, yesterday told the Associated Press he is now sat-

CLINTON, From A1

isfied with the Clintons' account.

The Clintons' returns also show the details of a chapter in their financial life that has been hidden the past decade: Hillary Rodham Clinton's two-year risky plunge into the commodities market at a time the family virtually no assets.

Her speculation in cattle futures in 1978 and 1979 produced nearly \$100,000 in additional income for a couple whose combined wages in 1978 were \$51,000. It is not clear from the 1977 return, when the couple reported no dividends and \$518 in interest income, where Hillary Clinton got the resources to finance

her commodities trading venture. White House aides would not say how much she put up to start the accounts that earned \$26,541 in less than four months in 1978 and \$72,996 in 1979.

The tax returns also show the Clintons had earlier business dealings with McDougal, making a 43 percent profit in a year on the sale of a five-acre tract in 1978. They sold the land just a few months before entering the Whitewater venture.

The returns showed \$10,131 in interest payments that year to another McDougal firm, Great Southern Land Co. The White House said this was Whitewater related.

The release of the tax returns and a

Thursday night news conference, only Clinton's second in office, were aimed at demonstrating that the president and his aides are not withholding information on Whitewater and their overall financial situation.

As the White House released its avalanche of paper, the Clintons' personal lawyer, David Kendall, briefed reporters in two huge groups in the Roosevelt Room with an opening statement: "In a spirit of full cooperation and openness, the Clintons have now made public their tax returns for the past 16 years, since Mr. Clinton's first year in public office," he said.

The president's senior aides, ending another week under political siege

on the issue, expressed satisfaction with the president's performance. But they admitted, sometimes in bitter exhaustion, that the controversy surrounding the investment and charges of improper White House efforts to contain it, will not soon disappear. "This is not going to be a sprint, it's going to be a marathon," said a key official involved in trying to get the president past the issue.

As if to demonstrate that assessment, Rep. Jim Leach (R-Iowa) issued a statement last night saying Kendall's "selective release of documents cries out for . . . full release of all Whitewater records." He said it left many unanswered questions and added that the president's "blythe 'no problems' strategy" will prolong what he called the water torture.

Also yesterday, Cabinet Secretary John Podesta became the 12th administration official to be subpoenaed to appear before a Whitewater grand jury called by special counsel Robert B. Fiske Jr. Podesta has been heavily involved in recent weeks in the issue but has not been cited as attending meetings between White House and Treasury officials on Whitewater and Madison Guaranty Savings & Loan.

The other White House officials, all of whom have made their grand jury appearances the past two weeks, were all involved in such contacts, in person or by phone.

The tax returns did raise new questions that were not answered at news briefings yesterday. White House aides offered no further explanation than Clinton's on how his earlier claim of a \$68,900 Whitewater loss, first made during the 1992 presidential campaign, had been overstated by \$22,245. The president said during his news conference that he recently realized that amount was a loan and some interest payments that he took out from McDougal's bank to help his mother buy a house.

The difference has no effect on Clinton's tax liability but the \$68,900 figure had been used to buttress the Clinton argument that McDougal was not carrying them in a sweetheart deal. Now, from their own figures, it is clear McDougal put in nearly twice as much money—\$92,000—than the \$46,636 contributed by the Clintons.

The White House explanation of the corrected version of what the Clintons invested also sidestepped the issue of how Whitewater paid off the rest of the principal, interest and expenses owed on the development.

The venture had \$233,000 in bank loan principal, more than \$160,000 in interest payments, and \$120,000 in operating expenses over the years, according to the campaign report prepared in 1992 by Clinton friend and Denver attorney James M. Lyons.

A lawyer designated by the White House to brief reporters yesterday said that the Whitewater project was designed so that the principal payments were made by the stream of income from the lot owners. He noted, however, that "the fluctuations of the company were wild indeed throughout the mid-1980s. Sometimes people would make payments, sometimes they wouldn't."

In explaining the Clintons' Whitewater-related interest payments, the lawyer said the Clintons made a 1978 interest payment of \$10,131 to McDougal's Great Southern Land Co. instead of directly to the two banks where the couples borrowed the money, because that's what McDougal directed them to do.

McDougal "represented" to the Clintons that Great Southern would then pay the banks, he said. He felt he deduction would still be considered proper by the Internal Revenue service, he added.

In fact, the lawyer said he didn't

think the Clintons would owe any money to the IRS.

The earlier venture with McDougal began in early 1977 when the Clintons bought a five-acre lot for \$2,850 and sold it the next year for \$5,000, a \$2,150 profit.

In internal Resolution Trust Corp. memos released by Leach, the lead investigator on McDougal's failed Madison S&L said Whitewater added to Madison's eventual losses because McDougal was making unauthorized loans that benefited his businesses and his partners.

The investigator also has charged that senior RTC officials wanted to be able to say that Whitewater did not cause a loss at Madison and that she refused to distort her findings to "get them off the hook." Those comments were contained in notes of her conversation with senior RTC attorney April Breslaw on Feb. 2, which Leach released Thursday.

In several interviews, Breslaw denied that she said anyone in Washington favored a particular outcome. Yesterday Leach said he has listened to a tape of Breslaw's discussions with Lewis and it is "completely consistent" with Lewis's memo.

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RTC Lawyer Drew White House Ire

Clinton Aides Questioned Hiring

By Ruth Marcus

Washington Post Staff Writer

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WHITEWATER, From A1

A senior White House official inquired last month about removing a prominent Republican hired by the Resolution Trust Corp. to investigate claims arising from the failure of Madison Guaranty Savings & Loan, according to sources familiar with the discussions.

The sources said senior White House officials George Stephanopoulos and Harold Ickes were alarmed and outraged when they discovered in late February that the RTC, an independent regulatory agency, had hired former federal prosecutor Jay B. Stephens to handle possible civil suits growing out of Madison. Stephens severely criticized the Clinton administration after he was fired as U.S. attorney for the District in March 1993.

The White House apparently dropped the subject of reversing the hiring of Stephens after being told by Deputy Treasury Secretary Roger C. Altman and Treasury chief of staff Joshua Steiner that there was nothing to be done about it.

But the alleged efforts—which the White House officials say they do not recall—to find out whether Stephens could be replaced represents the first indication the White House may have actively attempted to affect the handling of the politically sensitive investigation. One area of the RTC civil investigation concerns the potential liability of the Rose Law Firm, including former partner Hillary Rodham Clinton, for its representation of Madison.

Senior White House officials raised the issue of Stephens's hiring in two conversations with the Treasury official.

See WHITEWATER, A5, Col. 1

■ Some 1990s Clinton loans generated few records. Page A4

cial on Feb. 25, just after discovering Stephens had been retained.

Ickes, the deputy chief of staff, and Stephanopoulos, Clinton's senior adviser, called Altman, who was also serving as acting head of the RTC and had just announced he would recuse himself from the RTC's investigation of Madison.

Ickes and Stephanopoulos were furious Altman had announced his recusal without telling White House officials. The day before, Altman revealed to the Senate Banking, Housing and Urban Affairs Committee he had briefed senior White House officials Feb. 2 about the Madison case, and the White House had spent much of the day defending the propriety of the briefing and explaining why Altman should not remove himself from the Madison probe.

In the course of the conference call with Altman, Ickes and Stephanopoulos also raised the subject of Stephens, asserting his hiring was an "outrageous choice," and asking, "Can anything be done about it? Is it final?" according to sources familiar with the conversation. The sources were uncertain whether it was Stephanopoulos or Ickes who raised the subject.

Stephanopoulos also spoke with Steiner, chief of staff to Treasury Secretary Lloyd Bentsen and a friend of Stephanopoulos since the 1988 Michael S. Dukakis presidential campaign.

One source, describing Stephanopoulos as "pretty fired up," said the White House aide asked Steiner "whether that [Stephens's hiring] was final, whether anything could be done about it." Steiner told him there was nothing he could do.

Stephanopoulos said yesterday he did not "remember exactly what was said" during his conversation with Steiner but that he "asked how Jay Stephens came to be retained by the RTC. I was puzzled and blew off steam over the unfairness of that decision. . . . Once I got the facts from Josh, that ended the matter as far as I was concerned."

Stephanopoulos said he did not remember asking Steiner whether the decision could be reversed or discussing the issue with Altman.

Ickes's lawyer, Robert Bennett, said, "Based on my inquiry, I am satisfied that Mr. Ickes did not make that statement, and he has no recollection of making that statement."

In a statement last night, White House Chief of Staff Thomas F. "Mack" McLarty said, "Both Mr. Stephanopoulos and Mr. Ickes have

told The Washington Post that they have no recollection of asking anyone to change the RTC's decision to retain Mr. Stephens and his law firm, as the Post is reporting. There is no suggestion that any action was taken. Mr. Stephens is continuing to conduct his inquiry for the RTC."

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CLINTONS' INCOME AND TAXES

Income for Bill and Hillary Rodham Clinton jumped in 1979, because of profits made speculating in cattle futures, and began to rise after 1985 as Hillary Clinton's income from the Rose Law Firm and directorship fees increased.

ADJUSTED GROSS INCOME

BILL CLINTON

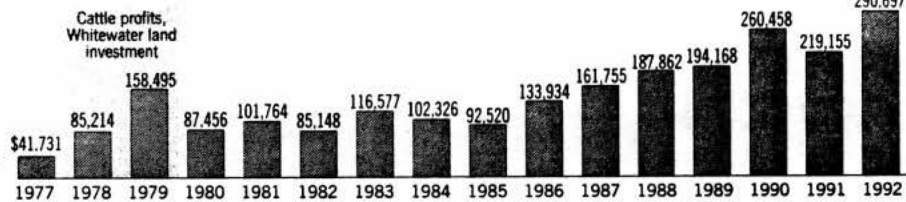
Ark. attorney general First term as Ark. governor

Second through fourth terms as Ark. governor. Income: \$35,000 a year

HILLARY RODHAM CLINTON

Associate at Rose Law Firm

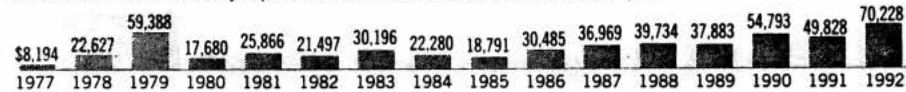
Partner at Rose; income peak of \$203,972 in 1992



FEDERAL TAXES

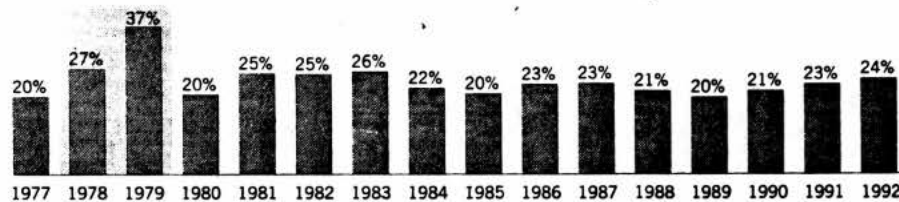
In actual dollars ...

The Clintons' 1979 income jump was reflected in an increase in federal taxes paid.



... and as a percentage of adjusted gross income

The Clintons' percentage of federal income tax paid over 1988-91 compares with an average of 19 to 24 percent paid by couples earning around \$200,000, according to Treasury Department analysis of tax data.



SOURCES: Clinton tax returns, Treasury Department, Tax Foundation

NOTE: Percentages are rounded.

THE WASHINGTON POST

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J.S. Completes Pullout From Somalia

By Keith B. Richburg
Washington Post Foreign Service

MOGADISHU, Somalia, March 25—The commander of U.S. military forces in Somalia left this war-weary capital with his remaining troops today, officially closing the book on the largest U.S. expedition on this troubled continent since World War II.

The often-controversial 15-month mission that began with the Marines' first live televised amphibious landing officially ended here today just before noon at the same seaside airport, when a helicopter whisked Maj. Gen. Thomas Montgomery and his remaining headquarters staffers to a ship in the Indian Ocean.

Before leaving, Montgomery told a circle of reporters that he thought the mission had seen "some very great successes," and he said American troops "are very proud of what we have done here." He added: "I pray to God for the Somali people. I pray that they will find a way to raise themselves above this anarchy and turmoil, and to build some kind of society based on love, instead of based on the gun."

Less than an hour after Montgomery left, a convoy of 15 Marine amphibious assault vehicles rumbled across the tarmac and the litter-strewn strip of sand known as Black Beach and entered the warm blue waters for the short journey back to the bellies of their waiting ships. The last Marine vehicle to reach the

beach stopped briefly, and its unit leader, Lt. Dave Wolcott, 24, of Newtown, Conn., called out to reporters, "Last words? See you later!"

Wolcott said he believed the mission had been successful, and then he advised the journalists at the beach: "I suggest you get out of here while you can." He closed down the hatch, and his vehicle wallowed into the surf.

More than 50 Marines are staying behind to protect the small U.S. Embassy here, and another dozen or so U.S. troops are serving in mostly logistical and supply jobs in the United Nations headquarters.

The American troops are also leaving behind a country still poised between an elusive peace

See SOMALIA, A18, Col. 1

J.S. Completes Troop Pullout From Somalia

SOMALIA, From A1

and renewed civil war. Feuding faction leaders claim to have reached an eleventh-hour peace accord in Kenya on the eve of the U.S. exit, but skepticism remains that the pact is any more valid than numerous other U.N.-brokered peace accords that have collapsed within days of their signing.

In recent weeks, Mogadishu has been beset by a surge in banditry and looting that many here attribute to a psychological perception that the American departure opens a window of opportunity for gun-toting young thugs and unemployed militiamen.

The job of imposing some kind of security amid the chaos falls entirely on a U.N. force comprising just 19,098 troops, almost exclusively from Third World countries, primarily Pakistan, India and Egypt.

"There is apprehension about what might occur," said Maj. Christopher Budge of New Zealand. "There could be a perceived idea by elements outside the wire that we have a lesser force to react," he said. "We expect a testing of the wire" by Somali gunmen.

Montgomery, before departing, he believed the remaining U.N. forces were "more than capable of taking care of themselves."

Although today's departure was decidedly low-key—there were no speeches, no flag-lowering ceremony and no Somalis at the gates to say goodbye—it was nevertheless a morning of cinematic drama, rich with choreographed symbolism. A fleet of a dozen helicopters lifted off the runway in a swirl of dust and 1. Harrier jets roared across the sky in a final show of American might.

Shortly before the final Marine vehicle pushed off from Somali soil, Marine Lt. Col. Dave Young of Washington shook hands with his Egyptian counterpart, Lt. Col. Mohamed S. Aouda, and told him, "Good luck in your mission here."



Two Somalis take a chair from Mogadishu's airport after U.S. troops leave.

The Egyptian wished the American "a safe trip back."

Young, speaking earlier in an interview, said he told his troops not to expect any large homecoming celebrations after a mission that can best be described as incomplete. "Nobody really cares that you've done this," he told them. But he said he believed "the majority of Somalis wanted us to stay," despite earlier, strong anti-American propaganda from a major Somali faction and near-daily incidents involving Somali gunmen firing at American troops.

Thursday night, a Marine sniper shot and killed a Somali gunman who had been stalking him on the airport's perimeter, U.S. military officials said. Young said the Somali was carrying an M-16 assault rifle and was shot when it appeared he was about to aim at the Marine.

Even with all the careful orchestration of today's exit, there were still the same elements of farce that kept the U.S. mission here somewhat comic until the end. At one point, a 12-year-old Somali boy burst through the tight security cordon. Photographers, thinking the youngster was about to hug a nearby, burly Marine, scrambled to capture what they expected to be an emo-

tional farewell scene. The only emotion to surface, however, was the boy's anger at not receiving the \$20 that Marines had promised him for opening and closing the airport gate for them.

As the Marines were boarding their ships and helicopters, Somalis began looting leftover American belongings. Some Somalis were seen carrying electric fans, office chairs and wooden benches out of the airport gates. The U.N. military spokesman also said another group of Somalis tried to loot the old American radar facility at the airfield of furniture and supplies, until they were stopped by Pakistani troops.

At other facilities being vacated by departing Western troops, Egyptian U.N. soldiers have also been seen helping themselves to leftover materials and supplies.

The American mission here will likely be remembered for its three distinct phases. What began as a humanitarian mission later shifted into a violent confrontation with the militia of Mohamed Farah Aideed, and in October—after a 16-hour street battle left 18 American servicemen dead—into an uneasy truce in which the Americans began concentrating on how to make a graceful exit.

Since President George Bush ordered more than 25,000 U.S. troops to intervene in Somalia in December 1992 to help stop deaths from starvation, exacerbated by clan warfare, 30 Americans died in combat and 175 were wounded. There also were six non-combat deaths, and seven soldiers were killed and one missing off the Kenyan coast in a crash this month of an AC-130 Specter gunship. In addition, about 68 U.N. soldiers were killed and 262 wounded, according to U.N. figures, making this the bloodiest peacekeeping operation since the Congo crisis three decades ago.

American and U.N. officials here like to point out that this mission was not about "peacemaking," but was rather "peace enforcement." American and U.N. troops were acting under a U.N. mandate called Chapter 7 that gave the soldiers broad leeway in deciding when to use deadly force, and granted them aggressive powers to seek out and disarm gunmen and other troublemakers.

With American troops gone, larger questions linger here about the lessons learned from this operation and about the future of "peace enforcement" operations. Many of the departing Americans privately expressed frustration at the cumbersome U.N. command-and-control system that allowed countries contributing troops virtual veto power over certain military operations.

Montgomery, in his parting remarks, said, "We have a lot of work to do with the U.N., in terms of the U.N. being able to do a Chapter 7 mission in the future and to do it more efficiently and better than we did here."

24

Calling Mr. Fiske

The battle lines have hardened and the stakes have been raised. That much can be said of the remarkable sequence of events on Thursday, in which Representative Jim Leach all but accused the Clinton Administration of obstructing justice and Bill Clinton, in a nationally televised news conference a few hours later, unequivocally denied that he had done any such thing.

This can also be said: The truth about the tangled mess known as Whitewater remains more elusive than ever. Representative Newt Gingrich summed it up pretty well for the Republican critics: Here we have two believable men making two equally plausible cases. And they disagree on just about everything.

The gap between Mr. Leach's charges and Mr. Clinton's responses is huge. That only strengthens the need for the special prosecutor, Robert Fiske, to vigorously pursue every new lead and for Congress, at an appropriate time and in a way that will not interfere with Mr. Fiske, to hold hearings.

One key question is whether any depositors' funds from Madison Guaranty, a failed Arkansas savings and loan, were siphoned off to underwrite Mr. Clinton's political career in Arkansas and/or prop up Whitewater, a speculative real estate venture that the Clintons owned in partnership with James McDougal, Madison's chairman. Mr. Leach said that "in all likelihood" some \$70,000 was skimmed from Madison accounts and funneled into Whitewater and Mr. Clinton's 1984 re-election campaign.

To which Mr. Clinton replied: "None of our

money was borrowed from savings and loans, and we had nothing to do with the savings and loan."

The second question is whether the Clinton Administration has tried to obstruct Federal investigations into Madison. Mr. Leach produced documents that he said suggested the Administration had done just that. The most dramatic was a memo from a Federal investigator in Kansas City who said her superiors in the Treasury Department had asked her to get the Clintons "off the hook" by telling Mr. Fiske that there was no connection between Madison and Whitewater.

Mr. Clinton suggested that this was little more than a dispute between career Federal employees, not involving the White House or its political appointees. When asked whether there had been improper contacts between his staff and investigators, he said: "I can tell you categorically I had no knowledge of this and was not involved in it in any way."

Mr. Clinton's only concession was that, through an inadvertent goof, he had overstated his losses on the Whitewater land deal by \$22,000. Still, he and his associates cling to the contention that the entire Whitewater exercise was harmless because the Clintons lost money, as if losing money on a deal somehow proves the honesty of the deal.

The central issue, however, is whether Mr. Clinton, as Governor, profited improperly from his relationship with a banker he was supposed to regulate and, as President, sought to cover that up.

Mr. Leach says, in effect, that he did both. Mr. Clinton says he did not. Enter Mr. Fiske.

Somalia: An Accounting

Except for 50 marines left behind to guard diplomatic buildings, the last American troops left Somalia yesterday. The humanitarian intervention that began in a burst of can-do confidence and prime-time publicity in the waning days of the Bush Administration ends far more quietly and with decidedly mixed results.

Ambiguous endings make politicians and military officers uncomfortable. No one any longer wants to talk about Somalia as a prototype for post-cold-war military action. Yet in a world full of potential Somalias there are valuable lessons to be learned from this sobering experience.

The U.S. withdrawal will be completed within the five-month deadline set by President Clinton after a deadly October firefight effectively ended domestic support for the Somalia mission. Waiting five months allowed the President to avoid the appearance of panicky retreat. And by drastically lowering the U.S. military profile, further American fatalities were limited.

The phased U.S. retreat and U.N. efforts to coax faction leaders into a "declaration of national reconciliation" pointing toward a future coalition government creates an aura of orderly transition. But few close observers are confident that will last. Other Western powers are also withdrawing their troops, violence again threatens the streets and the latest agreement among clan leaders has yet to be tested by the nasty details of power sharing.

In the perspective of the entire 15-month United States Somalia mission, two main mistakes stand out. The first was President Bush's initial premise that it was a purely humanitarian intervention. It turns out there is no such thing. America's own motives may have been purely humane. But if outside force was needed it was because an armed local power struggle was already taking place.

Under such circumstances the odds were high

of getting caught in the middle — or worse, on one side of the battle. The lesson is not necessarily to stay out of all such conflicts, but to know what you are getting into and that it will involve more than handing out food to grateful children.

The second mistake took place under U.N. command, not U.S., but flowed logically from Mr. Bush's initial error. Through gross insensitivity to Somali politics, the U.N. blundered into a military confrontation with a major local warlord, Muhammad Farah Aidid. That battle raised the military stakes beyond what member states were actually prepared to support. The U.N. should have more carefully limited its role to that of a neutral referee, protecting civilians and nudging all sides toward political agreement. That approach is now being followed with some success by the current U.N. special representative, Lansana Kouyate.

A scaling down of U.N. peacekeeping ambitions reopens the question of American participation. Mainly as a result of the Somalia experience, the utopian multilateralism with which some Clintonites started out last year has already been sharply re-evaluated. Now there is a risk that Washington could go too far the other way, shying away from U.S. military participation in any U.N. peacekeeping mission, however carefully conceived, however clearly serving American interests.

One lesson of Somalia is that the U.N. should now take a much harder look before leaping and accept that some situations are simply too volatile for successful peacekeeping. In others the U.N. may decide to go ahead, but the U.S. may choose to stand aside to avoid presenting too inviting or too provocative a target.

But there will be instances where America will want to do its fair share, and in numbers sufficient to protect its forces should they come under fire. Somalia has been a hard but valuable learning experience. There will come a time to put those lessons to good use.

Observer

RUSSELL BAKER

Ashes In Phoenix

The Democrats may be brain-dead, but the Republicans are now entering the Robespierre phase of their conservative revolution, which means the end is near for them too.

After that we can all enjoy government by PAC (shorthand for political action committee), a system under which gangs of the well-to-do, both corporate and rich, pool money to buy Congressmen.

People who are not well-to-do will probably have to join the political equivalent of those cockamamie "alliances" proposed in the Clinton health-care bill to reduce the insurance industry's power to punish the sick, the infirm and the dying.

I began to suspect the Republicans were deep into Robespierre mode when their last national convention, with Ronald Reagan in the wings waiting to go on, let Patrick Buchanan keep talking until prime time ran out.

Here was an entire political party on national television, and it had Reagan, the greatest vote-getter since Eisenhower, maybe since Franklin Roosevelt, waiting to speak to the whole darn United States, and it kept him waiting! And waiting and waiting while a newspaper columnist hogged every last minute of prime time, and then some.

This, friends, was evidence of a political party with an instinct for the hearse.

There has been more since. Consider the sudden rise to eminence of that unreconstructed Texas dinosaur, Senator Phil Gramm, not just as chairman of the party's Senate campaign committee, but also as a possible Presidential candidate.

What Bella Abzug used to be to the Democratic Party, Senator Gramm is to the Republican; to wit, a power-

ful instrument for rousing the devout and for terrifying the other 90 percent of political humanity.

A Times story Thursday about the cruel treatment being given former Senator Barry Goldwater makes it ominously clear that the spirit of Robespierre infests the party, making it ripe for cataclysm.

Goldwater is the father of Republican conservatism. He fought the impossible campaign of 1964, took a terrible beating from Lyndon Johnson, and in the process created a new enthusiasm among Republicans for what came to be called conservatism.

What fun Democrats had running against him that year! His campaign slogan was, "In your heart you know he's right." Democrats scratched out the word "right," and wrote in "nuts."

Now, 30 years later, the children of his revolution are through with him. They accuse him of being soft on Clinton, soft on homosexuals, soft on

no one, not even his closest allies, felt safe. At the end everybody was so scared of losing his head that Robespierre was seized in a mass uprising of the terrified.

His jaw was shattered, which made it hard to plead his case, and before he could do so they dispatched him with a drop of the blade, and the steam went out of the Revolution. Revolutionaries who had survived had lost the old zest for packing the tumbrels with absolutely everyone suspected of deviating from the orthodoxy of the moment.

The Republican Party has for many years now been loading its own into the tumbrels. The offense: deviation from the orthodox conservative line. The habit began, ironically, at the 1964 convention which nominated Goldwater; conservatives who despised Nelson Rockefeller made it almost impossible for him to speak.

Since then there has been a long list of distinguished Republicans shunted out of power positions in Congress and even discouraged from continuing in politics. Now it is Barry Goldwater's turn. The founder, kaput! The end is surely nigh. □

The Republican revolution, in Robespierre mode, devours its founder.

the abortion issue. Timothy Egan of The Times reports they want his name taken off the Barry Goldwater Center in Phoenix, off the high school in Deer Valley, the boulevard in Scottsdale, the airport wing in Phoenix, the engineering center at Arizona State University.

In short, the true believers want him made an unperson.

Robespierre, of course, didn't have to send the original makers of the French Revolution to the guillotine. Most of them had already been chopped, or had fled the country, by the time he came to power.

In his zeal to preserve the Revolution's purity, however, he used the guillotine so tirelessly that eventually

Whitewater gets weird

National media paint Little Rock as a city of thugs

ANALYSIS

BY JOHN BRUMMETT

Democrat-Gazette Staff Writer

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Actually, the amendment was ratified by a vote of the people, requiring no gubernatorial signature, while Frank White was governor. The head of the Arkansas Bankers Association, advocating the amendment, was Bill Bowen, who at the time was a rival of Stephens and Worthen as chairman of First Commercial Bank.

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times."

Davis said only three people were supposed to have seen his article because he had a hot exclusive, or so he believed. He suspects the caller had already read his computer transmission, though nothing the caller said indicated any specific knowledge. Davis offered no theory on how someone in the Little Rock financial plutocracy could intercept a telephone transmission from Manhattan to Washington, D.C.

• Late one night in September, Jerry L. Parks, who owned a security guard company that had secured the Gazette Building while it was Clinton's campaign headquarters, was shot dead in west Little Rock.

His demise has been a hot topic on late-night call in radio shows and in London tabloids. He has been described as a "member of Clinton's security detail," though his company merely secured the entrances to the Gazette Building and Parks had no personal access to Clinton.

Parks' son has been quoted as saying his late father had kept a file on Clinton's sexual indiscretions and that his father's home in rural Pulaski County was burglarized shortly before his murder. A check of records at the Pulaski County sheriff's department shows no police report on a burglary. It does show a report in November 1991 in which Parks reported that a teen-aged-sounding

male voice threatened over the telephone to kill his son, who at the time was out of state at Teen Challenge.

• There was a brief fire about a month ago on the 14th floor of the Worthen National Bank building.

The aforementioned L.J. Davis closed his opus in *The New Republic* with this remarkable innuendo: "Oh, and one last thing: When Whitewater special prosecutor Robert Fiske -- who once defended Clark Clifford, the famed friend of Jack Stephens' old client, BCCI -- arrived in Little Rock, something strange happened. Worthen Bank had a fire. Is this a great country, or what?"

It is a great country that has freedom of the press, even for that kind of thing.

The fire was not in the bank's own offices, but in the bank's building. It occurred in the offices of the Peat Marwick accounting firm on the 14th floor. Peat Marwick had conducted some audits relevant to the Madison Guaranty Savings & Loan Association.

Fire investigators determined that the fire started in a space heater, which ignited fax paper. No documents were destroyed, company officials insist.

• Herschel Friday, leader of a prominent law firm in town, died "mysteriously" in a plane crash, or so *The New York Post* has stated and Rush Limbaugh has repeated.

Friday was flying alone in his own plane, trying to land in bad weather. It is commonly accepted in Little Rock that there is nothing more to it.

• Sally Miller Perdue, a former Miss Arkansas who once called a news conference to deny widely unheard rumors that she was a lesbian (rumors she subsequently endeavored to dispel by alleging she'd had an affair with Bill Clinton), said she'd found a shotgun shell in her vehicle, and that once her back window had been shattered. She said she had received threatening phone calls.

The Wall Street Journal embraced her story in its editorial last week, including her specific charge that a man named Ron Tucker offered her a federal job for her silence. Tucker's response: "Sally Perdue is a flake."

But she is not a lesbian.

Some of those matters aren't funny, and none of them is funny to certain civic leaders.

Bill Bowen last week declared the article in *The New Republic* "the worst thing I've ever read." He declared the editorial in *The Wall Street Journal* "absurd." The editorial in *The New York Post*, which he was in the process of reading, elicited what appeared to be mumbled profanity. He said it might be time to shoot all the newspaper editors, which surely was a sarcas-

tic reference to the charge of congenital violence.

Bowen is concerned enough to call a meeting. He plans to assemble Drake Keith of the Greater Little Rock Chamber of Commerce, Ron Russell of the Arkansas State Chamber of Commerce, Bill Cravens of Fifty for the Future, Jim Pledger of the state Finance and Administration Department and maybe Dr. Rex Horne, pastor of Immanuel Baptist Church, to talk about what kind of defense tactic or counteroffensive can be undertaken.

What concerns him most is that Arkansas will be shell-shocked by all the scrutiny and criticism and therefore not try to take advantage of its opportunities. He wants the National Advisory Board of First Commercial Bank to endorse the opening of a Washington office of state government to chase federal money, primarily for research at colleges and universities.

He said the University of Michigan at Ann Arbor gets 10 times the federal grants for research that are bestowed on all the colleges and universities in Arkansas put together. He said that 34 states have such offices in Washington; actually, Bill Clinton opened one in his ill-fated first term and was so heavily criticized that Frank White closed it.

"We can get moving or we can be Bubbas," Bowen said.

Or a two-bit banana republic.

Whitewater gets weird

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ANALYSIS

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Des Moines Gazette Staff Writer

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Arkansas Democrat  Gazette

Clinton tax forms net new questions on

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — When the White House released 1977-79 tax returns for President Clinton and first lady Hillary Rodham Clinton on Friday, the intent was to answer lingering questions about the financing of Whitewater Development Corp.

But those returns raised new questions as well.

"We've given them out, all the way back to '77 now," the president said Friday. "You can do what you want to with them."

That process began immediately.

Reporters spent Friday and Saturday studying the forms, bringing in accountants, sending copies to tax experts and interviewing those who helped compile the tax returns.

Questions remain about the financing and tax liabilities of Whitewater, a 230-acre real estate development along the



RUSH ON TAX RETURNS — Photographers and reporters gather at the White House briefing room Friday for the release of President Clinton's late 1970s income tax returns.

White River in Marion County. The Clintons were partners in Whitewater with James and Susan McDougal.

The administration Friday outlined the original loans used

to purchase the land, saying the \$203,000 borrowed was the equal responsibility of the Clintons and McDougals.

The Clintons claim to have lost \$46,635 on the investment.

James McDougal claims to have lost about \$150,000. Even an accountant hired by the Clintons has estimated McDougal lost more than \$90,000.

If the two couples were equal partners and had the same loan liabilities, how could the McDougals have lost more money?

"What you're talking about is ultimate loss," a source familiar with the returns said Friday. "They were equally liable for the loans ... going in."

The source suggested the difference in liabilities stemmed from the McDougals' control of the corporation.

"He has always told you that I had nothing to do with the management of Whitewater, that Hillary had nothing to do with it," the president said of McDougal.

Will additional records be forthcoming?

"The only person with all the records is going to be the special counsel," the source said Friday.

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Whitewater financing

Another question involves interest deductions the Clintons made on their 1978 tax forms. There is a \$10,131 interest expense listed to the Great Southern Land Co., a McDougal-controlled real estate venture.

Clinton aides said Friday the expense actually was a Whitewater payment made out to Great Southern at McDougal's request.

The Clintons consistently have maintained that their role in the Whitewater investment was a passive one. The president has not said, though, if the \$10,131 payment seemed unusual since it was directed to a company other than Whitewater.

"All I can tell you is to the best of my knowledge, he was honest in his dealings with me," Clinton said last week when asked about McDougal.

Whitewater loan interest payments were listed on the Clintons' 1979 income taxes simply as payments to "bank and loan companies." That raised the

possibility that checks were sent to more than one McDougal-controlled company.

The tax forms also clearly demonstrate the financial windfall the Clintons received from Hillary Clinton's successful speculating in cattle futures in the late 1970s. With advice from James Blair, a longtime friend who is now general counsel for Tyson Foods Inc. at Springdale, Hillary Clinton netted about \$100,000 in options trading.

During the 1992 presidential campaign, Bill Clinton repeatedly railed against what he called the "excesses of the 1980s."

Republicans now are charging that the Clintons benefited from a practice many of their supporters have condemned — fast trading on the futures market.

As the Whitewater investigation continues, Clinton undoubtedly will have to face more questions about long-ago investments.

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The Atlanta Journal

THE ATLANTA CONSTITUTION

SUNDAY
1/27

Today's editorial pages are edited by the editorial board of The Atlanta Constitution

Pinching off the budding recovery

Ouch. Now the painful part begins.

In the weeks immediately following the Federal Reserve's Feb. 4 decision to push up interest rates, little changed for most Americans. Some stock and bond traders got hurt on Wall Street, but most consumers were unruffled.

Now the pain of higher interest rates is spreading to middle-class families. Lenders are passing along the higher costs of money to home buyers, credit-card users and other individuals. As a result, the recovery may slow down significantly this spring.

Consider what the jump in interest rates has done to would-be home buyers. The 30-year mortgage rate, which hovered at 6.7 percent just six months ago, is climbing to 8 percent. At the October rate, the monthly cost of a \$100,000 mortgage was \$665. At 8 percent interest, the monthly cost jumps to \$733.

These higher rates already are hurting housing. In February, sales of existing homes fell 9.9 percent. While bad weather contributed to the decline, rising rates were a big factor in scaring off customers.

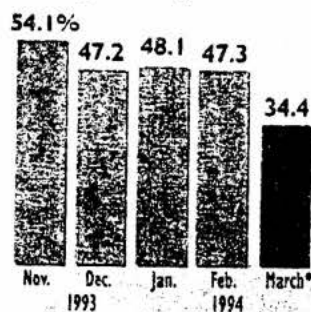
The higher rates also are prompting people to drop plans for refinancing mortgages. Last year, owners of existing homes flocked to

lenders to cut monthly housing costs. Last October, more than 60 percent of all mortgage applications were from homeowners who wanted more cash in their pockets at the end of the month. Now only about 30 percent of all applicants are refinancers.

Refinancings decline

Here are the percentages of all mortgage applications that went toward home refinancing.

Percentages are averages



*Through March 18

Source: Mortgage Bankers Association

While mortgage rates hit directly at homeowners, the prime rate is starting to hurt consumers indirectly. The interest rates on many consumer-oriented loans are tied directly to the prime. For example, many banks use the prime as a peg to set rates for credit cards, home equity loans and auto loans.

Some savers, such as retirees who depend on bank certificates of deposit for income, are benefiting from rising interest rates. But the great majority of families with mortgages, car loans and credit cards are getting squeezed.

Their economic pinch will slow the economy.

But of course, that's exactly what the Fed wanted to accomplish by hiking rates. The theory is that slower growth will prevent inflation from heating up.

Perhaps in the long run, the Fed's emphasis on containing inflation will prove to be wise. But for now, the rise in interest rates isn't much fun for Americans who were just beginning to celebrate the recovery.

The Atlanta Journal

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How big is Whitewater?

In whitewater rafting, river rapids are classified by their degree of difficulty. Even a novice could paddle through a Class I rapid and come out dry on the other side, but Class VI whitewater is so nasty it scares even the pros.

On Thursday night, President Clinton tried to convince the country that his own particular Whitewater is no worse than a Class II, and that he will coast through it with relative ease. He gave every impression of believing that.

Congressional Republicans, however, predict a far rougher ride for the president, and they want to make sure that the entire nation gathers along the riverbank to watch, just in case the president dumps it. In other words, televised hearings seem inevitable.

There are actually two Whitewaters under way. Whitewater the criminal probe, headed by independent counsel Robert Fiske Jr., is quietly proceeding as it should and must, and whatever happens happens. In the end, it ought to be the only Whitewater that matters.

But until Fiske issues his report, the country will entertain itself with Whitewater the political scandal. Fueled by innuendo and speculation, the scandal won't resolve or prove anything. But congressional Republicans, who have been losing almost every policy debate to Clinton, are embracing the scandal like a drowning person hugging a lifejacket. They see Whitewater as a way to change the subject and occupy the president's attention. Until Thursday's adroitly managed press conference, Clinton seemed to be trying to help them.

Most politicians, Republican or Democrat, probably sympathize to a point with Clinton's predicament, because they understand how easily it could happen to them. They know firsthand that power attracts opportunity, that offers to invest in this or that business deal are fairly common for politicians.

Some of those offers are perfectly legitimate; some are not. But when such a deal comes along, people in public life have to ask themselves a series of important questions:

Am I being offered a sweetheart deal because of my position? Is this person likely to use our business relationship as an excuse to seek inappropriate favors later? Is this the type of person with whom I should be involved in business?

There's still much that's unknown about the specifics of Whitewater. But if the Clintons asked themselves those questions in 1977, they came up with the wrong answers. It now seems likely that James McDougal, the Clintons' business partner in Whitewater, may have been using the real-estate venture as one of a series of conduits for drawing money out of the Madison Savings and Loan, which he owned. Criminal indictments against McDougal now seem almost inevitable.

At best, the Clintons were guilty of poor judgment 17 years ago in letting themselves get drawn in with McDougal. But until and unless more damaging information comes out of Fiske's probe, that's as critical as anybody can responsibly be at this point.

The Atlanta Journal

SUNDAY 1/27

THE ATLANTA CONSTITUTION

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Family provides firmest foundation

It is a horrifying reality that today's young people beat their friends, sometimes to death, in a common gang initiation rite called a "beat-down."

It is more horrifying to realize that their victims often go along with it. That is apparently what happened to 16-year-old Eddie Brown, who submitted to being beaten and pummeled and stomped into unconsciousness by six young men, all so he could join their gang. He remains on life support at Dunwoody Medical Center.

A poignant detail of Eddie Brown's life is that he has a gift for drawing. It is a reminder that talent can be found even in the kind of young people society fears most — gang members. But the most telling detail of Eddie's life was also revealed in the newspaper story that reported his assault: "Authorities cannot find his parents."

In two national polls released in the past month, Americans have reflected a common-sense understanding of the causes of youth violence, an understanding that has eluded many policy-makers. According to a poll released last week by Parents Magazine, 81 percent of Americans say that adult attention to children is the best way to reduce violence in society. In a recent Harris Poll, Americans called "lack of

adult supervision" the No. 1 cause of violence. They ranked it ahead of handguns, television, movies, video games and TV news.

This is not difficult to understand. Children learn by example. They learn from parents, mentors and other adults in their lives who care. And if there are none who care, teenagers, in particular, hook up with any group that makes them feel wanted, including gangs.

What is difficult to understand is why our state and national leaders are willing to pump millions into the punishment of youthful crime and so little into its prevention. Initiatives such as Gov. Zell Miller's plan to sentence 13-year-old violent offenders to adult prison may provide legislators more prison jobs for their constituents. But they do nothing to stem the tide of youthful violence.

The research is clear: Children learn violence first and foremost in their homes, not on the streets. The influence of family is what molds them. The child whose parents give him the time and love he needs is less likely to grow into a teenager who needs a gang.

Government efforts should focus on creating healthy families. That's the way to avoid the tragedy of a comatose teenager lying alone in a hospital room, his parents' whereabouts unknown.

Clintons Release Tax Data Showing Land Deal Losses

Income Had Quadrupled; Inaccuracies Detailed

By JEFF GERTH
Special to The New York Times

WASHINGTON, March 25 — Bowing to political pressure, Bill and Hillary Rodham Clinton today released tax returns and other financial data that give the clearest picture to date of how the couple made and lost money early in Mr. Clinton's political career.

The documents released today, which include tax returns from 1977 to 1979, show that the couple nearly quadrupled their income in those years, from \$41,731 to \$156,495 in 1979.

That increase was largely attributable to commodity trades by Mrs. Clinton, which were arranged with the help of a lawyer for one of the state's leading agricultural companies.

Starting Amount Unknown

The speculative trading, which netted about \$100,000 from October 1978 to October 1979, is incompletely described in the forms. The returns do not show how much money, if any, was initially invested, and a person familiar with the returns who briefed reporters today at the White House was unable to provide a figure. Mrs. Clinton's commodity trading was first reported by The New York Times on March 18.

Moreover, the documents show that the Clintons provided inaccurate information about a \$20,000 bank loan and that it led the Clinton Presidential campaign to overstate significantly the couple's losses in a real estate venture.

President Clinton said on Thursday that he had forgotten until this week that the 1981 loan was to help his mother buy a house and had nothing to do with the real estate venture, known as the Whitewater Development Company. Mr. Clinton repaid the loan with a check for \$20,700 in 1982.

Today's disclosures, which were made amid mounting political pressure that the President and his wife put questions about Whitewater behind them, may have weakened one of the Clintons' central defenses to questions about Whitewater, a land development in the Ozark Mountains.

For two years, the Clintons have asserted they lost \$68,800 on the deal, using the figure to refute charges that their partner James B. McDougal had covered a disproportionate share of the losses. Mr. McDougal and his wife at the time, Susan, were equal partners in the venture, and the Clinton campaign said they lost \$92,000.

Overdrafts Permitted

Mr. McDougal was the owner of a failed Arkansas savings and loan that permitted sizable overdrafts in Whitewater's checking account in the 1980's.

A lawyer who oversaw a report on the Clinton's finances and released by the campaign in 1992 said in a letter made public today that his report overstated the Clintons' losses by \$22,244, making the Clintons' total loss \$46,635. The lawyer, James M. Lyons, said the error was caused, in part, to "interviews and statements by the Clintons."

Mr. Lyons' letter raises new questions about how Mr. and Mrs. Clinton responded in 1992 to potentially damaging news accounts suggesting that Whitewater might have been a sweetheart deal in which the Clintons put up

far less than the couple who were their equal partners.

Closing the gap between the Clintons' losses and those of the McDougals lessened the effect of Whitewater and any appearance that Mr. McDougal was seeking to influence the Governor.

Campaign aides said at the time that a report prepared by the Clintons' personal accountant put the couple's Whitewater loss at about \$43,000, the figure which the White House now confirms.

In his news conference on Thursday evening, Mr. Clinton acknowledged that Mr. Lyons' report was in error, but did not say how the campaign's accountants had come to overstate his Whitewater losses by roughly 50 percent.

Mr. Clinton said recent coverage of Whitewater had prompted him to "start racking my brain" about a 1982 check for \$20,700 that his top aides had vehemently insisted was repayment of a Whitewater-related loan. According to Mr. Clinton, the process of "fact-checking" galley of his late mother's autobiography led him to remember "something that I had genuinely forgotten," namely taking out a \$20,000 loan in his name from Mr. McDougal's bank to help his mother buy a home.

Mr. McDougal, in interviews this year, insisted the \$20,700 check was unrelated to Whitewater. Bruce Lindsey, senior adviser to the President, replied that Mr. McDougal was mistaken, and that the White House stood by the Lyons report. Mr. Lyons said the same earlier this month.

The tax returns and other information were made public today at the White House. David Kendall, the Clintons' personal lawyer, said the release was "in the spirit of full disclosure and openness."

At a subsequent briefing, the person familiar with the tax returns said there was incomplete information and documentation to back up tax deductions taken by the Clintons for Whitewater-related interest payments. But the person did not indicate that the couple intended to pay any additional taxes in connection with those deductions.

The business ventures whose details were amplified in the disclosures today were two of the largest investments of the Clintons' lives. Both Whitewater and the commodity trading arose in 1978 after Mr. Clinton secured the Democratic nomination for Governor, which in Arkansas made him the odds-on favorite to prevail in the general election.

Although Mr. Clinton was a rising

star in Arkansas politics, he and his wife had few assets. For the previous year, their earnings had totaled only \$41,731, their tax return shows.

Borrowing by Partners

In August of 1978, the McDougals and the Clintons took out \$203,000 in loans to purchase land in the Ozarks. All four signed the biggest mortgage, for \$183,000.

Three months earlier, Mr. McDougal had helped Mr. Clinton earn \$2,100 on another Arkansas land deal — a return of more than 70 percent, according to the person who briefed reporters today.

The couple was hoping for similar good fortune with Whitewater, a venture in which their cash investment was only \$500, according to a Whitewater financial summary that was among the documents made public today.

Two months after Mrs. Clinton signed the loans for Whitewater, she began trading in commodities, a risky form of investment, which in her case proved enormously profitable. In the 1978 return, the couple showed net gains of \$26,541. Although taxpayers are required to specify when the assets were bought and sold, and for how much, the Clintons' return does not do so.

Reported on Tax Return

The following year, the couple reported \$72,436. The trades were listed as occurring in 1979. No other information was included.

It appears that couple's success in the commodities market was significantly offset by their troubles in the real estate venture. After its first few years, Whitewater did not sell land quickly enough to make the interest payments on the loan.

Between 1978 and 1980, the Clintons appear to have borne their half of the interest costs, paying more than \$42,000, which was deducted on their tax returns.

But from 1981 to 1984, years in which Whitewater sold little land, the venture's income was far less than the costs of the interest payments, a difference that was made up largely by Mr. McDougal, records show. According to the accounting made public today by the Clintons, the couple paid only \$243 in Whitewater-related interest from 1981 to 1986.

Calculating Losses

The person familiar with the Clinton's tax returns said the couple never received any dividends or disbursements from Whitewater, which means their \$46,000 in payments were a loss.

Mr. McDougal, who served briefly as an aide to Governor Clinton in 1979, bought a state-regulated bank in 1980 and state-chartered savings and loan in 1982.

Mr. McDougal's savings and loan, Madison Guaranty, allowed Whitewater frequent, sizable overdrafts, causing what Federal investigators later estimated was a loss to Madison of at least \$70,000.

L. Jean Lewis, an investigator for the Resolution Trust Corporation who reviewed Whitewater's records in 1992 and 1993, argued earlier this year that the Clintons must have known that Mr. McDougal was carrying their share of the venture.

Investing in Whitewater

A summary of payments Bill and Hillary Clinton made to the Whitewater Development Company.

YEAR	TYPE OF PAYMENT	AMOUNT
1978	Interest	\$10,130.58
1979	Interest	11,752.52*
	Interest	237.50
	Capital contribution	500.00†
1980	Interest	4,350.00
	Interest	9,000.00
1981	Interest	243.82
1986	Interest	1,635.51
1987	Interest	2,581.33
1988	Interest	1,473.80
	Real estate tax	1,275.15
1989	Real estate tax	291.35†
1990	Franchise tax	345.15†
	Accountant's bill	2,839.24†
TOTAL		46,635.75

*The amount deducted was \$11,749.

†These amounts not deducted on tax returns.

Labor Dept. Agency Proposes Ban On All Smoking in the Workplace

By KATHARINE SEELYE

Special to The New York Times

WASHINGTON, March 25 — With a bill to ban smoking in virtually all buildings in the country except private homes temporarily stalled in Congress, the Labor Department seems prepared to do by regulation what the Congress has not done by law.

The Occupational Safety and Health Administration has proposed a rule to ban smoking in the workplace, Labor Secretary Robert B. Reich announced today. Of the more than 70 million Americans who work indoors, OSHA estimates that 21 million are exposed to poor indoor air and millions of others are exposed to secondhand tobacco smoke.

"OSHA has taken this action to prevent thousands of heart disease deaths, hundreds of lung cancer deaths, and the respiratory diseases and other ailments linked to these hazards," Mr. Reich said.

According to the Environmental Protection Agency and the Centers for Disease Control, secondhand smoke causes 3,000 deaths each year from lung cancer, 150,000 to 300,000 cases of bronchitis and pneumonia in youngsters and asthma attacks in more than twice that number. Secondhand smoke has also been implicated in deaths from heart disease and other forms of cancer.

Threat of Nicotine Ban

The ban in the workplace would affect fewer people than the proposed legislative ban in all buildings, but it would nonetheless apply to more than six million indoor workplaces, from offices to factories to restaurants. It would cost businesses an estimated \$6.6 billion a year to comply with, the Labor Department said, but would yield \$15 billion in annual benefits in increased worker productivity. Mr.

Reich called the rule "part of the most ambitious standard-setting agenda in OSHA history."

At the same time in a Congressional hearing room, Representative Henry A. Waxman, Democrat of California, said after an intense, four-hour hearing in which he questioned several tobacco lobbyists, that he might propose a ban on nicotine in cigarettes.

Although the tobacco lobbyists denied that nicotine was addictive, Mr. Waxman asserted that it was. During the hearing, Dr. David A. Kessler, the

Continued From Page 1

Commissioner of Food and Drugs, testified that one tobacco company, which he would not identify, had suppressed its own research that indicated that nicotine was addictive in animal studies.

Banning nicotine, Mr. Waxman said, is "starting to look like it might well be a reasonable way to deal with this problem."

Eliminating nicotine and thereby removing the addictive property, he added, would allow those who wanted to quit to do so and would provide more of a choice to those who wanted to continue to smoke, rather than forcing them to continue by virtue of their addiction.

However, removing nicotine would not necessarily reduce the health risks associated with smoking.

Another Era of Prohibition?

The tobacco industry strenuously objected to today's anti-smoking pronouncements, the latest in a persistent drumbeat against tobacco interests echoing from state and local governments to restaurants, businesses, many of which have banned smoking.

Charles O. Whitley, a former Democratic Congressman from North Carolina and now a lobbyist for the Tobacco Institute, said that banning nicotine in cigarettes would amount to Prohibition.

"If you take away from tobacco the thing, one of the main qualities of tobacco, there's not much left," he said in an interview. "That's like advocating alcohol-free spirits. Look at their market share. It's not much of a marketable product." Nicotine, he said, "is a natural part of tobacco and the tobacco experience, and if you take it all out, you totally change the character and the nature and certainly the flavor and the taste of a cigarette."

Hazards Are Questioned

As for the ban on smoking in the workplace, Brennan Dawson, a spokeswoman for the Tobacco Institute, said the institute would object to the regulation because "the studies examining smoking in the workplace, in 12 out of 14 cases, do not show an increased risk for nonsmokers."

"In order to regulate any substance," she said, "OSHA has an obligation to demonstrate a significant risk or hazard, and that has not been done with environmental tobacco smoke," also known as secondhand smoke.

But James F. Foster, a spokesman for OSHA, said the agency was relying on numerous other studies that demonstrated "in terms that courts have accepted that there is a substantial risk, and we have also demonstrated that we will substantially reduce that risk" by eliminating smoke. "We believe firmly it will meet the requirements" adopted by the United States Supreme Court in a 1980 decision on benzene, he said.

Mr. Foster also said the regulation was not as sweeping as the bill, now stalled in Congress, that would ban smoking in buildings entered by more than 10 people a week.

"This regulation would apply to private-sector employers everywhere," he said, "and to public-sector employers in the 25 states and territories, including New York and Connecticut, that have their own OSHA programs." But he said it would not apply to public employees in New Jersey or in any of the 32 other states or territories where OSHA does not have jurisdiction.

Building Managers Object

"In New Jersey, employees in the firehouse can sit around and smoke because municipal, county and state employees are not covered by us," Mr. Foster said. "But in New York or Connecticut, they can't."

If a company allows smoking, it must provide a designated smoking area with outside ventilation.

The proposed regulation, which will be entered in the Federal Register for comment beginning March 28, will be subject to numerous hearings and almost certainly would not go into effect until at least next year.

Apart from the Tobacco Institute,

the rule also met opposition today from the Building Owners and Managers Association International, whose 15,000 members represent more than half of the available commercial real estate in the United States.

"We're pleased they're addressing smoking," said Jim Dinegar, a lobbyist for the group. "But they would have you believe people are dropping over at their desks." He said the regulation put the burden on each building's management rather than on attacking the source of the indoor air-quality problem, which could be caused by carpets or copying machines.

At today's hearing on nicotine, Dr. Kessler, the Food and Drug Commissioner, displayed copies of patents obtained by tobacco companies that he said showed they had the technology to manipulate the amount of nicotine in cigarettes. But he emphasized that these were merely patents and did not indicate that the tobacco companies had actually used such technology.

Dr. Kessler said he was looking to Congress for guidance on how the Food and Drug Administration might regulate tobacco, if it were classified as a drug. "There are many issues we don't fully understand," he said. "How should nicotine be regulated? If we lower it a little, people may smoke more cigarettes."

THE NEW YORK TIMES, SATURDAY, MARCH 26, 1994

THOMAS D BACCO

MARTIN SCHRAM

Presidential talent in the performing arts

President Clinton's prime-time news conference on Thursday evening was the 42nd president at his best — cool, calm, downright slick. But the appearance probably came too late, with his administration deciding early on after his election in 1992 not to engage much in such appearances. Had the president pursued this approach with the press regularly, he might have been able to cut the Whitewater mess off at the pass. Too bad he didn't understand the critical history of regular full-press conferences, which began 81 years ago when Woodrow Wilson took reporters to task for prying into the private lives of his three daughters.

On March 15, 1913, eleven days after his inauguration, Wilson urged newsmen to concentrate on significant public matters rather than private lives. "I feel that a large part of the success of public affairs depends on the newspaper men — not so much the editorial writers, because we can live down what they say, as upon the news writers, because the news is the atmosphere of public affairs. Unless you get the right setting to affairs — disperse the right impression — things go wrong."

A year later, Wilson was not so diplomatic as he met with reporters. "I am a public character for the time being," he said with what his wife described as fiery eyes, "but the ladies of my household are not servants of the government and they are not public characters. I deeply resent the treatment they are receiving at the hands of newspapers at this time. ... It is a violation of my own impulses even to speak of these things, but my oldest daughter is constantly represented as being engaged to this, that or the other man in different parts of the country, in some instances to men she has never met in her life."

When World War I broke out, Wilson's news conferences stressed public issues that would typify contemporary ones, except that

Wilson's stern and professional manner usually frightened reporters into a submissive posture.

President Warren Harding, himself a newspaper man, continued the precedent, with twice-weekly conferences. Ground rules required correspondents to submit questions in advance. Calvin "Silent Cal" Coolidge followed Harding's policy and established another precedent by standing up to address reporters. Not surprisingly, Coolidge's responses reflected the taciturn nature of his disposition, causing newsmen no little anguish. But Coolidge thought he had won their hearts. "I shall always remember," he recalled later, "that at the conclusion of the first regular conference I held with them at the White House they broke into hearty applause. I suppose that in answering their questions I had been fortunate enough to tell them what they wanted to know in such a way that they could make use of it."

Herbert Hoover gave reporters the hope for "further development of these [news] conferences," but the hope never materialized. Hoover's news conferences actually decreased from 23 in 1929-30 to 12 by 1932-33 as the number of White House statements released to the press tripled during these same years. After his defeat by Franklin Roosevelt on November 8, 1932, Hoover called a press conference for November 18. When the date and time came, it was cancelled without explanation. Rescheduled for November 22, it was also cancelled without explanation. From a newsman's point-of-view, Hoover's relations with the press were the worst in the history of presidential news conferences.

His successor's, Franklin Roosevelt's, were unquestionably the best. During his twelve years in office, FDR held a record 998 news conferences, averaging two per week. He canned the requirement of receiving questions in advance but set other ground rules regard-

ing off-the-record and background data. In spite of the hostility of newspaper owners toward Roosevelt, correspondents were overwhelmingly supportive of his craft in news conferences. Said columnist Heywood Broun, "Franklin Roosevelt is the best newspaper man who has ever been President of the United States."

The general trend after Roosevelt was for presidents to have fewer news conferences. Harry S. Truman in seven years had 324 or an average of about one per week. Conferences were frequent, however, during times of crises, as for example during the outbreak of the Korean War in June 1950. They were sometimes very short, less than 15

minutes, in contrast to Roosevelt's that ran three to four times longer. Truman's last news conference, on January 15, 1953, lasted 38 minutes.

With Dwight Eisenhower came televised news conferences and a President who seemed enormously uncomfortable in the glare of TV lights and reporters' questions. His news conferences, which totaled 190, were held about every two weeks. President John F. Kennedy's news conferences totaled 63 in 34 months, an average lower than Ike's. Lyndon Johnson's increased dramatically in his first six months in office (26) and were conspicuous for their location — almost everywhere, said one columnist, "except in Lincoln's bed and underwater."

In recent decades presidential news conferences have been far fewer in number, averaging seven per year during Richard Nixon's administration, about six during Ronald Reagan's. President George Bush's informal gatherings with newsmen on a regular basis may be the 41st President's unique contribution to the history of the institution, but they appear, in retrospect, to have been no substitute for formal, prime-time conferences — a lesson, ironically, that even his successor may not have learned as well.

Thomas V. DiBacco is a historian at the American University



B. J. CUTLER

Haiti policy's undesired results

If at first you don't succeed, repeat the same mistake all over again.

That, most unfortunately, seems to be the Clinton administration's no-win policy on restoring democracy to Haiti.

Ever since the nation's thuggish army exiled President Jean-Bertrand Aristide in September 1991, the United States and the United Nations have relied on economic sanctions to return him to office.

Apparently, no one reads history: Sanctions rarely bother dictators; they only crush poor people unlucky enough to live under them.

Recent examples of despots successfully defying international embargoes include Iraq's Saddam Hussein, Serbia's Slobodan Milosevic and Lt. Gen. Raoul Cedras, the resident goon in Port-au-Prince.

Under an agreement brokered by Washington and the U.N. last July, Haiti's army commanders were to retire and Mr. Aristide was to resume his presidency. As expected by many, the junta reneged. It simply had grown too fond of its power and ill-gotten wealth.

So the international community — ahem — got tough. It broadened the sanctions to include oil, which was to bring the military to its knees in a matter of weeks.

Instead, Cedras & Co. organized massive smuggling of gasoline and diesel fuel from the neighboring Dominican Republic. They are selling the stuff for seven times what they pay for it, and the soldiers and their business allies now are filthy rich and determined to keep the scam going.

Incidentally, the Dominican government insists it is observing the U.N. embargo, which is not the first case of blatant hypocrisy in international affairs.

Enter the State Department. Last month, it claimed that a group of Haitian lawmakers had drafted a new plan: Gen. Cedras was to

While the noble embargo mindlessly grinds on, Haitians are deprived of work, income, transport, medicine and food. In what was the hemisphere's poorest country even before sanctions, babies are starving.

retire (again), and Mr. Aristide was to name a prime minister who would prepare for his return.

In fact, the plan was concocted by the State Department, which flew the alleged Haitian authors to Washington at taxpayer expense. And it was worse than the July scheme. It set no date for Mr. Aristide's return, and it left in place the whole junta, except Gen. Cedras. These sweeties would dominate the new government, as they do the current one.

Unsurprisingly, Mr. Aristide balked. For this, he was denounced by President Clinton on down as "intransigent." The victim became the culprit. The CIA repeated its rumors that the Roman Catholic priest-president was mentally unstable and a leftist.

It hardly occurred to the Amel-less CIA that Mr. Aristide's head was not really its business: He had been chosen president in 1990 with 67 percent of the vote in Haiti's first honest election.

While the spooks, the State Department, the White House, the U.N. and the boodlers in Port-au-



Jean Bertrand Aristide

Prince play their cynical games, paramilitary death squads are murdering suspected Aristide supporters, mutilating their bodies and burning their homes.

And while the noble embargo mindlessly grinds on, Haitians are deprived of work, income, transport, medicine and food. In what was the hemisphere's poorest country even before sanctions, babies are starving.

The tragedy will not last much longer. Mr. Clinton has come under pressure by key allies — the Congressional Black Caucus; religious, union and civil rights leaders; Hollywood stars — to let Haitian boat people into this country or get rid of the Port-au-Prince junta.

Interestingly, the pressure is being coordinated by TransAfrica, a lobby that detests the dictatorship in Haiti but not the one in nearby Cuba.

B.J. Cutler is foreign affairs columnist for Scripps Howard News Service.

Dissimilarities

In Washington, a city of political gadflies who have the historical attention spans of gnats in heat, Republicans are gleeful over the latest indications that Whitewater may be, at least in part, about income taxes.

Indeed, some conservative talking heads are making dire Son of Watergate predictions now that Bill and Hillary Clinton are no longer dismissing out of hand suggestions that they may have deducted too much, paid too little, and owe back taxes for their years back in Arkansas. Once the Clintons' standard Whitewater line used to be that there was nothing to explain because the facts speak for themselves (and Whitewater was just a bad real estate deal). Now from Mrs. Clinton comes a fresh explanation: Not only were the facts not self-explanatory, they were perhaps not even known to the Clintons themselves.

Asked by Time magazine whether the Clintons might have overdeducted for Whitewater losses on their income taxes, Mrs. Clinton said:

"Well, we don't know. . . . We are only able to act on the knowledge we had at the time. But there were activities that we didn't know anything about that have only recently been brought to our attention. And as we gather more information, we will act appropriately."

But hold your elephants! The prospect of tax troubles for the Clintons ought not touch off a stampede of Republicans trumpeting Watergate comparisons. Not even if it involved two smart Yale lawyers down in Arkansas being too clever by half. For those Grand Old Party pachyderms, being famed for their memories, surely remember history's still-recent lesson of real tax chicanery — committed by a sitting president.

Recall the true depths of tax deception of the highest order: Just two decades ago, a sitting president was discovered to have owed nearly \$500,000 in back taxes for three years. It seems that, while sitting in the Oval Office, he had avoided paying all but a token amount of federal income taxes —

thanks to a backdated deed with which he certified the donation of his pre-presidential papers to the public.

That backdating of the deed made it appear that he had gotten in under the wire, beating the deadline of a tax reform law that was to have ended forever this type of tax deduction. By claiming the deduction on his tax forms, this president paid a paltry \$792.81 in federal taxes for one entire year, and \$878.03 the next year. That means the president paid less in federal income taxes than virtually any barber, carpenter, schoolteacher or shoe clerk in the United States.

That president was Richard Nixon. In April 1974, the Joint Congressional Committee on Internal Revenue Taxation released a staff report that concluded that Mr. Nixon — who had told a press conference on June 22, 1972, "In law school, I majored in tax law" — owed almost \$500,000 in back taxes and interest. After that, Mr. Nixon paid \$248,000 in back taxes, but did not pay his 1969 tax deficiency because the statute of limitations had expired.

That backdated date on his deed of donation was April 21, 1969 — which happened to be the very day on which, from his desk in the Oval Office, President Nixon sent Congress a special message calling for major tax reform.

"Reform of our federal income tax system is long overdue," Mr. Nixon wrote to the Congress. "Special preferences in the law permit far too many Americans to pay less than their fair share of taxes. Too many other Americans bear too much of the tax burden."

That point of presidential history adds a lesson that should not be forgotten by the pols, the press, and the people as we sort our way through the current controversy. Whitewater may prove to be many malevolent things. But by whatever measurement — criminality, coverup, or chutzpa — Whitewater is not Watergate.

At this point in time.

Martin Schram is a nationally syndicated columnist.

The prospect of tax troubles for the Clintons ought not touch off a stampede of Republicans trumpeting Watergate comparisons. Not even if it involved two smart Yale lawyers down in Arkansas being too clever by half.

DAN STEIN

How wide should the door be opened?

From amidst the cacophony of discordant immigration proposals, one hears the emergence of some simple truths.

First, we now know that immigration is costing somebody, or some people, a lot of money. Whether its hundreds of millions or billions (the studies never seem to agree), it's clear that immigration is not a self-financing proposition.

State taxpayers in California, Florida, New York, Illinois, New Jersey, Maryland, Virginia, the District of Columbia and Texas are demanding action.

Second, it's clear immigration is now a political issue of some potency. Polls indicated most Americans generally oppose immigration, if for no other reason than they think immigration is needless. Some is OK, they say, but only as long as there are no noticeable ill effects.

But all that changed in the face of Haitian boats, the World Trade Center bombing, Chinese boats, international immigrant-smuggling and crime syndicates, persistent illegal immigration from Mexico, and high profile tales of immigrant-related welfare ripoffs.

Now a public consensus has emerged: Let's hold off on more immigration. If immigration is costing money and creating other problems, why not just give the country a break from immigration for a while?

So far, the political leadership in this country has failed to grasp this whole analysis. Most Democrats and Republicans have suggested either beefing up the Border Patrol or cutting benefits for illegal immigrants. Within these two broad strategies is an array of often inconsistent ideas to "defuse immigrant bashing," as it's often called.

The administration's "border enhancement plan," for example, includes measures to accelerate naturalization ceremonies. This noble-sounding initiative to create more citizens will actually produce longer backlogs for waiting relatives (now at 4 million) and only increase future pressures for illegal immigration.

Eventually, political leaders will have to face facts. Immigration is costing money. Rather than cut off welfare to immigrants, or rubber-stamp more applications, Congress and the president need to think about cutting the number of immigrants. That's really what the public wants. And it is probably only a matter of time before most politicians figure this out.

Unfortunately, the current laws take us in exactly the wrong direction. Under the national leadership of Sen. Edward Kennedy, Massachusetts Democrat, who as chairman of the Senate Immigration Subcommittee has for decades

maintained central control over the direction of America's immigration laws, immigration levels are only going to increase.

Based on current projections of temporary and permanent immigration, new labor market entrants are likely to exceed available jobs by more than 8 million in the next 10 years. This cannot be allowed to happen. We need a pause in immigration for a while.

Now don't get me wrong. To reduce immigration, or provide a moratorium or time out, is not to suggest that many immigrants do not become hard-working, model citizens. It simply means the country needs a break to absorb and handle its critical social and internal problems, and clean up its affairs to face the 21st century. It needs to strengthen its national institutions, civilization and culture to withstand the future stresses and strains likely to emerge later this decade.

We've had such immigration

breaks in the past. In the early 19th century, and for a good part of the 20th, we've enjoyed sustained periods of very low immigration. And the truth is that sustained pauses have been good for the country and especially good for recent immigrants.

Former Colorado Gov. Richard Lamm once observed that "One common fatal mistake runs throughout the history of civilizations: they think of themselves as immortal. This is folly. Great civilizations clearly cannot be apathetically presumed to be immortal, or to have God on their side. This may not be popular, but it is reality. Better a sad truth than a pleasant lie."

A few in Congress have already figured this out. Despite feeling that it would be wonderful to take anyone who wants to come here, they are facing the sad truth that we need to limit immigration significantly to preserve the nation.

Sen. Harry Reid, Nevada Dem-

ocrat, has come forward with a comprehensive bill, and there is a companion bill in the House, that would cut immigration to 350,000 a year. Rep. Bob Stump, Arizona Republican, has an immigration moratorium bill this Congress and it already has 61 co-sponsors.

So things are beginning to happen. But for the most part, the discordant noise of a bewildered and perplexed national leadership is still drowning out the tough truths needed for a brighter future. While the immigration issue is now firmly on the national radar screen, we may by years away from serious immigration reform. The only question that remains is: How long can we wait?

Dan Stein is executive director of the Federation for American Immigration Reform. This article was written for Scripps Howard News Service.

CAL THOMAS

President Clinton has criticized what he calls a media "presumption" of guilt over the Whitewater affair that requires him to prove his innocence. Have ethical standards changed in the Democratic Party since Mr. Clinton became president?

Democrats made political hay in the campaign of 1992 when they railed against perceived and actual Republican ethical lapses. They even dismissed an entire decade as "greedy" because people made money, though even the poor had more money at the end of the decade than at the beginning.

The Clintons especially moralized in the manner of the '60s flower children: They were better than Republicans because their motives were pure. When it was revealed that they, or at least Mrs. Clinton, probably made a big profit during the greed decade by trading in cattle futures with the help of a man whose chicken industry was subject to regulation by then-Gov. Clinton and that they apparently did their best to keep from paying their "fair share" in taxes, critics are called petty and vindictive. Besides, say the president and his defenders, the Clintons haven't

Redefining ethics to fit the party

been charged with a crime or indicted.

Is this the standard that should be applied to the Clintons and their associates? It wasn't the standard Democrats used in 1985. Nine years ago, during Senate proceedings to determine whether he should be confirmed as attorney general, Edwin Meese was presumed guilty of ethical lapses by Democrats.

Then-Senate Minority Leader George Mitchell opined: "The erosion of the principle of high standards for office has now reached the point where the principal argument in behalf of the nominee ... is that he has not committed an action for which he can be indicted."

Later, Mr. Mitchell lamented that our institutions had been challenged "by those who brought lesser standards in political life. And after we began to understand to what degree their morals had corrupted and weakened our public institutions, we insisted upon a

During Senate proceedings to determine whether he should be confirmed as attorney general, Edwin Meese was presumed guilty of ethical lapses by Democrats

more demanding standard."

Apparently such a "demanding standard" is to be applied only during Republican administrations. Now that one of their own is in the White House, congressional Democrats have dragged their feet on holding the president to such exacting behavior.

Mr. Mitchell also demanded that the attorney general must be "clearly free from any suspicion of conflicts or inappropriate actions." More so for a president, one would think.

Sen. Howard Metzenbaum, Ohio Democrat, noted at the time that although the Office of Government Ethics said Mr. Meese's conduct was right, that wasn't enough. One must look at the "appearance of impropriety." Imagine if such a standard was applied to Bill and Hillary Clinton, who now seem to reek from past questionable actions.

Sen. Robert Byrd, West Virginia Democrat, lamented "a diminution — an erosion — within our government of the standards of public service, of selflessness among our elected or appointed officials. ... We must be troubled by circumstances where public office is used to any degree in order to obtain private gain for an official or for an official's family, friends or professional associates."

That would seem to cover most of Whitewater, but so far Mr. Byrd has not made the connection.

Mr. Byrd quoted from Executive Order 11222, "Prescribing Standards of Ethical Conduct for Government Officers and Employees," in effect since 1965, that prohibits actions "which might result in, or create the appearance of ... using public office for private gain ... giving preferential treatment to any organization or person ... or affecting adversely the confidence of the public in the integrity of the government."

Sen. Joseph Biden, Delaware Democrat, told Ed Meese his concern "relates to a higher standard than you have demonstrated to me in your responses that you are not willing to step up to, even though you're ethical and even though you have not violated any law — inadvertently or advertently."

Shouldn't the standard applied during a Republican administration be identical to the one applied for President and Mrs. Clinton? It's only fair.

Cal Thomas is a nationally syndicated columnist.

Joycelyn Elders on love

Dr. Joycelyn Elders, Surgeon General of the United States, is back in the saddle again, this time unveiling policy positions, thoughts and other mental tremors even more curious than those she has already revealed. When nominated for the post she holds, Dr. Elders elicited outrage from moralists because of her zany views of sex, sex education, drugs and abortion. But now she's managed to transcend even herself.

In an interview in the *Advocate*, a magazine devoted to gay issues, Dr. Elders declared that sex is "wonderful" and a "normal . . . and healthy part of our being, whether it is homosexual or heterosexual." She also endorsed homosexual adoption of children, said school health clinics should address the "needs" of homosexual students and slammed the Boy Scouts because their ban on homosexuals as scouts or scout leaders is "unfair."

"We can't just write off 10 percent of our student population," she told the *Advocate*. "We need to make sure our teachers are educated about sexuality and that counselors know how to address the issue in a sensitive manner."

Dr. Elders also inflicted her religious opinions on an astonished public: "I think the religious right at times thinks that the only reason for sex is procreation. Well, I feel that God meant sex for more than procreation. Sex is about pleasure, as well as about responsibility."

"Society," pronounced the nation's First Doctor, "wants to keep all sexuality in the closet. . . . We need to speak out to tell people that sex is good, sex is wonderful."

Alas. Where to begin? In the short space of a few sentences, Dr. Elders succeeded in regurgitating every cliché about sexuality known since the late Victorians discovered Free Love. Almost nothing she said in the interview is true; almost all of it, if acted upon, would be, and indeed has been, harmful to society and to individuals.

It's quite true that today attitudes toward homosexuality are changing (in no small part as a result of the insistence of gays). But a liberalized view of homosexuality need not and should not mean its promotion by the U.S. government, in the person of Dr. Elders, as essentially no different from heterosexuality. Dr. Elders' reductionism (common among sexual liberationists) essentially strips the sex act bare and elevates it to a state of wonderfulness entirely bereft of the things associated with it that government actually ought to be concerned about — things like the preservation of the family. Now, Dr. Elders is in favor of the preservation of the family, no doubt; Dr. Elders is in favor of all good things, from family preservation to wonderful sex; as surgeon general, she will promote them.

As for God's view of sex, we'll leave that to the theologians. Cardinal James Hickey, Roman Catholic Archbishop of Washington, has sent a letter to President Clinton urging him to "publicly disavow" Dr. Elders' comments, which he found both

offensive to American religious leaders and promotive of homosexuality. Other clergy and laymen will, of course, disagree. In Tom Hanks' best-actor acceptance speech at the Academy Awards, he evoked a heaven in which God's loving embrace welcomed the good, gay men who had succumbed to AIDS. You didn't have to be a gay-rights activist to find it moving. But why the surgeon general should be telling us (or God) what God thinks about sex is at least unclear, if it is not also contrary to the latter-day spirit of establishment clause.

As for the Boy Scouts, President Clinton himself declined to criticize the Scouts for their ban on homosexuals during the 1992 presidential campaign because, he said, the Scouts are a private organization. That's a bit of a cop-out (the Ku Klux Klan is a private organization too, but no one pulls his punches criticizing it, nor should he). In any case, the Scouts have every right to determine their own membership, and their policy toward gays is certainly consistent with traditional beliefs and values. Quite simply, it's none of the surgeon general's business what the Scouts do as long as they aren't spreading smallpox.

Finally, as for Dr. Elders' view that "sex is good, sex is wonderful," well, sometimes it is, sometimes it isn't, and contrary to what she and the sexual liberationists imagine, hardly anyone anywhere thinks sex is as bad as they think people think it is. The existence of restraints on sex does not mean that "society wants to keep all sexuality in the closet." Just because some sex is restrained doesn't mean all sex is repressed.

Commenting on Dr. Elders' frankly foolish statements, Gary Bauer of the Family Research Council remarked that "A large number of Clinton administration appointees have a rather unusual obsession with sex. Every time we turn around, they are talking about some other aspect of it." That seems to be the case, and while with some of the appointees, the preoccupation with sex may be personal, with others it's also ideological. They see it as their mission to "liberate" American society from what they think is its repressive and obsolete code of sexual morality, and Dr. Elders is a clear example of this breed.

Of course, they are not the first to adopt such a mission, though it would probably surprise these obsessives to learn that sexual liberation has been going on in American society at least since Hugh Hefner founded *Playboy* in the 1950s. With illegitimacy rates, venereal disease rates, AIDS, family break-up rates, and sex crime rates skyrocketing ever since, one might think that the penny would drop with someone in the administration that this has not necessarily been a terribly happy or beneficial experience. If there is indeed such a person, perhaps that someone could pass the word to Dr. Elders before she uses her powerful position to torpedo any more of what remains of moral and social restraints on sexual appetites.

It all comes down to a morality gap

Clinton's actions contradict words

By Rod Dreher
THE WASHINGTON TIMES

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During the 1992 campaign, Bill and Hillary Rodham Clinton chucked rhetorical stones at their Republican opponent, accusing

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George Bush of being emblematic of the 1980s, "a gilded age of greed and selfishness, of irresponsibility and excess," as Mr. Clinton put it then.

"For 12 years of this Reagan-Bush era, the Republicans have let S&L crooks and self-serving CEOs try to build an economy out of paper and perks," he said. "It's the Republican way: Every man for himself, and get it while you can."

Whitewater-Madison has revealed that far from being selfless servants of the downtrodden and

dispossessed, the Clintons spent that demonized decade making fistfuls of cash from sweetheart deals with friends—in particular, an S&L owner named Jim McDougal—and behaving pretty much like the Republican bogeymen they railed against.

In recent days, a number of media commentators, realizing that on the ethics issue the Clinton White House is made of brittle glass, began hurling those stones back.

Friday's "Crossfire" on CNN devoted itself to the issue of Clinton hypocrisy. Columnist George Will slammed the Clintons and their generation for "moral vanity." Jeff Greenfield of ABC News reported on the gap between Clinton rhetoric and Clinton reality on the ethics front.

Some think that at this point, the burgeoning scandal is more about a moral issue than a legal one. Whitewater, Time essayist Charles Krauthammer wrote, "is important less for its possible criminal violations than for the light it

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to the presidency for moral example, even though a long list of disappointments should have taught them better," said the Rev. Richard John Neuhaus, a Catholic priest who heads the Institute for Religion and Public Life. "Young people can learn from President Clinton how to get ahead by playing around the rules rather than by the rules, and that's a bad thing."

William Bennett, a Reagan Cabinet member and author of the best-selling "The Book of Virtues," said the sense of moral superiority conveyed by the Clintons when talking about their political opponents set them up for accusations of hypocrisy.

"These people have propelled themselves into office on the basis of making constant moral claims about people they disagree with," he said. "Most people are blind, myopic to their own faults. ... I think what's irritating to people is that [the Clintons] are on their moral high horse so much, not castigating greed, dishonesty or criminality, but entire groups of people."

Lewis Lapham, editor of Harper's magazine, was a frequent and eloquent critic from the left of ethical abuses of the Reagan and Bush presidencies. He says he is not surprised that, despite having run as the only moral alternative to Republican greed, Mr. Clinton turns out not to have practiced what he preached.

"I don't think he had any moral authority to start with," Mr. La-

pham said. "I always thought of him as a talk-show host, a man without much conviction of any kind. I thought that became clear during the campaign."

Mr. Lapham believes that what Whitewater-Madison reveals about the president's character may cripple his effectiveness as the nation's leader.

"I think Clinton's principal task as president, when elected, was to restore faith in the democratic process. I think this kind of thing harms him," he said.

The Clintons have their defenders among the ranks of social critics. Michael Lerner, editor of Tikkun magazine and architect of "the politics of meaning," said the public ought to feel sorry for the Clintons rather than castigate them for failing to live up to their moral rhetoric. The Clintons have expressed substantial interest in Mr. Lerner's ideas.

"The appropriate attitude is compassion for everyone who wants to articulate transcendent moral ideals, because inevitably, nobody is going to succeed in being the embodiment of those ideals," he said.

"You have two choices," Mr. Lerner said, "either accept a compassionate attitude in which you understand they will be wounded healers, [or] you go for the attitude American politics has done, which is to say that these people are liars, and that this proves that these ideals are useless. You get this tremendous disillusionment."

Jerry Brown, former California governor and erstwhile presidential aspirant, is not disillusioned by Whitewater-Madison's

revelations about Mr. Clinton's character. He was warning the country about this during his failed 1992 campaign for the Democratic nomination.

During a televised debate early in the primary campaign, Mr. Brown raised conflict-of-interest questions about Mrs. Clinton's role in the Rose Law Firm, which received a wealth of business from the state her husband governed.

"Clinton got on his high horse and said that I didn't deserve to be on the same platform as Hillary," he said. "You didn't answer the question." And that was the end of the story," Mr. Brown said.

"You look at who Clinton has around him. You have such a collection of corporate insiders that have been undergirding the Clinton administration from day one," he said. "They really have no ground on which to stand to offer opposition to Bush and Reagan."

Several commentators have noted the damage that a failure to live up to one's words wrought on the presidencies of Ronald Reagan and George Bush. Mr. Reagan's administration reeled from his admission that, contrary to vehemently stated policy, the United States had in fact been dealing with terrorists. Breaking a "no new taxes" pledge cost Mr. Bush the election, many believe.

That's why some of those in the GOP leading the attack on Mr. Clinton had better be careful, lest their own words be used to convict them later.

"They ought to arrange their rhetoric more the way [Iowa Republican Rep.] Jim Leach does, which is along the lines of 'We want to get the truth out and move

on,' as opposed to this holier-than-thou pulpit pounding," said Michael Cromartie of the Ethics and Public Policy Center.

Kevin Ryan, a Boston University ethicist, advises GOP leaders to "keep a low profile" and "pushing the issues."

"I think [New York Sen. Alfonse M.] D'Amato in particular done everybody a disservice by picking up the flag," Mr. Ryan said. "I have a lot of respect for the way [Senate Majority Leader] Bob Dole has handled this: He's let the issues speak for themselves."

Mr. Ryan said Mr. Clinton's actions have already "shrunk" the larger-than-life quality of the presidency "very badly." The scandal, he said, will increase public distrust in Washington and strengthen the move for term limits.

Mr. Lerner, the Tikkun editor, says what really matters is the Clintons' public performance.

"An obsessive focus on people's personal morality has been a way of disempowering people to make social change," he said. "If you obsessively focus on the failure of individuals, you find that everybody is disempowered to achieve their ideals. And who does that serve? The status quo."

Mr. Bennett disagrees. "Some people are saying that this inquiry into character is distracting us from our real business," said Mr. Bennett. "This is our real business. Figuring out the character of our leadership is as important as anything we do."

"It's not a choirboy we're looking for," he said. "It's a grown-up man with standards to which he aspires and adheres."

Everything but Education ✓

THE FOUR-YEAR odyssey of the once bipartisan Goals 2000 legislation ended its journey Saturday morning in a blaze of pure silliness. At 1:01 a.m., in accordance with arcane rules governing efforts to end a filibuster, the Senate voted 62 to 23 to halt the filibuster by Sen. Jesse Helms, who was blocking the bill because it had come back from House-Senate conference with an insufficiently rigid, which is to say an insufficiently unconstitutional, provision on school prayer. The conference had revised Helms-approved language that would have barred money to districts that forbid "voluntary, constitutionally protected prayer"—a category that may or may not exist—and had ended up with a provision that would restrict federal funds from being used to adopt policies preventing voluntary prayer or meditation. This version Mr. Helms called "a shame and a disgrace," a phrase that would also have applied had the bill's passage been delayed past April 1, when \$105 million in authorized funds was to expire.

A peculiar last gasp for opponents who had spent the previous few sessions shouting about how Goals 2000, in particular a part of it called "opportunity-to-learn standards," would constitute undue federal interference in local schools? Well, of course—but nobody at this point should be surprised. Education legislation

is Velcro-esque in its ability to pick up social legislation on what would seem to be non-educational topics, on the theory that anything that's good for society is good for schools. The bill as passed includes amendments on violence as well as prayer, and the larger Chapter One reauthorization bill, which the Senate must take up this spring, has just come staggering out of the House after a debate that encompassed prayer, smoking, obscenity, homosexuality and illegal immigration.

By comparison, Goals 2000 got away fairly clean. The law's core is the creation of an array of voluntary curriculum standards that school districts can use to improve the education they offer—helped by small pots of money, enough to entice but not coerce, and by the momentum that has been building as groups of educators started meeting to develop standards on their own. There could be more money for these efforts if the larger Elementary and Secondary Education Act passes in its turn. The Senate needs to grit its teeth and step up to this one eventually, as the House finally did Wednesday with a solid vote of 289-128. Though vividly illustrating the maxim about the gruesome sight of legislation in the making, this onward stagger amounts to a significant step toward reforming education.

Whitewater Developments ✓

THE AIM OF President Clinton's prime-time televised news conference and the release of his old tax returns was to demonstrate openness and willingness to cooperate with all Whitewater-related investigations. He certainly did himself some good. During the press conference, which was dominated by Whitewater questions, Mr. Clinton sounded confident and was unflappable. People, impressed by what he said and how he said it, were asking why he had not spoken thus before, instead of responding this way only after weeks of extensive news coverage, the subpoenaing of 11 administration aides, the forced departure of a White House counsel, angry words in Congress over Whitewater hearings and a sharp drop in the polls.

The new information plus the release of the Clintons' tax returns for 1977-79 did address some of the questions that had been raised about their business dealings in Arkansas and their subsequent handling of the controversy concerning those dealings. The president said that the couple's claim during the presidential campaign that they had lost \$68,900 on their Whitewater investment was wrong. The actual loss turns out to be more like \$46,000, which represents the accumulated interest paid on their half-share of the \$203,000 loan they took out with James and Susan McDougal to buy the Whitewater property. The president's explanation was that he had overestimated the loss by \$22,245 because that amount was mistakenly applied to the Whitewater account when it actually represented a loan and interest payments he took out to help buy his mother a house, which he had only recently recalled. Be all that as it may, legally, the switch may not matter since the Clintons never claimed a tax loss on the investment anyway.

Mr. Clinton's press conference did not, of course, dispose of all the issues that have been raised in this complex affair. One that is still under investigation is whether, as has been alleged but certainly not proven, the Clintons' Whitewater venture skimmed federally insured deposits from the failed Madison Guaranty Savings & Loan and David Hale's ill-fated Capital Management Services, which was licensed and financially backed by the Small Business Administration. L. Jean Lewis, the Resolution Trust Corp.'s senior investigator on Madison, asserts that "Whitewater did cause a loss to Madison," which ultimately benefited James McDougal and "his business partners," the Clintons. Noting that Whitewater was showing no cash flow while its mortgages and notes were being paid, Ms. Lewis asked hypothetically in a note, "if you [the Clintons] aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used for your benefit?" This too needs an answer.

In addition, the way the week ended with reports of an attempt by a senior White House official to change the terms of a possible Resolution Trust Corp. civil prosecution added to the Washington part of the morass. There is still much under investigation concerning whether important White House staff members have behaved improperly in respect to the RTC investigation. And there are the charges made by Republican Rep. Jim Leach. The special counsel and probable congressional inquiries still have much to do to resolve the contradictory assertions that have been made and to ascertain the extent to which administration personnel may have trespassed into the business of the Resolution Trust Corp.

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Whitewater critic advises caution

By G. Robert Hillman

Washington Bureau of The Dallas Morning News

The leading Republican Whitewater critic in Congress cautioned Sunday against jumping to conclusions that two of President Clinton's top aides may have tried to thwart an inquiry.

"I hope we don't make too much of this part of the story," Mr. Leach said. "I think it's real, but it isn't thoroughly devastating."

The Iowa congressman said it may have been a mistake for White House Deputy Chief of Staff Harold Ickes and senior adviser George Stephanopoulos to have angrily protested to treasury officials the hiring of former U.S. Attorney Jay B. Stephens.

Mr. Stephens, a Republican critical of the president for removing him as the U.S. attorney in Washington, has been retained by the Resolution Trust Corp. to handle potential Whitewater-related civil cases involving the failed Madison Savings and Loan in Arkansas.

"I think it's natural that they would be upset," Mr. Leach said. "But it was probably a mistake to convey this in a way that may, or may not, have implied trying to release him (Mr. Stephens) from his job."

Mr. Leach, the ranking Republican on the House Banking Committee, discussed the Whitewater controversy on NBC-TV's *Meet the Press* on Sunday as Mr. Clinton wrapped up a three-day stay in Dallas.

The president was in Dallas to attend the wedding of his brother, Roger, and to press his health care

reforms during a visit to Texas Scottish Rite Hospital for Children.

His spokesman, Jeff Eller, said Sunday that Mr. Clinton had nothing to say on Whitewater. However, he emphasized that Mr. Clinton "stands behind George (Stephanopoulos) 100 percent."

Mr. Stephanopoulos has acknowledged that he "blew off

steam" in a conversation about Mr. Stephens with Joshua Steiner, Treasury Secretary Lloyd Bentsen's chief of staff.

Madison was owned by James McDougal, who owned the Whitewater Development Corp. with his wife at the time, Susan; Mr. Clinton, then governor of Arkansas; and first lady Hillary Rodham Clinton.

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Clinton tax returns clarify some issues

But Whitewater queries remain

By Richard Whittle
Washington Bureau of The Dallas Morning News

WASHINGTON — President Clinton released tax returns and other data Friday showing that almost all of the amount that he and his wife consider their loss in the Whitewater venture was tax-deductible interest on loans.

Mr. Clinton's personal attorney, David Kendall, told reporters at a White House briefing that the president and first lady Hillary Rodham Clinton were releasing the documents in "a spirit of full cooperation and openness."

The returns for the years 1977-79

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supported the Clintons' descriptions of their role in the Whitewater investment and clarified some figures. But they failed to resolve critics' questions about the relationship between Whitewater and a savings and loan owned by James McDougal, one of the Clintons' partners in the real estate venture.

At the briefing, a source familiar with the tax returns acknowledged that because the interest deductions

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reduced the Clintons' taxes, their overall losses actually were less than the \$46,635 the president now figures the real estate deal cost them.

'A pre-tax loss'

But the source — who spoke under ground rules set by the White House — said changes in tax rates and in the Clintons' income had made it impossible to calculate how the investment affected their net worth.

"That's a pre-tax loss," the source said of the \$46,635 figure. They did, however, deduct interest, so they got some tax benefit."

The Clintons' deductions would have been limited to \$3,000 per year if they had invested cash in the venture and been unable to recover it.

But the source familiar with the returns confirmed that — as Mr. McDougal has said in several television interviews — the Clintons paid no cash for their 50 percent share in the partnership when they launched the Whitewater venture in 1978.

The Clintons and Mr. McDougal and then-wife Susan co-signed \$203,000 in loans from two banks to purchase 233 acres of land for vacation and retirement homes along Arkansas' White River. Whitewater Development Corp. was formally established a year later.

Along with the tax returns, the White House released a summary of the "Clinton's Whitewater Payments" from 1978 to 1990, which showed that of the \$46,635 they spent on the venture, \$41,385 was interest on loans.

The additional \$5,250 included a 1990 accountant's bill for \$2,839, another \$1,911 in real estate and franchise taxes paid in 1988-90, and a "capital contribution" of \$500 paid in 1979. The summary said the Clintons deducted only \$1,275 of those amounts from their taxes.

Mr. Clinton's aides have said since 1992 that the Clintons lost \$68,900 in Whitewater Development Corp. But the president said Thursday at a news conference he had discovered that a \$20,744 loan included in that sum was actually used to buy his mother land for a cabin.

The \$68,900 figure was based on a report commissioned by the Clinton campaign in 1992 and compiled by Denver lawyer James Lyons.

In a letter to Mr. Kendall released with the tax returns, Mr. Lyons said his report counted the \$20,744 loan and \$1,500 in interest as Whitewater expenses in part based on "interviews and statements by the Clintons concerning the nature and purpose of this 10-year-old check."

The size of the Clintons' Whitewater losses has been a key issue because of suspicions that money from Mr. McDougal's Madison Guaranty Savings and Loan might have been used to help the Clintons financially or politically. Special counsel Robert B. Fiske Jr. is investigating those questions, among others.

The president said at his news conference that he had "absolutely no knowledge" of any money from Madison being used to benefit either Whitewater or his Arkansas gubernatorial campaign treasury.

Federal Inquiry

Rep. Jim Leach, R-Iowa, on Thursday released a memo written by an investigator for the Resolution Trust Corp., the federal S&L cleanup agency, which related her "opinion and belief" that Whitewater did, in fact, cause a loss to Madison because of the amount of unauthorized loans McDougal made to entities in which he was a primary party and beneficiary.

The investigator, L. Jean Lewis, also wrote that she had told one of her superiors from Washington that such loans "ultimately benefited his (Mr. McDougal's) business partners — the same business partners that knew they had real estate ventures that were not cash flowing, but that also knew their mortgages and notes were being paid."

Madison Guaranty was under investigation because it failed in 1989 at a cost to taxpayers of \$47 million.

The source familiar with the Clintons' finances declined to comment on Mr. Leach's evidence. But he said Whitewater Development's loans and interest on them were covered in part by payments received from the few customers who bought lots in the development.

"The Clintons received nothing directly from Madison Guaranty ... or indirectly," the source said. "We have no reason to believe they may have benefited from Madison Guaranty."

In addition, the source said, the Clintons took no day-to-day role in operating Whitewater Development, leaving that to Mr. and Mrs. McDougal.

And Mr. Kendall's review of the records, the source said, showed that Whitewater was run in "hip-pocket" manner.

"The degree of informality here was great," the source said. "This was

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a company that never had an office or employee."

The records show, and the source confirmed, that the informality began immediately.

For example, there was never a written partnership agreement, the source said.

And, the source said, the Clintons' first \$10,130.58 interest payment on the loans they coigned with the McDougals was paid not to the banks from which the funds were borrowed, but to another McDougal venture, the Great Southern Land Co.

The source said he could not explain why Mr. McDougal "asked them to make the first interest payment" to Great Southern Land. He added that there was no documentation to prove that the payment was in fact used to pay interest on the Whitewater loans.

Nevertheless, the source said he considered the Clintons' tax deduction proper because "this looks like about half of the first year's interest" on the \$203,000 borrowed to start

Whitewater. And, the source said, the Clintons "paid it as interest" whether it was used that way or not.

Mr. Clinton had released his tax returns since 1980 during his campaign for president. But until Friday, he had declined to release the 1977-79 returns, which showed that the Clintons made more than \$72,000 in 1979 — almost double their income the year before — by trading in commodities futures.

White House Press Secretary Dee Dee Myers said the returns had been withheld because "we had released their tax forms going back more than a decade and I think that was already an extraordinary amount of disclosure."

The release of the returns came a week after *The New York Times* revealed that Mrs. Clinton made the risky commodity futures trades that resulted in that substantial gain with help from a friend who was a lawyer for Tyson Foods, a politically powerful Arkansas company.

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Eller said.

The New York Times reported that White House Chief of Staff Thomas F. "Mac" McLarty had ordered an inquiry into whether Mr. Stephanopoulos acted improperly after learning Friday night that Mr. Fiske was investigating.

The White House scrambled Saturday to explain the actions of the two aides and released a transcript of an interview Mr. Stephanopoulos gave to the Cable News Network in the White House.

Mr. Stephanopoulos told CNN he remembered that "I blew off steam" in a conversation with Mr. Stelner about the RTC's hiring of Mr. Stephens "because I thought it was unfair."

Jay Stephens was an outspoken political opponent of the president. He was considering running for the Republican senatorial nomination in Virginia," Mr. Stephanopoulos said. "But once I got the facts from Josh about the retention, that ended the matter as far as I was concerned."

Mr. Stephanopoulos said he didn't remember talking with Mr. Altman about Mr. Stephens. But he said: "The president did not ask me to make any phone calls. I really don't remember who called who."

White House counsel Lloyd Cutler said in a statement that he didn't know all the facts in the latest controversy because Mr. Fiske had asked that no witnesses be interviewed while the special counsel is investigating.

Mr. Stephanopoulos, Mr. Ickes and Mr. Altman have appeared before a federal grand jury in Washington.

A political opponent

Mr. Cutler, however, said it was "perfectly natural that White House officials would be surprised" by Mr. Stephens' work for the RTC because he was "an outspoken political opponent of the president."

"As with other discussions with treasury officials," Mr. Cutler said, "it certainly would have been better had these conversations not occurred."

At the same time, he added, "these conversations should not be blown

"The president did not ask me to make any phone calls. I really don't remember who called who."

— George
Stephanopoulos,
White House adviser

out of proportion. No one suggested that any action was taken to remove Mr. Stephens and, of course, he is still conducting the RTC's civil inquiry at this time."

Mr. Clinton, traveling around Dallas, didn't mention Whitewater.

At the hospital, he said in his radio address that "places like Scottish Rite don't ask children with severe disabilities or serious illnesses, can you pay? They just ask, how can I help?"

"That's what we want for all of America," he said.

Noting the arrival of Palm Sunday and Passover, Mr. Clinton said it was a "time when we step back from the concerns of daily life and think more deeply about our religious traditions and the values they teach us."

And he said the staff at Scottish Rite Hospital reminded him that "providing health care and the peace of mind that comes with it is also a practical expression of our deepest faith and ideals."

The political and business leaders who attended a reception with Mr. Clinton at the Mansion on Turtle Creek said they found the president relaxed and friendly.

"We talked about golf. We talked about health care. We talked about his busy schedule," said state Sen. Mike Moncrief, D-Fort Worth. "It was an enjoyable experience."

Drew Pearson, the former Dallas Cowboys wide receiver, also found no interest in Whitewater at the reception.

"In all due respect to the media and the press," he said as he left, "you don't really know what's real and what's sensationalism."

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FBI never asked about Lasater, Thomasson testifies

BY JANE FULLERTON

Democrat-Gazette Washington Bureau

WASHINGTON — Patsy Thomasson, the White House administration director, faced questions at a Senate hearing Friday about her business connections to Little Rock businessman Dan Lasater.

The questions arose as part of a Senate oversight committee's look at problems with White House passes and security clearances. The White House has acknowledged that about 10 percent of its staff members lack security clearances, while a third have yet to receive permanent passes.

Sen. Christopher Bond, R-Mo., asked Thomasson whether she had been questioned by the FBI about her relationship with Lasater when she underwent a standard background check for White House employees.

"No, sir, they did not," replied Thomasson, former executive di-

• More on Lasater

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rector of the Arkansas Democratic Party and former chairman of the Arkansas Highway Commission.

Lasater, a former bond trader, pleaded guilty in 1986 to a federal charge of conspiracy to distribute cocaine. Thomasson was executive vice president and president of Phoenix Group Inc. — previously known as Lasater Inc. — a holding company with subsidiaries that include real estate development, investment banking and management firms. She helped to run Lasater's business while he was imprisoned.

Special counsel Robert Fiske Jr. has subpoenaed documents related to Lasater and his business operations. He is also seeking documents involving Thomasson, although she hasn't been subpoenaed.

The Phoenix Group is also un-

der investigation by the Securities and Exchange Commission in connection with possible insider trading in Arctic Alaska Fisheries Corp. stock. The incidents under scrutiny occurred shortly before the company was acquired by Tyson Foods Inc.

Thomasson appeared at a routine Senate Appropriations subcommittee hearing to review parts of the proposed 1995 White House budget totaling \$90.6 million, an 8.3 percent increase over current levels.

Sen. Dennis DeConcini, D-Ariz. and subcommittee chairman, initially reprimanded Sen. Alfonse M. D'Amato, R-N.Y., when he tried to question Thomasson about her previous employment history with Lasater.

But DeConcini allowed Bond to raise questions about Lasater in the context of White House security checks.

"There are serious questions

'I had intended to ask Patsy Thomasson questions that related to her activities following the death of Mr. Foster. But I have conferred with the special counsel, and he thought that might be inappropriate at this time.' — Sen. Alfonse M. D'Amato, R-N.Y.

that need to be answered regarding Ms. Thomasson and her business relationship with Dan Lasater, a man who pled guilty to federal drug charges," D'Amato said in a written statement.

D'Amato has been a leading and vocal critic of the administration in regard to the Whitewater Development Corp. affair, the failed real estate venture President Clinton and Hillary Rodham Clinton invested in. But he declined to press Thomasson on one aspect of the Whitewater controversy.

Thomasson was one of three

White House aides who entered the office of deputy White House counsel Vincent Foster the night he committed suicide. Foster was doing some work concerning Whitewater at the time he died.

"I had intended to ask Patsy Thomasson questions that related to her activities following the death of Mr. Foster," he said. "But I have conferred with the special counsel, and he thought that might be inappropriate at this time."

Thomasson told the senators the White House counsel's office had instructed her not to discuss

the Foster case. She said she didn't want to "muddy the waters" before the case was investigated by the independent counsel or congressional hearings.

At a similar House subcommittee hearing earlier this week, Thomasson also declined to discuss issues related to Foster's death, citing the Fiske investigation. But she told the House members that "I would like to tell you nothing better than what I did that night in that office."

Although Thomasson hasn't been subpoenaed, her name has appeared on subpoenas issued by Fiske.

New complaints of interference latest ripple

Stephanopoulos conversation with Treasury official at issue

By Dennis Cauchon and Adam Nagourney
USA TODAY

The White House is fighting new complaints of interference in the Whitewater probe, undercutting President Clinton's news conference and the release of his tax records.

The new complaints center on a Feb. 25 conversation between senior Clinton adviser George Stephanopoulos and Treasury Department chief of staff Joshua Steiner.

Stephanopoulos was angry that federal regulators had hired Republican former U.S. attorney Jay Stephens to conduct its civil investigation into Madison Savings & Loan.

Clinton had fired Stephens from his job as chief federal prosecutor in Washington, D.C., in part of a nationwide removal of Republican appointees from their jobs. Stephens said at the time the firing may have been connected to an attempt to thwart a probe of Rep. Dan Rostenkowski, D-Ill.

Stephanopoulos wanted to know why a well-known critic of Clinton had been hired to investigate the case. "I was puzzled and I blew off steam," Stephanopoulos said Sunday.

Some accounts said he asked Treasury Department Deputy Secretary Roger Altman if the hiring was "final." Stephanopoulos, who testified before a federal grand jury last week, says he does not recall such a request. He also told friends Steiner called him, contrary to

reports he made the call.

The Treasury Department is crucial to the cover-up probe because, as deputy Treasury secretary, Altman was acting director of the RTC, which handles failed S&Ls.

Altman withdrew from handling any aspect of the Whitewater case in February.

Stephanopoulos said he and deputy White House chief of staff Harold Ickes called Altman to complain he had not given the White House sufficient warning he'd be withdrawing. During this discussion, he reportedly asked about Stephens. Stephanopoulos says he doesn't recall doing that.

Also this weekend, internal RTC memos showed RTC senior criminal investigator, L. Jean Lewis, wanted to pursue the case involving Whitewater and Madison S&L.

She had a 45-minute meeting on Feb. 2 with Federal Deposit Insurance Corp. attorney April Breslaw.

"April stated that 'the people at the top' keep getting asked about Whitewater ... Eventually 'this group' is going to have to make a statement about whether or not Whitewater caused a loss to Madison," Lewis wrote in a memo about the meeting.

"She felt like they wanted to be able to provide an 'honest answer,' but that there were certain answers they would be 'happier about' because it would get them off the hook."

Lewis told Breslaw that Whitewater may have benefit-



By Ron Edmonds, AP
STEPHANOPOULOS: Has said he complained about federal regulators' hiring of Jay Stephens, a Republican.

ted from a massive check kiting scheme.

"I also advised April that I had been told by both the U.S. Attorney's office and the FBI that this was a highly prosecutable case," she wrote.

Breslaw disputes this account.

"I categorically deny the accusation that I said anybody

from Washington wanted any particular outcome on any issue," she said. "That's a complete fabrication."

Lewis declined comment. She told *The Kansas City Star*: "My hands are tied. I'd like to keep my job."

Meanwhile, the *Los Angeles Times* reported that Republican U.S. Attorney Charles

Central players in controversy

Here's a look at the key players in the controversy over White House officials calling Treasury Department officials about the hiring of former federal prosecutor Jay Stephens.

A Republican, he's handling possible civil lawsuits rising from the probe of Madison Guaranty Savings & Loan and the Whitewater land deal.

Jay Stephens, former U.S. prosecutor in the District of Columbia, who was retained by the Resolution Trust Corp. to handle possible civil lawsuits growing out of the failure of Madison Guaranty Savings & Loan. Stephens was highly critical of the Clinton administration, after being fired from his federal position in February 1993 — along with 92 other Republican prosecutors. When removed, Stephens said the action was an effort to thwart his office's investigation, which still continues, of Rep. Dan Rostenkowski's role in the House post office scandal.



STEPHENS: Retained by RTC

Roger Altman, deputy Treasury secretary and acting head of the RTC, recused himself from the RTC probe of Madison S&L in late February after revealing at a Senate hearing that he had discussed the status of the Madison probe with White House officials. Altman reportedly was called by Stephanopoulos and Ickes, complaining about his lack of warning to the White House that he was about to recuse himself from the Madison S&L probe.

George Stephanopoulos, senior adviser to the president, has said he complained in a phone conversation with Joshua Steiner, Treasury Department chief of staff, about the hiring of Stephens. Stephanopoulos and Steiner worked together in the 1988 Michael Dukakis presidential campaign. Stephanopoulos was a top adviser in Clinton's 1992 campaign and oversaw White House communications efforts until being replaced in that role by Davidergen in May 1993.

Harold Ickes, deputy White House chief of staff, reportedly participated in a call with Stephanopoulos to Altman, complaining that Altman had not given the White House a warning he was about to withdraw from the RTC probe of Madison S&L. Ickes, repeatedly mentioned as a potential addition to the White House staff, began work in January and has managed planning on health care, Whitewater and politics.

Joshua Steiner, Treasury Department chief of staff, who attended at least one meeting with White House officials seeking information on the RTC probe of Madison Guaranty Savings & Loan. Steiner reportedly kept notes of the meeting and other contacts with White House officials in a personal diary. The diary reportedly gave Whitewater special counsel Robert Fiske the first tip about the phone call from Stephanopoulos about Stephens' hiring.

Banks felt he was being pushed into making Whitewater accusations, shortly before the 1992 election.

Banks, then chief federal prosecutor in Little Rock under Bush, wrote the FBI a memo: "Hold on, folks. You're suggesting that I move forward on a prosecution about Whitewater, Madison Guaranty S&L.

To do that would be prosecutorial misconduct."

He said, after reviewing the case a second time, he still doubted it could be successfully prosecuted.

Rep. James Leach, R-Iowa, agreed it would have been improper to make Whitewater charges just before the presidential election.

"It would have been an abuse of power ... and to the credit of the U.S. attorney, it wasn't done," said Leach.

Leach, the most vigorous Whitewater critic, said the investigation was better pursued now and could be wrapped up in a couple months.

► Tax details, 1A

Tax experts back Clintons

'Not much there' on Whitewater

By Bill Montague
USA TODAY

President Clinton and Hillary Rodham Clinton appear to be correct in arguing they don't owe any federal taxes as a result of their Whitewater real estate investment.

At worst, tax experts say, the Clintons may have violated some highly technical tax provisions dealing with the transfer of assets between corporations and their shareholders.

But those errors appear to be offset by tax write-offs the couple could have claimed, but didn't, for losses on the deal.

Of course, new evidence could raise new tax questions. The Clintons have yet to release the records used to prepare their tax claims. And the financial records of Whitewater Development, the corporation they formed to handle the deal, are a tangled mess.

"The problem all along has been the fact that there's so much dust in the air," says Sheldon Cohen, an IRS commissioner in the Johnson administration. "But when you get to the bottom, there's not much there."

One exception: The Clintons have said that in 1984 and 1985, they improperly deducted \$5,133 in interest actually paid by Whitewater Development. The Clintons repaid the IRS in 1992 for the error.

White House officials resolved some questions Friday, when they released the Clintons' 1977, 1978 and 1979 tax returns. The returns seem to confirm that in 1978 and 1979, the Clintons properly deducted \$21,831 in interest payments on loans used to finance Whitewater. That's a big chunk of the \$43,000 the Clintons now say they lost on the deal. The couple deducted another \$19,264 in Whitewater interest payments in later years.

Those returns have silenced one former partner turned critic — Jim McDougal. McDougal has said the first couple paid only \$13,350 in Whitewater interest, all of it in 1980. He now says he was wrong.

"I have substantially underestimated the amount they put in Whitewater," McDougal told the Associated Press Friday.

But the Clintons' returns don't answer some of the more complex tax questions raised by Whitewater. Examples:

► **The role of the McDougals:** Some interest payments claimed by the Clintons actually were made to McDougal, or to Great Southern Land, a firm he controlled. The Clintons say McDougal used the money to pay interest to two Whitewater

The Clintons' tax payments

Here's a look at how much President Clinton and Hillary Rodham Clinton reported annually to the Internal Revenue Service in adjusted gross income, how much they paid in federal taxes and the percentage of their income those tax payments represented. The years shown cover all the years Bill Clinton has been in public service. He noted Thursday at his news conference that he would release tax-return information for those years.

Year	Adjusted gross income	Federal taxes paid	Taxes as pct. of income
1977	\$41,731	\$8,194	19.6%
1978	\$85,214	\$22,627	26.6%
1979	\$158,495	\$59,388	37.5%
1980	\$87,456	\$17,680	20.2%
1981	\$101,764	\$25,866	25.4%
1982	\$85,148	\$21,497	25.2%
1983	\$118,577	\$30,196	25.9%
1984	\$102,326	\$22,280	21.8%
1985	\$92,520	\$18,791	20.3%
1986	\$133,934	\$30,485	22.8%
1987	\$181,755	\$36,969	22.9%
1988	\$187,862	\$39,734	21.2%
1989	\$194,168	\$37,883	19.5%
1990	\$260,458	\$54,793	21.0%
1991	\$234,428	\$48,828	21.3%
1992	\$290,697	\$70,228	24.2%

Source: USA TODAY research

lenders: Citizens Bank of Flip-pin, and Union National Bank.

Some analysts have questioned whether the Clintons could deduct the payments, especially because they can't prove McDougal used the money to pay Whitewater interest.

But that may not matter. Under the terms of the loans, the Clintons and the McDougals were jointly and severally liable for the Whitewater debt, meaning lenders could seek full repayment from either couple in the event of default.

Under those conditions, the IRS will allow deductions for interest payments made by one debtor on behalf of another. "As long as you have some kind of evidence the payments were interest payments, I think the IRS will take your word on it," says Tom Ochenschlager, partner with Grant Thornton, a major accounting firm.

► **The creation of Whitewater:** The Clintons and McDougals bought the land for the Whitewater project in 1978. Purchase price: \$203,000.

The venture was initially a partnership between the two couples. But in 1979, the land was transferred to the newly formed Whitewater Development. The Clintons and the McDougals valued the land at \$250,000, \$47,000 more than they paid for it.

White House officials say that gain reflected roads and other improvements built by the partners. It also included the "capitalized" interest, the lump sum of all the interest they had previously paid on Whitewater loans.

Using capitalized interest to beef up the value of transferred land is legal, experts say. It allows company shareholders to defer tax benefits they otherwise would gain by taking interest deductions.

But it's improper to both capitalize and deduct interest payments. It appears the Clintons did both. "That's an absolute no," says Ochenschlager.

If the Clinton planned to beat the IRS, they never followed through. They could have done so after they sold their shares in Whitewater to the McDougals for \$1,000 in 1992.

For tax purposes, the capitalized interest boosted the value of the Clintons' stake in Whitewater Development. That should have created a tax loss for the couple, which they could have claimed.

But the Clintons claimed a \$1,000 capital gain on the Whitewater sale, not a loss — thus losing any tax benefit.

► **The Clintons' 1980 deductions:** Some analysts question whether the Clintons were entitled to the \$13,500 in Whitewater interest deductions they claimed that year. Reason: By that time, the project had been transferred to Whitewater Development. Thus the company, not the Clintons, was entitled to any interest deductions, even if the Clintons made the payments themselves.

But Cohen rejects that argument. While the project's land was transferred to Whitewater Development in 1979, he says, loan documents show its debts weren't assumed by the company until several years later. That, he says, left the Clintons and the McDougals with the legal responsibility to repay the debt, and the legal right to claim any interest deductions.

► **Lot 13 and the model house:** In late 1980, Whitewater Development transferred ownership of a lot, valued at \$5,500, to Hillary Clinton, free of charge. Her only cost: a \$10 transfer tax. She then took out a \$30,000 loan from the Bank of Kingston, controlled by

Income issue 'pretty cloudy'

One Whitewater tax question cuts to the heart of the ethical issue dogging the Clintons: Did they receive taxable income from Jim and Susan McDougal, their partners in the deal?

The couples originally split ownership of the venture 50-50. When Whitewater Development was formed, each put in \$500.

But heavy losses forced the partners to cover some of the firm's debts. According to a 1992 report, the McDougals contributed over \$92,000 to Whitewater from 1978 to 1991. Some of the money allegedly was diverted from their thrift.

The Clintons say they put about \$43,000 into Whitewater.

If the McDougals repaid more than their share of Whitewater's loans, the excess could be considered debt forgiveness to the Clintons. Under IRS rules, that's taxable income. "It gets back to the big question: How did the Clintons get out from under what seemed like an enormous liability?" asks Tom Ochenschlager of accountants Grant Thornton.

The Clintons could have an out. Extra payments by the McDougals could be seen as boosting their ownership of Whitewater, at the expense of the Clintons. That wouldn't be taxable.

Would the IRS buy it? "It's pretty cloudy," says Ochenschlager.

— Bill Montague

McDougal, to build a model house on the lot that could be viewed by potential Whitewater customers.

In 1981, the Clintons sold the house and lot to a Mississippi man, Hilman Logan, who later declared bankruptcy, then died. The Clintons bought the property from Logan's estate, then sold it in 1988. They used the proceeds to pay off their loan, and claimed a \$1,640 capital gain on their 1988 return.

In a recent article, *Money* magazine argued the Clintons should have declared an additional \$4,990 in capital gains — the \$5,500 value of the lot, minus the \$10 transfer tax, and minus the \$500 the couple put into Whitewater when the company was formed.

But Cohen says the issue is murky. The lot transfer could have resulted in a financial gain to the Clinton, he says. But any tax benefit, he argues, was outweighed by the capital loss they suffered on the sale of their Whitewater interest, the loss they never claimed.

Tornado crushes church

MONDAY, MARCH 28, 1994 • USA TODAY

By Gary Fields
and Tom Watson
USA TODAY

PIEDMONT, Ala. — Sixteen people in a church crowded for Palm Sunday were killed when a tornado reduced it to rubble.

Another 17 died and hundreds were injured by twisters that hit Alabama, Georgia, and North and South Carolina.

Goshen United Methodist Church in Piedmont, Ala., was hardest hit. Among the dead: six children, ages 2 to 12, who were lined up while performing their Easter play when a wall collapsed on them.

At least 90 people were injured; a 17th body was found outside the church in a van crushed by a fallen phone pole.

Elwanna Acker, 63, who was among 140 worshipers in the church, said she heard the roar of the tornado, "then the windows started shattering. One man ran down the aisle yelling, 'Get on the floor!' Then the roof came down. The woman right next to me died."

B.J. Ogg, 36, who lives next door, saw the twister coming from the east and rushed to help. "There were a lot of people killed and hurt in there that I knew very well," she said, tears streaming down her face.

The tornado moved on and heavily damaged Union Grove Methodist Church six miles away. About 75 people were able to get in the basement and nobody was hurt, Piedmont Mayor Vera Stewart said.

At least three were killed in east Alabama and the National Guard was activated.

More tornadoes are possible today in northern Florida, southeastern Georgia and the eastern Carolinas, said Jim Henderson of the National Severe Storms Forecast Center.

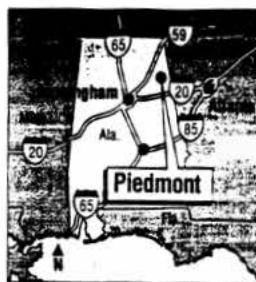
Elsewhere Sunday:
► In north Georgia, at least 14 people died. Among the dead were two in Bartow County who "lived in a mobile home that was completely blown away," said Gary McConnell of the Georgia Emergency Management Agency.

Seven were killed in a mobile home park in Pickens County.

► Two were injured in Long Creek, S.C., when a mobile home was blown over. Businesses and homes were damaged in Bolling Springs, N.C.

Sunday's twisters were the USA's worst tornado outbreak since Nov. 21-23, 1992, when 94 tornadoes hit 13 states, killing 26 and injuring 641.

► Storm clouds ignored, 3A



USA TODAY

Clintons may not owe IRS on deal

By Bill Montague
and Dennis Cauchon
USA TODAY

Tax experts say Bill and Hillary Rodham Clinton don't appear to owe the IRS any money because of their disastrous real estate venture in Whitewater.

And their partner in the deal, failed thrift executive James McDougal, has recanted charges that the first couple claimed deductions for interest payments they never made.

Friday, the White House released the Clintons' tax returns for 1977, 1978 and 1979. They show \$21,831 in Whitewater interest payments those years.

"My face is red, I have to admit ... I'm sorry," McDougal told the Associated Press.

Tax experts say the couple may have broken some IRS rules in how they reported the Whitewater deal. But the couple also declined to take valuable write-offs for Whitewater losses, offsetting any advantage they might have gained.

"It was a wash," says former Internal Revenue Service commissioner Sheldon Cohen.

Among new Whitewater reports this weekend:

► White House senior adviser George Stephanopoulos in February complained to a Treasury official about a former Republican prosecutor being named to Whitewater-related work for the government.

"I blew off steam," Stephanopoulos said Sunday.

► Resolution Trust Corp. investigator L. Jean Lewis fought with "higher-ups" to get action on her Whitewater investigation, a Feb. 2 memo shows.

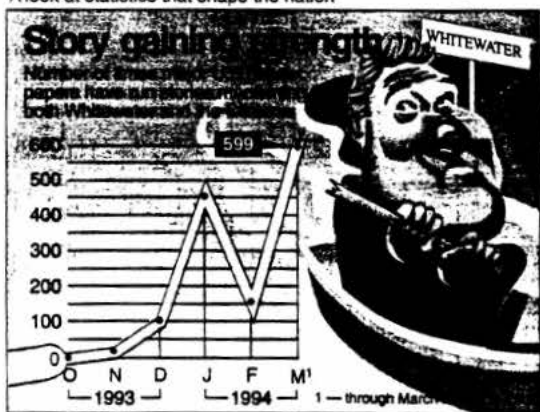
► Errors may be technical, 4A

► Was call interference? 4A

► Rating tax software, 10B

USA SNAPSHOTS®

A look at statistics that shape the nation



Source: USA TODAY research

By Cindy Hall and Sam Ward, USA TODAY

Arkansas, Florida hog final berths

By Jarrett Bell
USA TODAY

DALLAS — Bill Clinton Sunday was the first president to attend an NCAA tournament basketball game and the First Fan wasn't disappointed.

His beloved Arkansas Razorbacks — ranked No. 1 — advanced to the Final Four next weekend in Charlotte with a 76-68 victory over Michigan at the Midwest Regional final.

During the game, Clinton nervously bit his nails and pumped his fists. "I really get into the game," he admitted.

Clinton later congratulated Michigan coach Steve Fisher, embraced Arkansas coach Nolan Richardson and exchanged high-fives with jubilant Razorbacks players.

"What a day," said Richardson, who was named college basketball's top coach Sunday.

"Coach of the Year," p

dent hugs you and you win a trip to the Final Four."

Arkansas meets West Regional champ Arizona in Saturday's semifinals, which Clinton hopes is one of two more games he'll attend. The other is the title game Monday night.

East Regional champ Florida, which beat Boston College 74-66 Sunday, plays Southeast champion Duke in the other semifinal. Duke is in sixth Final Four in seven.

The mirror of political scandal

In the history of the United States, political scandal rises from a web of corruption (of power and money) or an appetite for sex, but rarely from both at the same time. Whitewater, for example, burst into the public consciousness about the time that the American Spectator detailed the



Suzanne Fields

state troopers' allegations of Bill Clinton's naughty behavior when he was governor of Arkansas. Before that, Whitewater was too muddy to navigate for those who lived in the cities, suburbs and countryside beyond the Beltway. But the major media, loath to get into the sexual charges, but eager to look into who the Clintons really are, began to focus on the more arcane details of Madison Savings and Loan and the Whitewater property Bill and Hillary Clinton once owned in the Ozarks. If the sex stories were a stretch for those who insisted on news with "socially redeeming value," no one could reasonably accuse the reporters investigating Whitewater of pandering to public prurience.

In fact, Sen. Charles Robb of Virginia might have been able to

deflect attention from behavior he describes as "not appropriate for a married man," if only he had also been accused of abusing public trust. But who said life is fair?

You could call this public double standard the Gerald Ford Syndrome, rendering us unable to focus on more than one scandalous thought at a time. Or it could be called Warren Harding elbow. When Republican bosses, looking for a presidential candidate, asked him if he had any skeletons in his closet at the Republican convention of 1920, he said he couldn't think of any, even though he had two mistresses and an illegitimate child on the side. After he was elected, his Secret Service detail frequently sneaked one of the mistresses into the White House, where he entertained her in the coat closet. (She was no skeleton.) President Harding is nevertheless remembered for the graft and bribery of men he appointed to high office, not for his coat-closet escapades.

That was then and this is now, and it may be appropriate to ask whether sex scandals should be off limits if (a big if) they don't interfere with public office. Chuck Robb suggests his wife forgives him his transgressions and implies that we should, too. "Chuck has been a good husband and a good father," says Lynda Robb. James C. Miller, who hopes to run against Mr. Robb for the Senate in November doesn't quite see it that way: "When Sen. Robb, or any public servant, behaves one way in public and another in private, he betrays... [voters'] trust."

But consistent behavior as well

as rhetoric is rarely a politician's long suit, pants on or pants off. Voters' trust more often depends on the mores of the moment.

"A combination of prudery and prurience has produced a dazzling scandal display in recent years," writes Suzanne Garment in "Scandal: The Culture of Mistrust in American Politics," "but one that tells us less about the individuals involved than it does about our own shifting moral fashions."

She's half right. How we react to scandal does tell us about our changing moral attitudes. Gary Hart, whose wife Lee stood with him after he was publicly questioned about adultery aboard the S.S. Monkey Business and had to withdraw from the Democratic primary campaign in 1987, must envy Bill Clinton's coating of Teflon. But we also need to address larger issues of judgment and character.

Reporters covered up Jack Kennedy's "womanizing" in 1960—and then we later learned that he shared one of his mistresses with a mafia don, putting himself and the security of the nation at risk. Jackie's forgiveness, if indeed he earned it, had little to do with the public's right to know.

It's not front-page news that our popular heroes, the men and women we lionize in political and cultural circles, tell us something about ourselves. They are the Rorschach inkblots of civic consciousness. So are those we vilify.

Feminists had little trouble demonizing Clarence Thomas with no corroborative evidence of harassment, but nary a peep has been heard from them about the allegations made against Bill Clinton with considerably more witnesses.

Scandals are selective. So is what we choose to know about our leaders. But Thomas Carlyle, the English moralist, probably got it right: A hero is a man who can a withstand the exposure of his weakest self, of his foibles and follies.

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

McDougal declares

James McDougal, the Clintons' old partner in the Whitewater land deal, would like to be in Washington too. He said he is running for Congress.

Mr. McDougal, 53, former operator of Madison Guaranty Savings and Loan, said he will seek the seat held by Rep. Jay Dickey, a Republican from Pine Bluff.

How will he finance his campaign? "The Lord will provide," replied Mr. McDougal, who has said he is living on a Social Security check of less than \$800 a month. "If your cause is just, things always work out."

Mr. McDougal was defeated in a race for Congress in 1982. He has been involved in politics since at least 1958, when he directed the campaign of a friend who ran for state representative, reported Associated Press.

Daschle: My time

Sen. Tom Daschle, South Dakota Democrat and a protégé of Majority Leader George Mitchell, notified Democratic colleagues that he will run for Senate Democratic leader.

Saying "I feel that this is the right time for me" and "I'm ready to take on that challenge," Mr. Daschle called potential challengers and had letters delivered to other colleagues announcing his candidacy.

Mr. Daschle is the first to enter the leadership race. Several other senators may seek the post, including John B. Breaux of Louisiana, Jim Sasser of Tennessee and Wendell H. Ford of Kentucky.

The South Dakota Democrat has acknowledged he began telephoning fellow Democrats when Mr. Mitchell informed him of his decision to retire earlier this month. Mr. Mitchell's successor will be elected in January.

Stern is official

Radio shock jock Howard Stern announced his candidacy for governor of New York, promising to resign quickly if elected so "I can get on with my career."

Mr. Stern told a news conference that, if elected, he would do only three things: Restore the death penalty, add more token takers on toll roads and have highway construction crews work at night "so I can get to work easier."

Mr. Stern, whose morning program is No. 1 in a dozen cities and whose locker-room humor has led to millions of dollars in fines by the Federal Communications Commission, said his slogan would be "A volt for every vote."

Mr. Stern said he would seek the nomination of the Libertarian Party, which has 600 members, and urged fans to become members of the party for \$15 each so they could go to its April convention in Albany and vote for him.

Libertarian Vice Chairman Joseph Brennan said Libertarians were delighted with the interest Mr. Stern had shown in the party,

Inside Politics



Compiled by Alan McConagha

although Mr. Stern said that if the Republicans wanted him, he would drop the Libertarians in a flash.

The Libertarians received about 25,000 votes in the last election. Some political experts thought a Stern candidacy could double that number and even act as a spoiler in a race between the two major parties.

Mr. Stern added that if he won he would only need a short time to put his program into effect and then would resign so that his lieutenant governor could take over the state and he could continue with his show-business career.

"I know I am not qualified to run a government," he said.

Futures

Sen. Malcolm Wallop, Wyoming Republican, said he is retiring from the Senate for private life and will not run for governor. "The time has come for my political Energizer bunny to turn the page," he said.

Whitewater riches

Democratic Party leader David Wilhelm said the Whitewater affair has helped — not hurt — fund raising for the party.

Talking to reporters after addressing the 1996 Democratic convention site-selection committee, Mr. Wilhelm said that fund raising is up since grand jury subpoenas were issued to White House and Treasury staffers.

Mr. Wilhelm said there has been a rally-around-the-presidency syndrome during the probe into whether President and Mrs. Clinton benefited improperly in the Whitewater land-development venture while they lived in Arkansas.

In the past week alone, Mr. Wilhelm estimated the party raised nearly \$6 million in contributions at fund-raisers in Boston, Miami and New York.

No perk

No more complimentary tickets to Vikings football games for Minnesota lawmakers. No more free ski trips. No more hors d'oeuvres at lobbyist buffets. Not even a free cup of coffee.

Republican Gov. Arne Carlson signed into law a ban on just about every lobbyist-offered perk

that Minnesota's 201 lawmakers and many other officials enjoy.

"It takes a big whack at special-interest money in the process and makes it far more likely (issues) will be debated on the merits than on the amount of money involved," said Democratic Sen. John Marty, the bill's sponsor.

When the law takes effect Aug. 1, Minnesota will have some of the toughest restrictions in the nation on lobbying. The measure was approved overwhelmingly by the Legislature last week.

D'Amato unfair?

In a poll of Sen. Alfonse M. D'Amato's home-state voters by the John Zogby Group, 44 percent of the respondents said the New York Republican has been "unfairly trying to exploit the Whitewater issue for partisan Republican advantage" in calling for a probe on Capitol Hill. Thirty-four percent disagreed.

Bill and Stan

The White House polls without precedent, the Wall Street Journal reports.

President Clinton spent nearly \$2 million (paid by the Democratic National Committee) on polling last year to provide data far beyond the experience of any previous presidency, reported the Wall Street Journal.

The Journal's James M. Perry said that what presidential pollster Stanley Greenberg discovers from focus groups and public opinion surveys helps Mr. Clinton determine "what he needs to be saying and how he should be saying it."

What's more, the pollster is good. "Stan Greenberg scares the hell out of me," Frank Luntz, Republican and former Ross Perot pollster, told Mr. Perry. "He just doesn't have a finger on the people's pulse; he's got an IV injected into it. He's the best."

The collaboration between Mr. Greenberg and Mr. Clinton is obvious to specialists. "You can hear it in the rhetoric," Mr. Luntz said. "The words he uses come right out of Stan Greenberg's focus groups."

"Greenberg literally pulls the words out of the mouths of ordinary Americans and puts them in the mouth of the president. The

result is, Bill Clinton speaks like real Americans speak. I wish we had a Stan Greenberg."

Kerry at 50

Sen. John Kerry is "more balanced, more accomplished and measured — yet a man with pace and passion seem even more urgent than when he entered the Senate 10 years ago," the Boston Globe reported.

In a profile that outlines Mr. Kerry's evolution from an outsider bucking the system to moving government from within, the Globe's Bob Hohler said the Massachusetts Democrat has "reshaped his priorities."

He is tougher on crime and other aspects of his liberal philosophy seem to be shifting as well. His stance on welfare is moderated and he is conspicuously absent among the supporters of the Clinton health care bill.

While critics assert he is aloof, occasionally arrogant and motivated by personal ambition, others see a new man, "an emerging leader who is quietly gaining the stature that has long eluded him in the Senate."

New health message

After a long search for a way to win broad support for his health care proposal, President Clinton has adopted an approach that relies on tales of real people and consumer-friendly terms such as "guaranteed private insurance."

USA Today quoted Harold Ickes, deputy White House chief of staff, as saying the White House is trying to put a "face" on the reform and drive home the message in "a very human way."

As a result, complicated references like "health alliances" and "employer mandates" have disappeared in favor of such language as "choice of doctor" and "health benefits guaranteed at work," said writer Judi Hasson.

She described the approach as it emerged last week "as simple and personal, invoking stories of distraught families and strapped retirees who just could be you."

Anti-gay

Voters in three Oregon towns and one county adopted anti-homosexual-rights ordinances, despite a state law rendering them toothless.

Mail-in elections Tuesday in Marion County and its towns of Turner, Albany and Junction City brought to 20 the number of local governments in Oregon that have passed such ordinances.

The measures bar homosexuals from being guaranteed the same anti-discrimination protections as racial minorities and prohibit spending public money on programs seen as "promoting" homosexual behavior.

A challenge to the state law barring local governments from enforcing them is pending before the Oregon Court of Appeals. Marion County, population 228,000, includes Salem, the state capital.

S. J. A. Case leads to second Whitewater deal

By Jerry Seper
THE WASHINGTON TIMES

A1

Federal investigators have targeted a failed 810-acre real estate project near Little Rock — purchased in 1986 by the Whitewater Development Corp. — as the direct beneficiary of a portion of a \$300,000 government-backed loan linked to President Clinton.

The project, known as Lorraine Heights, was purchased in March 1986, the month Mr. Clinton and Whitewater business partner James B. McDougal purportedly pressured David L. Hale to approve the Small Business Administration-guaranteed loan to "clean up" their financial problems.

It had not been disclosed that Whitewater — owned by Mr. Clinton, Mr. McDougal and their wives

— was directly involved in buying and developing properties other than the 230-acre Whitewater site along the White River in northern Arkansas.

Investigators also are trying to determine if Lorraine Heights, in woodlands 15 miles southeast of Little Rock, was used as a Whitewater conduit for the illegal diversion of funds to Arkansas politicians, federal law enforcement sources said.

They said as much as \$250,000 in profits from the cutting of timber at the site — in violation of deed restrictions — may be missing. It is not clear where the money went, and records showing how it was used or where it was deposited have not been located.

Project records were subpoenaed.

see DEAL, page A11

The Washington Times
THURSDAY, MARCH 24, 1994

DEAL

From page A1

naed this month by Whitewater-Madison special counsel Robert B. Fiske Jr., who is investigating whether money was illegally diverted through Mr. McDougal's Madison Guaranty Savings and Loan Association to Whitewater and to Arkansas politicians, including Mr. Clinton.

Lorraine Heights, touted as a residential area for elderly and low-income people, defaulted on its mortgage for \$510,000.

Madison, closed by federal regulators in 1989 at a cost of \$50 million, is at the center of Mr. Fiske's probe.

In reports to the Justice Department recommending criminal investigation, the Resolution Trust Corp., which disposes of failed S&Ls, said it suspects that Mr. McDougal diverted depositor money from Madison to Mr. Clinton's 1984 gubernatorial campaign using overdrawn accounts and Madison-approved loans.

The RTC also recommended an investigation of reports that Madison money had been illegally diverted to the Whitewater project.

Arkansas land records show that Mr. McDougal began negotiations to buy Lorraine Heights in February 1986. Mr. McDougal signed a contract March 4, 1986, in his capacity as a partner in Whitewater. The northern Arkansas real estate venture also failed.

The Lorraine Heights land, owned by International Paper Realty Corp., was sold to Whitewater for \$550,950 in a deal that closed Oct. 10, 1986.

Carl Gagliardi, a spokesman for International Paper, confirmed yesterday that the company had received subpoenas from Mr. Fiske's office on the Lorraine Heights deal. "We are in the process of complying with the subpoena," he said. "The documents are being assembled and will be turned over shortly."

International Paper, one of the largest landowners in Arkansas, was one of Mr. Fiske's clients in his private law practice in New York City.

Mr. McDougal, the land records show, handed over \$80,190 at closing. The money, drawn from a McDougal account at Madison, included a \$25,000 check dated April 4, 1986, and a cashier's check for \$55,190 dated Oct. 10, 1986. The balance was represented by a \$30,000 promissory note due Dec.

15, 1986, and a \$440,760 promissory note payable over six years.

The General Accounting Office, in a 29-page report delivered Monday to Rep. John J. LaFalce, New York Democrat and chairman of the Small Business Committee, said title on Lorraine Heights was transferred in December 1986 from Whitewater to Great Southern Land Co., which was "wholly owned by James and Susan McDougal."

The GAO said Lorraine Heights was divided, and sales contracts for lots were signed by both McDougals for Whitewater and Great Southern. The GAO report said Mr. McDougal told International Paper during negotiations for the Lorraine Heights property that he was the sole owner of Whitewater.

The Lorraine Heights project was foreclosed in 1989 after Whitewater failed to make the mortgage payments. International Paper, which later reclaimed the property, sued and won a \$510,000 judgment against Whitewater, which never paid.

Most of the approximately 50 people who purchased 10-acre parcels at Lorraine Heights were elderly or poor and took advantage of \$175-a-month mortgages offered by Whitewater. Few of the promised amenities, including roads and sewers, were delivered.

The Clintons have denied any wrongdoing in the Whitewater-Madison affair. White House officials have said the president has "no recollection" of any meetings with Hale about an SBA loan.

Mr. McDougal was not available yesterday for comment. His attorney, Sam Heuer, who has said the transfer of Mrs. McDougal's SBA-backed loan from an account at Madison to a Whitewater account was a "mistake," did not return telephone calls to his Little Rock office yesterday.

The loan to Susan McDougal, who later divorced Mr. McDougal, was approved in late March 1986, deposited a month later in a Madison checking account and transferred to a separate Whitewater account, where as much as a third of it is believed to have been diverted to the Lorraine Heights purchase.

Mrs. McDougal, facing unrelated embezzlement charges in Los Angeles, has said she does not recall receiving the \$300,000 loan.

Hale, a former Little Rock municipal judge and president of an SBA-backed lending company known as Capital-Management Services Inc., has said Mr. Clinton



and Mr. McDougal pressured him during meetings in Little Rock in February and March 1986 for the SBA-backed loan. He said they told him they had financial difficulties and needed cash.

Hale, a former prosecutor and longtime Democratic Party activist, has told authorities that during the two meetings the three decided to name Mrs. McDougal as the loan applicant because she could qualify as a woman.

He said they knew she did not legally qualify for the SBA loan, which was for disadvantaged applicants. Three months earlier, the McDougals 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."

The loan was never repaid.

Hale, who was appointed to the bench by Gov. Clinton but resigned after the federal charges arose in September, pleaded guilty this week to two counts of SBA loan fraud unrelated to Whitewater-Madison and has signed a plea agreement to testify for Mr. Fiske and cooperate in his investigation.

In court papers, Mr. Fiske has described Hale's pending grand jury testimony as "a fundamental part" of the probe.

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Whitewater has a place of pride in Wisconsin



USA TODAY

By Dennis Kelly
USA TODAY

All in the spirit of fun, the University of Wisconsin-Whitewater is sending President Clinton a school T-shirt.

"We'd love to see it on Bill the next time he's jogging," says university spokesman Walt Ulbricht.

The chances of Bill wearing it? Probably, um, a little slim.

But yes, there really is a

town of Whitewater — population 13,000 — but it has nothing to do with the Whitewater real estate development in Arkansas that's causing a ruckus. But the town is finding its name is bringing "increasing attention," Ulbricht says.

For instance, Wisconsin Public Television on Friday airs a Whitewater spoof — taking its cameras on campus and into town in search of faux dirt.

It only shows within the

state, but here's the story:

The *WeekEnd Team* sets off for silhouetted interviews with hotel owners, a tour of the school library to locate documents and a visit to the campus cemetery to find where the skeletons are buried.

"We suspect some of the money may have been washed through the Whitewater Laundry and Video," says producer Andy Moore.

City Manager Gary Boden

says Whitewater is a big issue "inside the (Washington) Beltway." But in his Whitewater, "We're more concerned about issues like property taxes."

Of course, the campus, the town's biggest employer, thinks it could help Clinton.

"We laughingly say we have the state's largest undergraduate business program, and perhaps some of (Clinton's) associates should have been our students," says Ulbricht.

INSIDE TV / BY PETER JOHNSON

Reno 'not totally satisfied' with efforts to cut violence

The networks are reducing violence in their programs but they have miles to go before they sleep, Attorney General Janet Reno said Wednesday.

"I think they (the TV industry) are making progress in their efforts. I'm not totally satisfied," Reno told a Senate Appropriations Committee hearing.

"We will continue to work with the industry. I think we're going to make far more progress," she said.

Last year, Reno said she'd favor legislation to require reduced violence on TV because studies suggested it encourages violence by children.

But she wants the TV industry to act voluntarily. "Janet Reno doesn't want to tell them how to program. I don't know anything about television."

Major broadcast and cable networks have promised to reduce the number and content of violent programs and now show warnings before programs that contain violent scenes.

By David Lieberman
USA TODAY

This week has erased any doubt: The honeymoon between Federal Communications Commission Chairman Reed Hundt and some of the biggest industries his agency regulates is over.

During his nearly four months in office, Hundt has alienated the cable industry by leading the FCC's move to cut subscriber rates by 7%. "Most (cable operators) question whether he knows what he's doing," says Stephen Effros of the Cable Telecommunications Association, a trade group. "How can someone in one breath say that this is the biggest cut in rates and then say it'll have no effect on the busi-



AP

HUNDT: Rate cuts, snub angered TV, cable executives.

ness?"

Hundt also angered many television and radio station owners by not attending the

National Association of Broadcasters' annual convention in Las Vegas. Instead, Hundt is at an international telecommunications conference in Buenos Aires, Argentina.

That hurt, says an editorial in this week's *Broadcasting & Cable*, a leading trade magazine: "The few public appearances he's made have avoided substance like the plague. ... The truth is that, after 113 days in office, there is as yet no articulated vision of Reed Hundt."

Is the PR damage serious? Probably not, says Nicholas Alford, a communications lawyer and friend of Hundt's. "The FCC's recent rate regulations have been very strong and unpleasant medicine — but it's hardly poison."

And broadcasters who feel slighted will soon forgive Hundt. "After the Buenos Aires conference is over, people will understand its importance."

Indeed, Hundt tried to reassure broadcasters Wednesday in a satellite address. He explained that he had "a patriotic duty" to go to Buenos Aires.

Hundt told the group that as FCC chief, he wants to expand public and classroom access to the information highway, end unnecessary FCC regulations and promote economic growth.

He said that broadcasters could profit from "literally billions of dollars of new exports" as other countries drop restrictions on U.S. programming. "One of the top-rated shows here in Argentina is *The Simpsons*," Hundt reported.

'tewater: documents ld the key

lent faces questions
ss conference tonight

Cauchon
NY

nt Clinton's news conference tonight is ex-
be dominated by questions about the
r affair.

has answered questions about the 1970s
land deal in several appearances before
in the last month.

ost questioning on specifics has been
ide with his observation that Whitewater
ounsel Robert Fiske is getting the coopera-
e White House and must be allowed to fin-
ork.

e release of several sets of documents
vide answers to many of the Whitewater
s that have kept the issue alive.

intons arranged to have their Whitewater
nts subpoenaed when they were turned
the special counsel. This makes it a crime
ecutors to leak them. But nothing prohibits
ons from releasing the documents.

are seven sets of documents that seem to
e keys to the Whitewater affair.

linl s' 1978 and 1979 tax returns

President Clinton and Hillary Rod-
ham Clinton have made public their
tax returns from 1980 on. But for rea-
sons that are not clear, they have re-
fused to release the two years that
have caused them the most trouble.

was Arkansas attorney general in 1978 and
ior in 1979.

Clintons and James and Susan McDougal
t the 230-acre Whitewater property in 1978
formed Whitewater Development Corp. in
Tax returns would indicate how the Clinton's
ed the investment in the years in most dispute.
mes McDougal says the Clintons invested only
00 while he invested \$160,000. The Clintons say
lost \$69,000.

he tax returns would also answer questions
d in a New York Times article about a \$100,000
modities profit Hillary Rodham Clinton made
ng 1978 and 1979.

Whitewater files

The White House says it has the
checks, receipts, and other paper-
work to show the Clintons used their
own money for the investment, yet
they have declined to release docu-
ments to prove it.

Critics suggest James McDougal gave the Clin-
is a sweetheart deal on the land. They also sus-
ct the failed Madison Guaranty Savings & Loan,
ned by McDougal, funneled money to prop up



IN WASHINGTON: President Clinton and the first lady focus on health reform at a meeting of health-care providers Wednesday on the White House lawn.

the money-losing Whitewater venture.

The McDougals gave the Clintons the Whitewater records in 1991. The Clintons were supposed to return them but never did, the McDougals say.

1985 campaign records

Clinton's campaign financial records are nearly complete, except for a supplemental financial report from 1985. The law does not require records be kept more than five years, so there is no legal requirement that the documents be kept.

However, the county clerk in Little Rock has copies of all of Clinton's campaign financial records except the 1985 supplemental report. The report would detail a controversial fund-raiser held at Madison S&L in April 1985 to pay off a Clinton campaign debt. Federal regulators suspect Madison funds may have improperly been funneled to the Clinton campaign.

Madison Savings & Loan files

The Resolution Trust Corp., in part hindered by privacy laws, has refused to reveal who Madison made loans to and who did not repay them. Madison is at the center of the Whitewater controversy because it cost taxpayers more than \$47 million when it failed. The S&L made many bad loans to various Whitewater figures and has been under RTC investigation since it failed in 1989.

White House notes on Madison

White House officials and Treasury Department officials discussed Madison in a series of meetings last fall and this spring under investigation by the independent counsel. The White House says the meetings may have been unwise but were not improper. The notes, already turned over to the independent counsel, could help answer that question.

Files on Vince Foster's death

The Justice Department has refused to release the police report, autopsy results and other documents on the death of Vince Foster. The result would speculation Foster's death on July 20 was not a suicide. Whitewater files were removed from Foster's office after his death and turned over to the special prosecutor.

Hillary Rodham Clinton's legal billings

Hillary Clinton has been criticized for representing clients such as Madison and the federal government in a suit against Dan Lasater, a family friend. McDougal says Bill Clinton asked him to put Hillary Clinton on the S&L's payroll. Clinton denies this and says most of the \$2,000-a-month retainer went to the Rose Law Firm, not Hillary Clinton, and some was returned because the firm didn't do sufficient work.

Ex-judge linked to missing cash

Witness's credibility on line

By Dennis Cauchon
USA TODAY

LITTLE ROCK — Former judge David Hale, a key witness in the burgeoning Whitewater affair, is under a state investigation for his connection to \$150,000 missing from an insolvent Little Rock insurance company he owned.

The Arkansas Insurance Department investigation is trying to locate \$150,000 removed in July 1993 from National Savings Life Insurance. The agency declared the company insolvent in September 1993 and took it over.

"We're trying to trace where the money went and who it went to," said Insurance Commissioner Lee Douglass. Civil and criminal penalties are possible, said Douglass. He wouldn't say if the case was referred to a prosecutor.

The state investigation is not related to special counsel Robert Fiske's Whitewater probe, but it could further damage the credibility of Fiske's most im-

portant witness so far.

In a plea bargain with the independent counsel, Hale pleaded guilty Tuesday to two counts of fraud and agreed to cooperate with the government in its Whitewater investigation. Hale says then-governor Bill Clinton pressured him into making an improper Small Business Administration-backed loan to one of Clinton's partners in the Whitewater land venture.

The Fiske plea bargain grants Hale immunity for any crimes revealed to the special counsel before March 20. Fiske's office declined comment on whether Hale had immunity from actions involving his insurance company.

Neither Hale nor Randy Coleman, Hale's lawyer, returned phone calls.

National Savings Life sells burial insurance to black, low-income families and, until September, also owned the fu-



Democrat-Gazette
HALE: Owned insolvent insurance firm

neral home where most of its policies were written and cashed in. Hale bought the company in 1986.

Insurance Department records show that in March 1993, the department ordered Hale to improve the finances of his insolvent company.

On July 2, another Hale company, National Savings Corp., put \$150,000 into National Savings Life. On July 6, National Savings Life

sent the insurance commissioner a letter, with a copy of the \$150,000 deposit slip, saying it met all financial requirements.

But two days before Hale was indicted on federal charges on Sept. 23, a National Savings Life employee told the Insurance Department the \$150,000 was gone. Insurance department examiners went to the company unannounced and found a bookkeeping entry that on July 6, just after the investment had been recorded, the money was used to buy

\$150,000 in preferred stock from Financial Services of Arkansas Inc.

Financial Services of Arkansas is another Hale company, located in Suite 200 of his office building at 1910 North Grant St., next to Suite 202, where his insurance company is located.

FSA is not a nationally approved investment for insurance companies, Douglass said. Also, National Savings Life had no stock certificates or other evidence the investment had been made. Secretary of State records show FSA had no preferred stock to sell.

"Once the money comes in, it's the company's money and there are tight restrictions on what can be done with it," Douglass said. "He was trying to sell the company and this \$150,000 made the books look good."

The Insurance Department also is trying to find the source of the original \$150,000. Insurance Department attorney Steve Uhrzynowicz says the money from National Savings Corp. came from Ink Jet Systems Inc., a company for three days before the investment and which has not been located.

Proposal would link welfare to citizenship

By William M. Welch
USA TODAY

Moderate and conservative House Democrats are advocating welfare reform financed by cutting off most benefits to non-citizens rather than through new taxes.

The bill is being readied by the so-called Mainstream Forum of about 90 House Democrats. It could signal trouble for President Clinton's new reform plan, which advisers presented to him this week.

Clinton was given financing options that include a new federal tax on casinos and other gambling institutions, and a more modest limitation on benefits to non-citizens.

The congressional Democrats' bill more closely resembles a version already supported by House Republicans. It would bring a near total halt to welfare payments, including all Medicaid benefits except emergency medical care, for non-citizens.

Many administration offi-

cials hope to avoid such a large-scale attack on non-citizens' benefits, certain to trigger opposition of liberals and Hispanic lawmakers.

Together with Republicans, the Mainstream Forum could create a majority to the right of Clinton's plan, before he sends his bill to Congress.

"We're not going to raise taxes," forum leader Rep. David McCurdy, D-Okla., said Wednesday. "It's obvious that a large number of members of the House are supporting this comprehensive reform."

The bill is being worked out by a panel of 12 Democrats, acting on behalf of the larger group, which wrote Clinton last fall urging a sweeping reform.

The potential gaming tax has triggered strong reaction in Nevada, where nearly half the state's budget is financed with taxes on casinos.

Nevada Gov. Bob Miller, a Democrat, today will visit the White House and Congress to urge rejection of the tax, which would raise \$3 billion to \$4 bil-



By John Durkin, AP

MCCURDY: 'We're not going to raise taxes.'

lion over five years.

"I hope we can sink it; I feel confident we can because it's such a dangerous precedent," said Sen. Harry Reid, D-Nev. "This is certainly a foolish thing to do. It puts people out of work, and not only in Nevada."

The forum Democrats' bill would target nearly 1 million non-citizens. It would halt payments under Medicaid, Aid to Families with Dependent Children and Social Security and food stamps.

Like Clinton, they would set a two-year time limit on benefits but would require recipients to go to work sooner.

Panel's health plan backs Clinton goals

By Richard Wolf
USA TODAY

The health-care reform plan approved late Wednesday by a key House panel bears little resemblance to President Clinton's proposal, but it sticks by most of his goals.

Gone are the mandatory purchasing cooperatives Clinton wants to increase consumer clout and spread insurance risks. Gone, too, are his subsidies for small business, and some of the more generous benefits in his standard policy, including some long-term care coverage.

And where Clinton has stressed guaranteeing private insurance for all, the plan authored by Rep. Fortney "Pete" Stark, D-Calif., creates a new Medicare "Part C" to cover the poor, unemployed and some small business employees.

But the Stark plan, approved 6-5 by the House Ways and Means Committee's health subcommittee after much backroom negotiating, includes

Clinton's mandate that employers pay 80% of workers' insurance, caps on health spending higher tobacco taxes and cuts in Medicare growth.

The goals are the same: controlling soaring health-care costs while extending coverage to 38 million uninsured Americans and ensuring others won't lose their insurance.

Democrats on Stark's panel hailed their version as an improvement over the Clinton plan, widely criticized for new federal and state bureaucracies. "We've improved it over the Clinton package," said Rep. Sander Levin, D-Mich., who provided the crucial sixth vote.

But Republicans called it worse than the Clinton plan: they oppose, noting it expands the federal government's role in health care by greatly expanding Medicare.

"It is far more direct government involvement and direct government control," said Rep. Nancy Johnson, R-Conn.

► First step, 1A

Patsy Takes the Fiske

White House notoriety Patsy Thomasson actually showed up to testify to Congress Tuesday, and proved herself charming. She did little to still concerns about the administration's security procedures, however, and on the matter of her nocturnal visit to Vincent Foster's office in the wake of his death she pleaded the Fiske.

Ms. Thomasson "would like nothing better," she said, than to tell the subcommittee "what I did that night in that office." But due to Special Counsel Robert Fiske's probe into Mr. Foster's death, she couldn't possibly comment on that. Ms. Thomasson, in case you've spent the last month as an orbiting astronaut, is the FOB from Arkansas who was once the top aide of FOB bond dealer and drug convict Dan Lasater, and who has risen in life to be director of the Office of Administration at the White House, where she oversees personnel, computers and some security operations.



Patsy Thomasson

These responsibilities seem to weigh heavily in this administration. The White House Counsel's office is responsible for security passes, the immediate responsibility of Associate Counsel William Kennedy III, the former Rose Law Firm partner now tottering on the brink of resignation (maybe by tonight's 7:30 press conference?) over a nanny-tax issue. Last night, the White House said Mr. Kennedy would no longer handle passes.

The security situation is so dire that Congressmen Dan Glickman and Larry Combest, Chairman and ranking minority member of the House Intelligence Committee, have written the Director of Central Intelligence (see text below) more or less suggesting that he cut the White House off from classified information.

More specifically, they asked CIA Director James Woolsey what steps he had taken to ensure that White House staffers without clearances hadn't had access to classified material. The two Members said they were troubled, and that "The urgency of this matter has been highlighted by the arrest of Aldrich Ames," (for astronauts, the recently apprehended KGB mole in the CIA).

When Ms. Thomasson responded to similar concerns expressed this week by House subcommittee chair Steny Hoyer, a Maryland Democrat, she was hardly reassuring. "We don't think we have any Aldrich Ames at the White

House," Ms. Thomasson responded. "But we certainly could." Ms. Thomasson admits that she lacked a permanent White House pass or security clearance until earlier this month; despite that, she has had 24-hour access to the West Wing. At one point in her testimony, she also said she had "no need" to have the combinations to any safes in the White House; they are in the possession of Charles Easley, a security officer who works for her.

She also revealed that while Mr. Kennedy was handling clearances for White House passes, his own background check was finished in March 1993, but he didn't receive his own permanent pass until December. GOP Rep. Frank Wolf, who first agitated these issues on the House subcommittee that oversees the White House budget, told us that White House Chief of Staff McLarty's background check was completed on January 22, 1993—two days after the inauguration. He didn't get his permanent pass until just this past March 5, the day Mr. Fiske's first subpoenas arrived at the White House. House Members wanted to know what was going on.

Ms. Thomasson, however, persisted in telling Rep. Wolf on Tuesday not to worry. She said there was no reason for concern that senior White House aides lacked permanent passes because they nonetheless had gotten "requisite security" approval. She holds that Mr. McLarty's case was "fully adjudicated," which apparently means the background check was complete and accepted by Mr. Kennedy, who just hadn't gotten around to forwarding the Chief of Staff's papers to the Secret Service.

This is "malarkey," says Phil Larsen, who was administrative officer in Jimmy Carter's White House and ran personnel management under President Bush. The Secret Service must clear a final financial check, and is part of an adjudication. "None of this makes any sense," he told us; it would be "astonishing" if security clearances were issued before passes were. "The two always—and should—go together."

After sleeping overnight on Patsy's testimony, Rep. Wolf and Rep. Bill Clinger, ranking Republican on the Government Operations Committee, called for a GAO investigation of the White House pass problem.

At 8:35 p.m. last night, AP Press Secretary Dee Dee Myers had suddenly issued a "fact sheet" indicating that more than 100 White House staffers lack the necessary security clearance. One-third of the 1,044 employees don't have permanent passes.

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FOR OFFICIAL USE ONLY
 Mr. Speaker, Mr. Chairman
 Mr. Hyde, Mr. Ladd, Mr. Nichols
 Mr. Rosen, Mr. Sullivan, Mr. Tavel
 Mr. Tamm, Mr. Trotter, Mr. Wicker
 Mr. Wright, Mr. Young, Mr. Ziegler
 Mr. Bell, Mr. Berman, Mr. Blumenthal
 Mr. Bonior, Mr. Chafee, Mr. Cramer
 Mr. Danahy, Mr. Erlenbach, Mr. Gandy
 Mr. Gohmert, Mr. Hargis, Mr. Harman
 Mr. Jepsen, Mr. Jones, Mr. Kassebaum
 Mr. Latham, Mr. Leach, Mr. Linde
 Mr. Lucas, Mr. Mack, Mr. Matheson
 Mr. McIntyre, Mr. Miller, Mr. Mink
 Mr. Moore, Mr. Norwood, Mr. Pickens
 Mr. Rostenkowski, Mr. Roy, Mr. Santorum
 Mr. Stenholm, Mr. Studdert, Mr. Telford
 Mr. Turner, Mr. Underhill, Mr. Vucarich
 Mr. Wadsworth, Mr. Walcott, Mr. Weiss
 Mr. Wilfong, Mr. Wolf, Mr. Wood
 Mr. Wright, Mr. Young, Mr. Ziegler

U.S. HOUSE OF REPRESENTATIVES
 PERMANENT SELECT COMMITTEE
 ON INTELLIGENCE
 WASHINGTON, DC 20518-6418

March 17, 1994

Honorable R. James Woolsey
 Director of Central Intelligence
 Washington, D.C. 20505

Dear Mr. Woolsey:

We are writing to register our concern over recent press reports that over 100 White House staff members have not been issued security clearances. Reportedly, at least 15 of them hold senior positions and presumably would have access to classified information as part of their jobs. Our concern is heightened in light of the fact that the White House routinely receives such items as the President's Daily Brief, the National Intelligence Daily, and classified briefings and analytical papers that are distributed to staff in the White House.

In your capacity as the Director of Central Intelligence, you have a statutory obligation to protect intelligence sources and methods. We would like to know what specific steps you have taken to ensure that information classified to protect intelligence sources and methods has not been made available to individuals on the White House staff who do not have appropriate clearances. The urgency of this matter has been highlighted by the arrest of Aldrich Ames where it appears that lax enforcement of compartmentation safeguards may have provided him with unauthorized access to additional sensitive information. In closing, we are troubled by press reports citing "procrastination" by White House staff as the explanation for the long delay in processing clearances for these individuals. Such an attitude toward legitimate security concerns makes your job of protecting sources and methods more difficult but emphasizes its importance.

Sincerely,


 Dan Glickman
 Chairman


 Larry Combs
 Ranking Republican Member

THE WALL STREET JOURNAL THURSDAY, MARCH 24, 1994

The U.N. Goes Retro ✓

If there were any doubts that the 1970s are becoming chic again, they were erased recently when the United Nations Security Council passed a vintage Israel-bashing resolution. The resolution condemning the Hebron massacre is straight out of the old Zionism-is-racism song book.

Since when, first of all, does the U.N. go around condemning the actions of private individuals? Last year's massacre on the Long Island Rail Road was surely horrific and racist, yet somehow the U.N. didn't feel called upon to pass resolutions. Yet Baruch Goldstein becomes a chance to bash an entire nation.

Nowhere does the resolution acknowledge that Goldstein has been condemned across the Israeli political spectrum. On the contrary, the Security Council resolution studiously lumps together Goldstein and the Israeli government. The resolution then tries to bias the current negotiations. The fate of Jerusalem is one of the cen-

tral subjects of the current talks. But the resolution is artfully worded to call for Israel's withdrawal from the city.

Since Israel is the only nation in the world that is forbidden a turn on the Security Council, it is up to permanent members such as the U.S. to assure some sort of balance. Despite the request of 60 U.S. senators, though, this resolution was not vetoed. Syria, Lebanon and Jordan said they would not return to the peace talks unless the resolution was passed (as if it were a favor they were doing for the U.S.), so U.S. Secretary of State Warren Christopher found a way to abstain from two of the most egregious paragraphs while approving the rest.

"We need to send a strong signal to the extremists in any quarter," Mr. Christopher rationalized. But this is exactly what the resolution does not do. This episode demonstrates that the U.N. is hopelessly biased in the Middle East. Can it possibly play a constructive role?

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Special Counsel's Probe of Whitewater Ludes Bond Dealer Linked to Clinton

By ELLEN JOAN POLLOCK
Reporter of THE WALL STREET JOURNAL

Special Counsel Robert Fiske's investigation of the Whitewater matter has now led to a highflying bond dealer with President Clinton.

In a recent wave of subpoenas, Mr. Fiske sought documents about the bond dealer, Don Lasater, and his Lasater & Sons, which had a piece of the Arkansas business while Mr. Clinton was governor. Mr. Clinton's relationship with Mr. Lasater was an issue in the 1992 presidential campaign. Mr. Lasater raised money for Clinton's 1984 gubernatorial campaign and gave a job to Roger Clinton, the president's brother.

As governor of Arkansas, Mr. Clinton led the state legislature for a bond deal that benefited Mr. Lasater, while the Lasater dealer was under investigation for trafficking in cocaine. Mr. Lasater pleaded guilty to drug charges in 1986.

Mr. Fiske also is seeking documents involving former Associate Attorney General Webster Hubbell and White House aide Patsy Thomasson, who once worked for Mr. Lasater. P.O.M. Inc., a company owned by Mr. Hubbell's brother-in-law, is named on Mr. Fiske's subpoenas as well.

Mr. Lasater couldn't be reached for comment, and it couldn't be determined whether he has received a subpoena from Mr. Fiske. The special counsel has issued more than 150 subpoenas since February. They list dozens of names and request "all documents and/or communications referring or relating" to the people listed. Mr. Lasater declined to comment.

Ms. Thomasson, whose name also appears on Fiske subpoenas, is director of the White House Office of Administration. She was formerly a senior executive of several of Mr. Lasater's companies and helped to run his business while he was jailed on the drug charges.

She was also one of three White House aides who went to Deputy Counsel Vince Foster's office after he committed suicide last July.

Phoenix Group Inc., an investors group once headed by Ms. Thomasson, is being investigated by the Securities and Exchange Commission in connection with possible insider trading in Arctic Alaska Fisheries Corp. stock in June 1992. Shortly afterward, Arkansas-based Tyson Foods Inc. announced an agreement to acquire

the company. Phoenix Group was once called Lasater Inc. and was headed by Mr. Lasater.

Ms. Thomasson said last week that she neither traded in, nor executed an order for, the stock. She hasn't received a subpoena from Mr. Fiske, according to White House officials.

Mr. Hubbell, whose name also appears on subpoenas issued by Mr. Fiske, is linked to several aspects of the Whitewater controversy, including conflict-of-interest allegations involving a suit he handled for the Resolution Trust Corp. while a partner in the Rose Law Firm.

The Rose firm has been trying to determine whether Mr. Hubbell inflated expenses he billed to the firm, and recently referred the matter to state disciplinary authorities. The Little Rock firm has also been mired in a dispute with Mr. Hubbell over \$1 million in expenses and unbilled time charges incurred during his unsuccessful handling of a lawsuit for P.O.M., which has become part of Mr. Fiske's inquiries. John Nields, Mr. Hubbell's Washington lawyer, and the president of P.O.M., Seth "Skeeter" Ward, the brother-in-law of Mr. Hubbell, didn't return phone calls.

The Whitewater affair is expected to dominate a news conference that President Clinton has scheduled for 7:30 p.m. EST tonight. The press conference is part of the administration's new strategy of being more open about the Whitewater controversy.

Bid for Pollard Clemency Is Turned Down by Clinton

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON — President Clinton

refused to grant executive clemency to convicted spy Jonathan Pollard, after the Justice Department recommended against the clemency requests by some Jewish groups.

Attorney General Janet Reno yesterday joined the Pentagon and the Central Intelligence Agency in recommending against clemency for Mr. Pollard, who was sentenced to life in prison in 1986 after pleading guilty to passing secrets to Israel.

The Israeli government, including a personal plea by Israeli Prime Minister Yitzhak Rabin, and the American Jewish community had campaigned for his release, arguing his sentence was too tough. Mr. Pollard, a former U.S. Navy intelligence analyst, is eligible for parole next year.

Citing the "grave nature" of Mr. Pollard's actions, Mr. Clinton said in a statement, "the harm his actions caused to our country and the need to deter every person who might even consider such actions, warrant his continued incarceration."

Obey Is Chosen As Next Chairman Of House Panel

By DAVID ROGERS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — David Obey, a pro-labor Wisconsin Democrat and protégé of the legendary Rules Committee Chairman Richard Bolling, was chosen by his party caucus to be the next chairman of the House Appropriations Committee.

The 55-year-old Mr. Obey won handily over the more-senior Rep. Neal Smith of Iowa. The 152-106 vote symbolized a generational change both in the House and the Appropriations Committee, which wields immense power over federal spending.

First elected to Congress in 1969, Mr. Obey was a young ally to Mr. Bolling, a major architect of House reforms in the 1970s. Mr. Obey's own role in promoting tougher ethics rules cost him votes and the chairmanship of the Budget Committee in the early 1980s. But his career has prospered as he has risen in the appropriations panel and forged a close relationship with another Bolling protégé, Majority Leader Richard Gephardt (D., Mo.).

"I believe a committee is a tool of the House, not the other way around," said Mr. Obey in remarks yesterday echoing Mr. Bolling's of years ago. The new chairman's ties to the House leadership will bring a new dimension to the appropriations panel, which is the most insular and least understood of the major House committees.

Mr. Obey will have the title of associate or acting chairman, in deference to the panel's ailing 84-year-old chairman, Rep. William Natcher of Kentucky. But yesterday's voting was tantamount to the selection of a new chairman, and it gave Mr. Obey all the powers of that office.

Fiercely combative, Mr. Obey has a tempestuous, sometimes rude style that can be his undoing. But he draws on a wide knowledge of domestic policy and finance built up over years on the Joint Economic Committee, which he currently heads.

Whitewater Dampens the Day

The town is full of people trying to calculate the crippling effects of Whitewater on the Clinton presidency. Is it a glancing blow from a retractable baton such as suffered by Nancy Kerrigan, or is it more lethal? All we're seeing right now is vignettes: how it casts a shadow on a White House evening and curdles a pretty good Capitol Hill alliance.

The president's St. Patrick's Day gala for the Irish, a joyful assemblage of hundreds of people who are, or wish they were, Irish, had it all: pipers, harpers, Jameson and song. But Senate Majority Leader George Mitchell (Maine) showed up late bringing word of the 98-0 vote for Whitewater hearings; and when the president was toasting the Irish prime minister and peace, aide George Stephanopoulos picked his way through the jammed East Room to hand him a folded piece of paper—notice of the long-dreaded Stephanopoulos subpoena.

On Capitol Hill, where all is confusion, wild hopes and wild fears, people are transfixed by the sight of the two most independent members of the body, Reps. Henry Gonzalez and Jim Leach, at each others' throats. They are nothing alike, the explosive Hispanic chairman of the House Banking Committee who has the head of a buffalo and the tenacity of a terrier and the ranking Republican wasp, a blond, apple-cheeked, polite, corn-fed Iowan who went to Princeton and does weekly broadcasts for the BBC.

They do not have much in common, it would seem, until you notice that they both go against the odds without a second thought. Leach has reflexively fought conservative Republicans. He voted against so many Cold War measures during the Reagan years that Democrats took his vote on liberal causes such as the nuclear freeze for granted.

Gonzalez took on the entire U.S. government. While the State Department, the White House, the Justice Department and the CIA railed and cursed, he hammered away on the murky matter of the Banca Nazionale del Lavoro. He stood on the House floor, hour after hour, after everyone else had gone home, and pounded out the story of worldwide perfidy, of a conspiracy to make friends with Saddam Hussein with loans and grants. The initial derision of his colleagues, the rage of Republicans were things he did not notice. Gonzalez, of Texas, does not have the local compulsion about image.

In this enterprise, he had the support of his ranking Republican member, the gentleman from Iowa. "I have supported

every inquiry that he has initiated," Leach said.

It's different now, though. Since Leach began a push for Whitewater hearings, they are at daggers drawn.

Gonzalez, who has been Banking Committee chairman for the last four of his 33 years in Congress, feels passionately that President Clinton should not be investigated by the committee while a special counsel is on the case. Leach, for once in sync with his party, is intent on getting a searching inquiry of an S&L that has become as notorious as any of the Republican era. Uncharacteristically, he has hinted at lurking, "blockbuster" evidence, has spoken in the gravest terms of the real stakes in Whitewater, "possible obstruction of justice," which is actionable, and at other times of "embarrassment," which is not.

To Chairman Gonzalez, Leach's persistence in seeking a full inquiry while the special counsel is making his investigation is "out and out character assassination plus a witch hunt."

In an early letter to Leach, Gonzalez wrote with his usual bluntness: "Frankly, there's nothing more absurd—even repugnant—than the spectacle of you bunch of Republicans. . . . in fits and paroxysms of morality."

In an interview, the irate chairman expanded: "It reminds me of a down-South lynch mob, they have to find some preacher to make it look as though they are doing something for the Lord. Leach is their preacher."

House Republicans, who are eaten alive with resentment of Clinton and hopes of disfiguring his presidency, understand they have a treasure in Leach, with his reputation for probity. GOP Whip Newt Gingrich (Ga.), the minority's raging bull, defers to Leach.

Gonzalez played into the Republican hands with a letter which was so intemperate in tone—he called Leach "obdurate" and "obstinate"—that House Speaker Thomas Foley (D-Wash.) felt obliged to apologize for it and give in to GOP demands for hearings. Leach still speaks well of his chairman—"as great a man of honor as any individual member." Gonzalez speaks well of his unexpectedly fractious ranking tormentor, too, but in a "limited, modified" way.

"I used to think he was a decent man, but the David Duke wing of the Republican party is in charge of the House. They have taken him over."

That's where things stand before the Whitewater hostilities have even formally opened.

For the Record

From a discussion about crime and punishment on "Think Tank," to be broadcast on public television April 2:

Ben Wattenberg: When we talk crime, crime, crime, are we really using code for black, black, black?

Lani Guinier [University of Pennsylvania Law School]: To a great extent, yes, and I think that's a problem, not because we shouldn't deal with the disproportionate number of crimes that young black men may be committing, but because if we can't talk about race, then when we talk about crime, we're really talking about other things, and it means that we're not being honest in terms of acknowledging what the problem is and then trying to deal with it. It's a way of distancing ourselves from the real problem, which is the terrible rise in urban violence.

John Dilulio [Princeton University]: I think we ought to stop talking in code and be explicit. . . . I think if middle-class and upper-class neighborhoods were having the sort of crime problem that we're having in inner-city neighborhoods, you wouldn't have [halfway houses and work-release programs.] It's because these people are politically powerless. . . . that we have a criminal justice system that lets them be victimized repeatedly. . . .

Robert Bork [American Enterprise Institute]: . . . When you look at the people who object to increasing punishment. . . . they tend to be liberals and [members of the] Congressional Black Caucus. . . .

Prof. Dilulio: I agree. . . . There's a disconnect there. . . . The one segment of the American population that supports most strongly stern criminal-justice measures is socioeconomically deprived blacks and Latinos living in inner-city neighborhoods. These are also people who strongly support social programs. We need both. They're not getting either.

Whitewater

Polls Clinton's Ratings Down

By Ann Devroy
Washington Post Staff Writer

President Clinton has scheduled a prime time news conference tonight to try to make the case that his administration is moving forward on its domestic agenda despite the ethics controversies that have surrounded the White House.

With several polls showing a sharp drop in Clinton's public approval ratings, a senior administration official the president planned to open up news conference with a statement noting that he and Congress

President Clinton's news conference will be broadcast live at 7:30 p.m. today by the major networks.

have moved forward on crime and education legislation and are working on health care reform but have significantly more to do after the spring congressional recess.

"Then he'll open the floor to questions and you can have at him on Whitewater and the country will see what you care about; and what he cares about: solving the nation's problems," the aide said.

The president has maintained for weeks that Whitewater and related issues are inside-the-Beltway preoccupations that do not concern most Americans. But a new Washington Post-ABC News Poll illustrates the toll that the last month of ethical controversies has taken on the president. Clinton's job approval has dropped 11 points, from 58 percent in February to 47 percent today. His disapproval rating has risen over that month from 38 percent to 45 percent.

That was the president's lowest rating in seven months, and it is consistent with other polls taken in recent days that have shown eroding support for Clinton. The president's

See CLINTON, A18, Col. 1

Clinton to Get Prime Time Forum As Polls Register Whitewater's Toll

CLINTON, From A1

advisers blame that on what they view as media preoccupation with Whitewater.

"There has been a media obsession with this issue for weeks, and the president is paying some price," said James Carville, a Clinton political adviser. "But he has shown remarkable resilience. He will make his case and things will be just fine."

As the White House was trying to stress its domestic agenda, however, it found itself yesterday ensnared in another ethics issue, the fate of White House associate counsel William Kennedy III, who has acknowledged he failed to pay back Social Security taxes from 1991 related to a nanny until three weeks ago, when he feared public exposure.

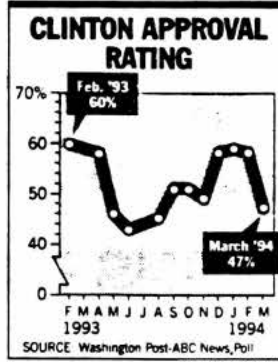
Kennedy, the White House official in charge of determining the suitability of potential administration employees to serve in office, said in an interview earlier this week that before joining the Clinton White House in February 1993, he had paid back Social Security taxes for the nanny for the 1992 tax year. But he said he had no records for 1991 and thus was unable to pay for that year. He said he paid the 1991 taxes about three weeks ago after he had his accountant estimate them.

White House officials said he made the disclosure to them and paid the taxes because he feared the problem would become public during negotiations over his divorce.

White House press secretary Dee Dee Myers, who spent her entire briefing answering questions about Kennedy, defended him but said that White House Chief of Staff Thomas F. "Mack" McLarty and the new White House counsel Lloyd Cutler were then reviewing the facts of the case. Neither had been aware of the tax situation until news inquiries, officials said.

Kennedy had informed the late White House deputy counsel Vincent Foster, his friend and partner in the Rose Law Firm in Little Rock, Ark., of his original failure to pay taxes. Three weeks ago, he said he told White House Counsel Bernard Nussbaum and Bruce Lindsey, a top Clinton aide.

At day's end, McLarty and Cutler announced that Kennedy would be relieved of his role of reviewing the FBI background investigations on potential employees and that respon-



sibility given to Beth Nolan, another lawyer in the counsel's office. The two said Kennedy had asked that his job duties be changed and that the action was being taken at his request.

White House Communications Director Mark Gearan said no further action in connection with Kennedy's tax situation was under consideration and that the review was concluded.

In Congress, Republicans used the Kennedy tax situation to question anew the ethical standards of the White House. House Republican Whip Newt Gingrich (R-Ga.) called for Kennedy's firing, asserting his failure to pay the taxes and his use of his wife's former name to eventually pay constituted an effort to evade detection. Kennedy has denied he had his wife use her former married name in a cashier's check as a way of keeping FBI investigators from detecting his problem when they were probing his background.

Clinton's evening news conference is only the second he has had in the formal East Room setting in the key audience viewing time slot. He has scheduled it for 7:30 p.m., a half-hour earlier than the opening of

prime time to avoid conflicting with broadcasts of basketball games.

White House officials say while the Washington Post poll shows a sharper drop in presidential approval than their own polling, Clinton's approval as measured by his pollster also shows a decline during the past month.

The Post poll, taken March 18-22, questioned 1,004 people and had a margin of error of plus or minus 3 percentage points. In the tally, men disapproved of Clinton's handling of his job, 49 percent to 47 percent, while women approved, 48 percent to 42 percent. Whites disapproved, 49 percent to 45 percent, and blacks approved, 66 percent to 21 percent.

Another poll this week, this one by the Republican polling firm of Public Opinion Strategies, also showed a 10-point drop in Clinton's overall approval, according to pollster Bill McInturff. That poll, of 800 respondents, puts Clinton approval at 45 percent and disapproval at 35 percent, a 10-point drop from last month. Clinton's efforts to put Whitewater behind him, McInturff said, "just ain't working. When you see groups that support you are moving to undecided, you have to intervene. I think that's what they are going to conclude too."

Even as Clinton tries to move beyond Whitewater, however, some events could intervene. The last of the White House aides subpoenaed to appear before a grand jury investigating contacts between White House and Treasury officials related to a federal probe of a failed Arkansas savings and loan will appear Thursday, and Rep. Jim Leach (R-Iowa), who has been leading the GOP charge in the House on the issue, is promising to make new revelations in a news conference.

CORRECTIONS

A story yesterday that said White House associate counsel William Kennedy III failed until recently to pay Social Security taxes for a nanny omitted a key word in some editions. The sentence should have read that Kennedy said the payment of back taxes under his wife's former married name was not an attempt to escape scrutiny for the tax problem.

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A Populist From Texas Who Bows to No One

By MICHAEL WINES
Special to The New York Times

WASHINGTON, March 23 — Lawmakers were utterly appalled this week when Representative Henry B. Gonzalez dispatched a paint-peeling letter to his colleague Jim Leach, calling the Iowa Republican obstinate, obstinate, premeditated, willfully disobedient and, by clear implication, irresponsible.

That is not to say anyone was particularly surprised.

Not for nothing do friends and enemies alike call Mr. Gonzalez "Gonzo" although not to his face if they know what is good for them.

Mr. Gonzalez, the 77-year-old Texas Democrat who heads the House Banking Committee, is in trouble for his scorching letter, which told Mr. Leach it would be a cold day in Manila before the Banking Committee would let him interrogate witnesses at length about President Clinton's Whitewater travails.

Days before Mr. Gonzalez seemed to have agreed to do just that, and his bitter turnabout boggled his fellow Democrats. They not only apologized to Mr. Leach, but also voted hastily for an even bigger Whitewater inquiry just so no Republican could charge that Mr. Gonzalez was trying to hide Mr. Clinton's dirty laundry.

Many lawmakers might be chastened by such a gaffe, but Mr. Gonzalez is unlikely to be among them. To the contrary, Mr. Gonzalez is universally regarded as a stormy-tempered, stubborn, contrary, fiercely unabashed populist, beholden to no one and disinclined to issue apologies. He did not reply to several requests for an interview.

33 Years Equals Power

It is a fearsome stew of traits that has helped him roll over weaker lawmakers and cultivate real power in 33 years in the House. His bulldog nature showed most clearly in the early 1990's, when the Banking Committee staged explosive hearings that charged the Bush Administration with conspiring to sell advanced weapons to President Saddam Hussein of Iraq, and publicized embarrassing ties between President Bush's son, Neil, and a bankrupt savings and loan.

The hearings wounded the Republicans at the start of the 1992 Presidential campaign, and earned Mr. Gonzalez a stack of chits from House leaders.

But Mr. Gonzalez also has a reputation for eccentricity that even admir-

ers say has diluted his influence and has placed his hold on the source of his power, the chairmanship of the banking panel, in jeopardy.

"Anybody who stands against the powers that be, and is so forcefully on the side of that powers that ought to be, is going to be attacked, and marginalized and trivialized," said Jim Hightower, a fellow Texas Democrat and populist. "And Henry has suffered that. But he's above it."

And Mr. Gonzalez seems not to care a lot what others think.

When he was 47 and a freshman in the House, a fellow Texas lawmaker Representative Ed Foreman, called him a Communist. Mr. Gonzalez invited the Republican into the Speaker's Lobby and took retribution although he denied reports that he tried to deck the poor fellow.

'It Was a Shove'

"It was a shove," he said at the time. "But my hand went into him three inches — he's so soft."

When Mr. Gonzalez was 70, he overheard another 40-year-old man calling him a Communist, this time in a San Antonio restaurant. He said that the man was toting a pistol and a nine-inch hunting knife, but that he blackened his eye anyway.

"If I wanted to cold-cock him, I could have," he said later.

Those are but his social activities. In the House, Mr. Gonzalez has demanded the impeachment of Ronald Reagan and George Bush and the removal of several other Federal officials, one of whom he called "an unconscionable scoundrel."

He once dubbed Housing Secretary Samuel R. Pierce Jr., who is black, Slepitch for his acquiescence to Republican cuts in poverty programs. He has campaigned for decades to abolish the Federal Reserve, and he has called for imposing a ceiling on interest rates.

In 1977, when he quit as head of the House Assassinations Committee, he said the murder of John F. Kennedy would never be solved because "vast and powerful forces, including the country's most sophisticated crime element, won't stand for it."

One of a Kind Committee

Members of Banking Committee, lobbyists and former aides say Mr. Gonzalez runs the panel unlike any other in the House. He is frequently on the losing side of committee votes on legislation, in part, they say, be-

cause he seldom gathers Democratic committee members together for back-room strategizing.

All this dismays some people, who cast Mr. Gonzalez as something of a loose cannon.

But there is another view. "He believes it, and so he says it — it's a measure of his intellectual honesty," said Burt Ely, an Alexandria, Va., banking consultant. "There may be a lot of others who have equally wacky ideas and keep it to themselves because they're afraid of the public reaction."

Mr. Gonzalez said as much in 1992 to The Washington Post. "Keep making speeches," he said, "and eventually people will hear you."

Occasionally, people have. Mr. Gonzalez was a warning bell on nuclear safety years before the nation's worst nuclear accident at the Three Mile Island plant near Harrisburg, Pa., in 1979, and a decade before the rising tide of radioactive waste from power plants and bomb factories became a serious public concern.

Mr. Hightower said Mr. Gonzalez approaches the issues from the viewpoint of the underprivileged.

Impoverished Background

Some of that stems from his background. Mr. Gonzalez's ancestors came from Europe to Mexico in 1561 and grew and powerful from investments in silver mines and ranch land. But the family fled to San Antonio in 1911, under attack from revolutionaries led by Pancho Villa, and Mr. Gonzalez was born into poverty mixed with discrimination.

Mr. Gonzalez still lives political life with an exaggerated lack of pretense. He shuns Washington society and spends off hours reading in his small apartment. His family never moved to Washington; he returns to Texas almost every weekend.

Unusually Partisan

And his attacks on Mr. Bush aside, Mr. Gonzalez seems remarkably resistant to partisan pressures on most issues. Liberal Democrats tried to block his rise to head the banking panel in 1990 after he helped a Republican, Representative Chalmers Wylie of Ohio, with an ad. Republicans say his refusal to cut back-room deals with fellow Democrats and lobbyists makes for unusually even-handed, if chaotic, legislating.

Given that, his handling of Republican demands for hearings on Whitewater has puzzled many.

For months, Mr. Gonzalez seemed uncharacteristically partisan. He scoffed at hearings on Mr. Clinton's ties to a failed Arkansas savings and loan, Madison Guaranty.

When Mr. Leach found a loophole that allowed him to raise Whitewater at a routine committee hearing, Mr. Gonzalez relented and scheduled a session. His abrupt backpedaling this week surprised Democrats, and provoked speculation over his motives.

One lawmaker suggested it was a rebuke to The New York Times columnist William Safire, an admirer of Mr. Gonzalez's Iraq probe, who accused him this month of unseemly foot-dragging on Whitewater. Others wondered if Mr. Gonzalez overreacted to pressure from Democratic leaders to hold off Whitewater hearings for a while longer, or face the loss of his committee chairmanship.

Perhaps the Safire suggestion is correct. But a top Democrat on the Banking Committee, Representative Barney Frank of Massachusetts, says the notion that Mr. Gonzalez bends to pressure is, well, gonzo.

"People who suggest that the chairman of the Banking Committee is somehow under the direction of the leadership," he said this week in the House, "do not know the chairman of the Banking Committee."

A gaffe on
Whitewater? Try
telling it to Henry
B. Gonzalez.

Full disclosure

Congressional hearings needed on Whitewater

When President Clinton declared that members of Congress "ought to do whatever it is they think is the right thing to do" about the Whitewater scandal, House Banking Committee Chairman Henry Gonzalez, D-Texas, must have been napping.

By abruptly calling off a planned Whitewater hearing set for tomorrow, Gonzalez only added to the growing perception that the president and Hillary Rodham Clinton have something to hide — and that Democratic lawmakers are anxious to help them hide it.

Gonzalez went ballistic when Rep. Jim Leach, the ranking Republican on the Banking Committee, insisted that the panel question 40 witnesses who might shed some light on Whitewater.

Specifically, Leach wants to know whether special consideration was extended to the now-defunct Madison Guaranty Savings and Loan in Arkansas while Clinton was governor. If so, was it because Madison owner James McDougal was a close friend and business partner of the Clintons? And did McDougal divert the thrift's funds to the failed Whitewater real estate venture or to Clinton's political campaigns?

An apoplectic Gonzalez fired off a letter to House Speaker Tom Foley, D-Wash., accusing the Iowa Republican of "character assassination" against the Clintons. He also charged Leach with trying to undermine the investigation by independent prosecutor Robert Fiske.

House Democratic leaders have reluctantly agreed to work out an "appropriate timetable" for hearings on Whitewater — probably in early May when Fiske is

expected to complete the Washington phase of his probe.

Leach and his Republican colleagues are amenable to the delay, so long as Congress exercises its constitutional responsibility to oversee allegations of wrongdoing in the executive branch. Since the taxpayers are picking up the \$250 billion tab for bailing out failed savings and loans, they deserve some straight answers about the Clintons' ties to Madison Guaranty Savings and Loan.

The overarching issue here is public accountability, not political partisanship.

During the 1920s, a Republican-controlled Congress investigated Republican President Warren G. Harding's administration over the illegal granting of oil leases at Teapot Dome. Five decades later, a Democratic-controlled Congress probed the irregular financial transactions of Bert Lance, President Jimmy Carter's budget director, ultimately forcing him to resign.

Leach, who is considered one of the House's least partisan members, is merely asking for a full and open hearing on the Whitewater affair. Gonzalez, who was doggedly determined to trace the Bush administration's financial dealings with Iraqi leader Saddam Hussein in the months prior to the Persian Gulf War, suddenly seems to have lost his zeal for truth-seeking now that a Democratic president is in the cross-hairs.

Congressional hearings can be conducted in a manner that does not compromise Fiske's investigation. If the Clintons have nothing to hide, they should want to get this matter behind them as soon as possible. And that isn't likely to happen until House Democrats cooperate fully in the Whitewater probe.

The San Diego
Union-Tribune.

Whitewater Journal (III)

A DRIFT SOMEWHERE IN WHITEWATER — Now and then, on one of those rare days when no higher-up in the administration is submitting his resignation or answering a subpoena, a welcome full sets in, and hope springs ephemeral that Whitewater will just go away and never come back another day. Like the October Surprise, and Billygate, and forgotten non-scandals of other years. The administration and its more reflexive supporters do what they can to support this happy hope, whispering incantations that don't quite work. "Whatever you do, do not think of that purple elephant in the corner."

The technique may work for 24 hours, even 36, maybe 48, but soon enough the danged elephant lifts its trunk and trumpets unmistakably. ("Nussbaum, I know tell their side / Grand jury gets scoop on briefing" . . . "Senate votes, 98-0, to eventually hold hearings on Whitewater" . . .) Veteran journalists poo-poo the story, saying there's no story there and also it's been overplayed, but the thing won't die. On the contrary, just when it begins to fade, a George Stephanopoulos is subpoenaed, a David Hale makes a plea bargain, or the Securities and Exchange Commission opens a new front, or . . . well, what's on the front page today?

This is how trying to keep a scandal under wraps works: It doesn't. Light and ventilation might exercise whatever Whitewater is, but right now the public is being allowed only partial, sporadic glimpses under its many covers, and the public's suspicion grows in tandem with a kind of irritable boredom.

This is not the kind of atmosphere in which leadership thrives, or attention can be paid to basic reforms. A slick patina of scandal begins to adhere to all the rest of the news.

Sometimes it feels as though the country has entered a time warp. Is this 1964 or closer to 1974? Out of the Golden West of Yesteryear comes the image of Barry Goldwater, asking the opposition to lay off the president and let him do his job. Didn't he sympathize with the president in the early stages of Watergate, too? It's bad enough when the Muse of History repeats a few scenes, or replays a few notes from a familiar overture, but when it starts serving up the same cast of characters 20 years later . . . it's eerie. Cut it out, Clit!

Eventually, the senator and icon from Arizona did catch on to Richard Nixon, and urge him to make full disclosure. To quote Barry Goldwater's uninhibited lan-

Paul Greenberg



guage in a memoir about Watergate:

"I publicly asked the President to level with the American people on Watergate. Trying to move Nixon off his butt. I told the *Christian Science Monitor*: 'The Watergate. The Watergate. It's beginning to be like Teapot Dome. I mean, there's a smell to it. Let's get rid of that smell.'"

In December, during another interview with the *Monitor*, I tried again to get Nixon to open up by saying the President was doing too little, too late about Watergate. "He chose to dabble and dabble and argue on very nebulous grounds like executive privilege and confidentiality when all the American people wanted to know was the truth."

Whitewater, Whitewater . . . There's a smell to it. Instead of dabbling and dabbling and hiding behind a special prosecutor, and eventually being forced into full disclosure anyway, why not cut short this Chinese water torture, this unstoppable process of leak after leak after leak, and just try to tell the American people the truth?

Good ol' Barry Goldwater, he can't help but be revealing even when he wants his party not to be. Urging his fellow Republicans to lay off Whitewater, he told the press: "So far I haven't seen anything that convinces me that it's all that big." Do you think he means it smells only a little? And that the smell will get better if everybody pretends not to notice?

Who says Bill Clinton is some kind of spend-and-elect Democratic president? Just listen to him talk about what a waste of money a congressional investigation of Whitewater would be. On that subject he's a very New Democrat, maybe a budget-cutting skinflint Republican. Never has he been such an economizer. Who says the man hasn't matured in office?

Bernard Nussbaum, the happily former counsel to the president whose series of ethically numb judgments pushed Whitewater into a whole new embarrassing dimension, emerged from four hours before a federal grand jury in Washington to assure all in hearing that "I and everybody

in my office acted at all times [legally, ethically and in accordance with the high traditions of the bar.]"

What might those high traditions be, do you think? Pettifoggery and plea bargaining? Continuances and contingency fees? Earlier, Mr. Nussbaum had dismissed his critics as people who just don't understand what a lawyer is. Or is our problem that we understand all too well what too many lawyers have become?

For some mysterious reason, after watching Bernard Nussbaum expatiate on ethics outside a courtroom, a phrase of Winston Churchill's pops into irrelevant mind. Told that his reforms for the Admiralty would violate the traditions of the Royal Navy, he responded by inquiring just what those traditions might be — besides "rum, sodomy, and the lash."

What makes the difference between a scandal that stays and grows, and one that dwindles and disappears? Why did Watergate topple a president, and Billygate go away?

Kathleen Hall Jamieson — feisty and opinionated scholar of American rhetoric — answers the question this way: "What causes a scandal to take root is what involves a reader in an Agatha Christie novel: the anticipation that a full-blown plot is going to be revealed that is going to explain something to mankind, like venality, thwarted love or the corrupt use of power."

Whitewater keeps throwing off tantalizing hints and spin-offs worthy of Dame Agatha — well, of Ngaio Marsh — even if there's nothing behind them. Like mushrooms, a good juicy scandal grows best in some dank basement far from the light. And the longer it's kept in the dark, the more it will thrive. That's why those who first opposed a special prosecutor, and who now are trying to postpone the inevitable congressional investigation, do the Clintons no service. Nor has the Clintons' own resistance to public disclosure helped.

The president would do better to heed a not so subtle hint from Indiana's Lee Hamilton, chairman of the House Foreign Affairs Committee and good Democrat: "One possibility for getting this information out would be through congressional hearings." Soon, instead, this president, too, dabbles and dabbles while Whitewater mushrooms.

Paul Greenberg is editorial page editor of the *Arkansas Democrat-Gazette*.

Democrats are on the defensive

Taking an offensive tone is not the same thing as taking offensive action, so don't be too concerned about the harsh words attributed to U.S. Rep. Henry Gonzalez in letters to House Speaker Thomas Foley, D-Wash., and U.S. Rep. Jim Leach, R-Iowa, earlier this week.

He was just hacked off because the rising tide of the Whitewater scandal is at least mid-thigh now, and he and other Democrats in Congress are worried. Actually, congressional Democrats, taking their lead from the White House, are feeling very defensive right now.

Perhaps all those references to life inside the bunker that Hillary Clinton keeps making are finally getting to them.

On Monday, Gonzalez, the Texas Democrat who chairs the House Banking, Finance and Urban Affairs Committee, angrily canceled a Thursday committee hearing to review the operations of the Resolution Trust Corp., the agency created to clean up after the savings and loan debacle of the 1980s.

Gonzalez claimed he canceled the hearing because Republicans were planning to turn it into "a witch hunt in a circus ring." That nasty little remark was aimed at Leach, one of the most respected members of the U.S. House of Representatives, whose insistence on full public disclosure in the Whitewater-Madison affair is a little bit more democracy than wispy of his congressional colleagues care to embrace.

Gonzalez, aware that Leach wanted to call a number of people to testify about the defunct Madison Guaranty Savings and Loan Association and its

Meredith Oakley



association with Whitewater Development Co., wanted to postpone the inevitable as long as possible. He canceled his committee's Thursday "oversight" hearing, which is required by law to be held, and instead called for "full hearings" on Whitewater-Madison.

It was strictly a delaying tactic. Leach was coming to the Thursday hearing armed with stacks of relevant documents and a string of witnesses who were prepared to let a little light shine on Whitewater-Madison. The gambit appeared to work. Foley later said he and top Republicans would meet "in the near future" to discuss the details involved in hearings. No date for that preliminary meeting has been set.

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

In a letter to Leach, Gonzalez declared: "You obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure. 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 'donsnybrook,' I have no recourse but to postpone the hearing."

Neither did Gonzalez have any recourse but to call for full hearings; the Senate voted unanimously to do so last week.

Special Counsel Robert B. Fiske Jr., appointed by Auntie General Janet Reno to investigate Whitewater-Madison, has urged congressional leaders to refrain from holding public hearings about matters he is actively investigating.

The problem is that Fiske's authority is practically limitless in scope, and every time you turn around, another matter worthy of investigation rears its ugly head. As I noted Sunday, at the rate things are going, Bill Clinton will be halfway through his second term before Fiske can wrap up his inquiry.

Speaking of the president, he's not feeling so great himself these days. Witness his recent remarks, decidedly un-presidential, before Democrat and-or Clinton loyalists.

Engaging in a little of what Ron Fournier of The Associated Press called "poor-mouthing" at a \$3.2 million fundraising dinner in Florida on Monday, Clinton said that Republicans are "in a snit because they aren't in the White House" and so are trying to drive him out of it.

Seems to me he and Hillary are doing a fine job of that without any help from the GOP. If the Clintons' house of cards falls, they have no one to blame but themselves.

Associate Editor Meredith Oakley's column appears every Wednesday, Friday and Sunday.

'Painful' day for ex-judge, lawyer says

BY JOE STUMPE
Democrat-Gazette Staff Writer

David Hale, the former Pulaski County municipal judge who says his lending company improperly helped members of Arkansas' "political family," pleaded guilty to two felonies in federal court at Little Rock on Tuesday.

• Clinton considering news conference on Whitewater 12A
• Tucker says SBA has questioned loans made to his companies by Capital Management 12A

Hale's guilty plea was negotiated with special counsel Robert Fiske Jr. in exchange for his cooperation in Fiske's investigation of Whitewater Development Corp. and related matters. Hale admitted in court that he conspired to defraud the Small Business Administration and committed mail fraud.

"This is sort of a painful, embarrassing day for David Hale," Fiske's attorney, Randy Coleman of Little Rock, said afterward to dozens of reporters outside the federal courthouse. "I think it's sort of that way for the state of Arkansas, also."

"What this represents, I think, is a situation of business and political practices that have been condoned in this state for a period of time. People who have been in a position ... to stop things have not done so."

Fiske told U.S. District Judge Stephen Reasoner that Hale's cooperation will allow his office to fully investigate allegations Hale has made publicly — and also to investigate other allegations that Mr. Hale has made during the time he has been cooperating with us. "We want to," Fiske said. "In addition to prosecuting Hale, Fiske is investigating Whitewater Development Corp., the northern Arkansas land deal in which President an Hillary Rodham Clinton was partners with James and Susan McDougal — and Madison Guaranty Savings & Loan Association, the failed financial institution once owned by McDougal."

"We will certainly move forward with this plea," Fiske said.

Hale has said then-Gov. Bill Clinton, Jim Guy Tucker, who became governor in 1992, and McDougal pressured him to make government-backed loans they knew were fraudulent during the 1980s. At least four loans went to companies in which Tucker had ownership, and proceeds of another reportedly went to Whitewater. Hale's company, Capital Management Services Inc., operated under a program intended to benefit only "socially and economically disadvantaged."

"Fiske would not discuss what allegations Hale has made privately. Hale has been cooperating with the government since shortly after his preliminary hearing last month, Fiske said."

Hale, 62, was facing trial next week on charges of conspiracy to defraud the federal government and three counts of making false statements to the Small Business Administration. Those charges alleged that Hale misrepresented the amount of private capital held in November 1988 by Capital Management Services to qualify for a low-interest, long-term \$500,000 loan from the Small Business Administration, and that Hale misrepresented the status of loans he had made.

Each felony to which he pleaded guilty carries a maximum penalty of five years in prison and a \$250,000 fine.

The mail fraud charge, which had not been made public, alleges Hale made loans to various companies between 1988 and 1991 "in order to improperly benefit himself and various other people," and that in connection with that scheme, he mailed a fraudulent application for financing to the Small Business Administration in February 1988 and on other occasions.

Coleman confirmed that a \$300,000 loan to Masters Marketing, a company owned by Susan McDougal, is one of the acts covered in the mail fraud count. Reportedly, \$110,000 of that loan was deposited in the account of Whitewater and used to purchase 810 acres in southern Pulaski County, although the Clintons' role in the transaction, if any, is unknown.

Under the original charges, Hale could have faced up to four additional years in prison and \$500,000 in additional fines.

But Rusty Hardin, a member of Fiske's office who handled Hale's prosecution, said investigators are "gaining a great deal through a man who has extensive knowledge in the area we are investigating."

Fiske asked Reasoner to delay sentencing Hale for at least six months, "until he has had an opportunity to demonstrate his cooperation with the government," presumably by testifying before a special grand jury. Hale may also testify in trials. Fiske said, raising the distinct possibility that criminal charges against more people will be filed by his office.

Fiske said he would notify the court of the extent of Hale's cooperation prior to his sentencing.

Before accepting the plea, Reasoner noted that Larry Nichols, a former state employee who is a Clinton critic, had filed a document with the court

Tuesday charging the plea agreement was part of a "cover-up" to protect Clinton.

But, Reasoner said, "I am convinced that the investigation into this ... entire affair is enhanced by Mr. Hale's cooperation."

Hale answered in halting tones when asked several questions by Reasoner.

Reasoner asked Hale who got loans with the \$500,000 he fraudulently obtained. Hale named two of the companies — Insurance Economist and D and M Consulting. Nothing further could be learned Tuesday about the companies Hale named.

Reasoner ordered spectators, most of them reporters, to remain seated while Hale left the courtroom. Hale exited the courthouse by a rear door and was whisked away by an FBI

motorcade. A spokesman for the U.S. Marshal's office said extra security was requested by Reasoner because of the number of spectators.

Outside the courtroom, Fiske said the negotiated plea was initiated at his request after the preliminary hearing for Hale last month.

"We told (Coleman) we had an interest in working out a plea agreement with Mr. Hale, and he said he and Mr. Hale had an interest in doing that."

Coleman said Hale had wanted to cooperate with the government since before his indictment last fall. U.S. Attorney Paula Casey, a Clinton appointee, had rejected Hale's overtures for a plea bargain. "He has finally gotten the opportunity to do that," Coleman said.

House OKs vague plan for hearings

BY TERRY LEMMONS

WASHINGTON — The House bowed to intense political pressure Tuesday and voted overwhelmingly in favor of hearings into the Whitewater Development Corp. affairs. The vote was 15-13, with the House approving a plan calling for conducting Whitewater hearings at an unspecified future date. Democrats and Republicans both agreed to the vaguely worded plan, which mirrors a proposal approved last week by the Senate. The House plan, however, does not require the president and should not require Whitewater, neither does it allow the House to "call the president to the chamber." House Majority Leader Richard Gephardt, D-Mo., said.

Republicans praised the vote as they continued calling for President Clinton to fully disclose information on Whitewater.

"Better that we get our heads

together and agree, all agree, that we're going to have hearings and proceed in a very orderly manner," House Minority Leader Robert Michel, R-Ill., said.

Michel and Democratic leaders agreed that congressional hearings should not interfere with special counsel Robert Fiske Jr.'s investigation into Whitewater.

The House vote came as another White House aide subpoenaed by Fiske appeared before a Washington grand jury. Deputy Treasury Secretary Roger Altman testified about Whitewater-related meetings between Treasury Department officials and White House aides.

Democrats also agreed to let Republicans invite witnesses to a House Banking Committee hearing in which Whitewater questions are expected.

Republicans want 18 Arkansas, White House aides and federal officials to testify voluntarily before the committee.

The hearing, originally set for Thursday, was abruptly canceled Monday by committee chairman Henry Gonzalez, D-Texas. Rep. Jim Leach, R-Iowa, said the meeting might be reset for May or June.

Leach has spearheaded the Republican investigation into Whitewater, a Marion County real estate development along the White River.

The president and Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater. 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 issues Fiske is investigating. His investigation is based in Little Rock.

The House plan approved Tuesday called for "appropriate congressional oversight, including hearings" relating to Whitewater, Madison and Capital Management Services Inc.

Capital Management was run by former Pulaski County Municipal Judge David Hale. Hale pleaded guilty Tuesday in federal court in Little Rock to two federal charges relating to his use of federally backed loans from the Small Business Administration.

Hale has said Clinton, while Arkansas' governor, pressured him to make SBA-backed loans to a company run by Susan McDougal.

Only 15 Democrats opposed the House plan.

Arkansas' four members — Democratic Reps. Ray Thornton and Blanche Lambert and Republican Reps. Jay Dickey and Tim Hutchinson — favored the plan. Earlier this year, all four had opposed special congressional hearings into Whitewater.

Hutchinson, whose district includes the Whitewater property, called the plan an appropriate way of proceeding without interfering with Fiske.

"It's responsible, and it's the right step to take," Hutchinson said.

The freshman Republican said the House hearings should be conducted in a way that avoids creating "a circus atmosphere."

Hutchinson also called on Clinton to fully disclose his Whitewater role.

Lambert continued to express concerns that hearings might interfere with Fiske, saying she didn't "think there's a need for a congressional hearing until we've heard from the special counsel."

Congressional hearings could be a "waste of taxpayers' money," she said.

Just when hearings occur depends on negotiations between party leaders in the House and the Senate.

In the House, Democratic leaders stopped short of saying hearings were a certainty.

House Speaker Tom Foley, D-Wash., said the plan is "not a concession" that hearings will take place. Foley has adamantly opposed holding immediate hearings on Whitewater.

"We're going to make a good-faith effort to find a forum and a timing for this to go forward," Foley said.

Gephardt promised that Democrats would make an "iron-clad" effort to reach an agreement.

But Republicans seemed pleased by Tuesday's development.

"What this represents is the first bipartisan commitment to a bipartisan hearing," Leach said.

"I'm satisfied for the moment," Michel said.

In the Senate, Minority Leader Bob Dole, R-Kan., made the first proposal for a format of the Senate hearings. Dole

asked Democrats to agree to forming a special committee to investigate Whitewater.

The special committee's bipartisan members would include senators from several different committees with jurisdiction over various Whitewater issues.

But Dole said he didn't think an agreement could be reached with Democrats before the Senate begins a two-week recess later this week.

"It will take a while to put this together," he said.

Senate Majority Leader George Mitchell, D-Maine, said he had not seen Dole's proposal and could not comment on the plan.

But another Democratic leader, Louisiana Sen. John Breaux, was skeptical about the GOP plan.

"We don't need a special committee," Breaux said. "It's jurisdictional nightmare."

Reaching an agreement on the hearing format remains a hurdle that could stay in place for several weeks in the House and the Senate.

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

(ATTN: National editors) (Includes optional trims)

Former Judge Pleads Guilty in Whitewater Probe (Little Rock)

By William C. Rempel= (c) 1994, Los Angeles Times=

LITTLE ROCK, Ark. Former municipal judge David Hale, 56, an Arkansas political insider who claims that then-Gov. Bill Clinton pressed him to make improper government-subsidized loans in the mid-1980s, pleaded guilty to federal fraud charges Tuesday and agreed to cooperate with Whitewater investigators.

Special prosecutor Robert B. Fiske Jr., who has called Hale's allegations "fundamental" to his Whitewater inquiry, told U.S. District Judge Stephen M. Reasoner that Hale's cooperation assured that the claims "will be pursued thoroughly and vigorously."

The plea and cooperation agreement, which came the day before selection of a new grand jury panel, represents the first major development in Fiske's young investigation.

In a brief statement outside the courtroom, Fiske said Hale's cooperation "will be a significant contribution to our investigation." Rusty Hardin, Fiske's assistant, said Hale had "extensive knowledge in the areas we are investigating."

The agreement, reached after more than two weeks of daily private meetings between Hale and prosecutors, also seemed to add a measure of credibility to Hale's so-far uncorroborated story.

Hale's accounts represent the most serious allegations raised against the president. If proven, they could link Clinton to potentially criminal conduct at worst, allegedly using his influence to get federal funds channeled improperly into loans or investments that benefited Clinton personally.

Hale has told much of his story in lengthy interviews with the Los Angeles Times and other news organizations since his indictment in September. Tuesday, however, his attorney said Hale had already provided prosecutors with "a lot more detail" than he had disclosed to the news media.

"There are additional transactions that have not come out involving some of the same people and others," attorney Randy Coleman said. He declined to say whether any of those transactions involved Clinton or first lady Hillary Rodham Clinton.

Central to Hale's story, as publicly disclosed to date, is the allegation that in late 1985 and again around February 1986 Clinton asked him to make loans to James B. McDougal, the Clintons' partner in the Whitewater resort development in the Ozarks. According to Hale, Clinton asked him to "help Ji and me."

Hale at the time operated a Small Business Administration-backed fund called Capital Management Services Inc. Its purpose was to make venture loans to socially and economically disadvantaged borrowers.

In response to Clinton's request, Hale has said, he made a series of loans totaling \$700,000 to members of the Arkansas "political family." The loan applications, according to Hale, were prepared and referred to him by McDougal, then the owner of the failing Madison Guaranty Savings & Loan. None of the \$700,000 was ever paid back.

The largest of the loans \$300,000 was made to McDougal's then-wife, Susan, and records show that the check was cashed at Madison Guaranty. Hale concedes that the loan violated SBA rules.

(Begin optional trim)

Hale also says Clinton specifically objected to having his own name appear on any official documents, and so the loan was made in the name of Mrs. McDougal. According to the former judge, Clinton nonetheless offered to put up as collateral some raw land in the Ozarks, an offer that Hale declined.

McDougal denies that any such meeting or discussion ever took place. The White House has said that Clinton cannot recall asking Hale to make any loan.

McDougal does concede that \$110,000 of the funds borrowed from Hale were transferred into the Whitewater account of the Clinton-McDougal partnership and used to purchase land for another venture outside Little Rock.

(End optional trim)

In a previous interview, McDougal said he made the investment without consulting the Clintons. He said his intention was to try to bail out Whitewater by starting a successful development elsewhere. However, the new development failed and the land was repossessed.

Fiske, who is trying to determine if funds from Madison Guaranty were illegally diverted to prominent Arkansans, including the Clintons, said Tuesday "of course we're interested" in the Susan McDougal loan and its aftermath.

Under terms of the plea agreement disclosed Tuesday, Hale still faces the possibility of up to 10 years in prison and fines exceeding \$250,000.

Sentencing was delayed for at least four months to permit Fiske to complete the Hale-related portions of his investigation. At that time, government attorneys agreed, they will recommend judicial leniency if Hale's cooperation merits it.

phone with White House Chief of Staff Thomas "Mack" McLarty about disqualifying himself.

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

About the same time, Altman said: "I literally bumped into" former White House Counsel Bernard Nussbaum, who told the deputy Treasury secretary about the administration's plans to 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 Altman, who eventually disqualified himself from the Madison Guaranty case on Feb. 25.

In the wake of the House hearing vote, Foley said that he and House Minority Leader Robert H. Michel, R-Ill., would meet privately in the coming weeks to try to agree on a framework and timetable for congressional hearings.

But he and other Democrats warned they would not consent to hearings if it looked like they might turn into a partisan show trial at which Republicans will air unproven allegations in order to embarrass the president or stall action on health care and other legislative matters.

"While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber," said Majority Leader Richard A. Gephardt, D-Mo. "We have an obligation to ensure that our three-branch government does not become a three-ring circus."

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bc-whitewater-treasury correction a1847

Editors:

The following refers to WHITEWATER-TREASURY (Risen, Times), moved Monday:

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Due to an editing error, a Los Angeles Times story incorrectly implied that Deputy Treasury Secretary Roger Altman attended a now-controversial Sept. 29 meeting at which Treasury Department general counsel Jean Hanson briefed then-White House counsel Bernard Nussbaum on the Madison Guaranty Savings and Loan case, telling him that President and Mrs. Clinton would be mentioned as possible beneficiaries of illegal activities at the thrift. Altman did not attend that meeting, but did receive an earlier briefing from Hanson in which he was told a criminal referral in the Madison case was under consideration. Altman says he was not told substantive details of the case.

Los Angeles Times-Washington Post News Service=

**** filed by:LAWP(--) on 03/23/94 at 02:30EST ****
**** printed by:WHPR(162) on 03/23/94 at 03:38EST ****

bc-whitewater-hearings times

(ATTN: National editors) (Includes optional trims)

House Leaders Agree to Discuss Terms of Whitewater Hearings (Washn)

By Michael Ross= (c) 1994, Los Angeles Times=

WASHINGTON Increasingly concerned about the appearance of a cover-up, House leaders reached an agreement Tuesday to negotiate "an appropriate timetable" for public hearings on the Whitewater controversy.

The agreement, identical to a compromise worked out earlier in the Senate, later was ratified overwhelmingly by the full House in a 408-15 vote.

The timing, scope and avenue for the hearings were left undecided, however, and senior Democrats said later that the compromise struck with GOP leaders did not necessarily mean that congressional hearings would take place only that a "good faith" effort would be made in the coming weeks to agree on the terms.

"This is an agreement to discuss the possibility that hearings will be held ... not a concession that hearings will be held," House Speaker Thomas S. Foley, D-Wash., told reporters shortly before the vote.

However, with concern clearly growing among rank-and-file Democrats that opposition to hearings might be perceived as an attempt to withhold information from the public, many lawmakers said they thought that a congressional probe was inevitable now that the House has joined the Senate in calling for one.

The resolution calls for Congress to investigate "all matters related to the Madison Guaranty Savings & Loan Association, Whitewater Development Corp. and Capital Management Services Inc.," a fund operated by David Hale, who claims he made improper loans to the Clintons. The resolution was adopted only hours after Deputy Treasury Secretary Robert Altman became the eighth senior official to testify before a federal grand jury in Washington.

Whitewater special counsel Robert B. Fiske Jr. was expected to question him on his discussions with White House aides about the Resolution Trust Corp.'s investigation of Madison Guaranty, the now-defunct Arkansas savings and loan owned by James B. McDougal, one of Clinton's partners in the Whitewater land venture. Altman, in addition to his role as deputy secretary, also was acting head of the RTC when the meetings occurred.

The grand jury is one of two the other will be sitting in Little Rock, Ark. that Fiske is using to try to unravel a web of financial arrangements linking the bankrupt thrift to the Clintons through their failed real estate investments in the Whitewater venture.

The grand jury in Little Rock will probe allegations that depositors' funds were transferred improperly from Madison to Whitewater during the 1980s and may also have been used to help retire then-Gov. Bill Clinton's campaign debts. The jury in Washington is investigating suspicions that administration officials may have sought to delay or derail the RTC probe.

Leaving the courthouse after his testimony, Altman said he had laid out "all the facts" in the Whitewater case before the grand jury and stood "ready to do the same in any congressional inquiry."

(Optional add end)

Earlier Tuesday, the Treasury Department released a letter in which Altman again revised upward the number of contacts he had with the White House about issues related to Madison Guaranty. The revision was the third since Altman first testified on the issue before the Senate Banking Committee on Feb. 24.

Altman said he had more talks about whether to disqualify himself from the case involving Madison than were revealed in a letter released Friday by Alfonse M. D'Amato of New York, the senior Republican on the Senate Banking Committee.

According to the latest letter, the talks occurred at an earlier disclosed Feb. 2 meeting with White House aides. A few days later, Altman also spoke by

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Editors:

Los Angeles Times first-edition Page 1 for Wednesday, March 23, 1994:

Top of page:

Col 1: Feature on local high school.

Cols 2-4: Photo of survivors of Hebron massacre waiting to testify at Israeli inquiry. (Refers to MIDEAST-TIMES, inside).

Cols 5-6: The Federal Reserve Board moves to raise the short-term interest rates by 0.25 percent, the second such increase imposed by the central bank in six weeks on overnight loans between banks. (FED-TIMES, moved).

Above fold:

Cols 2-3: Defense lawyers challenging California's death penalty law run into a barrage of sharp questions from the Supreme Court, as the justices appear to reject the claim that the state's sentencing instructions are constitutionally vague. (COURT-TIMES, moved).

Col 4: California criminal defense lawyers are using the "Three Strikes" law to challenge the death penalty, contending the new sentencing scheme pre-empts capital punishment. (STRIKES, moved).

Col 6: Local phone companies are going to expand service and maybe add a little confusion in the bargain by adding an "overlay" area code to the three that already exist in metropolitan Los Angeles. (PHONES, moved).

Below fold:

Col 3: Walter Lantz, 94, who emerged from the ranks of animation's early pioneers to build a multimillion dollar cartoon empire and a respected worldwide reputation with the creation of an irascible woodpecker named Woody, dies. (LANTZ-OBIT, moved).

Cols 5-6: David Hale, one of President Clinton's chief accusers in the Whitewater affair, pleads guilty to two felony fraud charges and agrees to cooperate with the special counsel, who calls Hale's allegations "central" to his investigation of the matter. (WHITEWATER-TIMES, moved).

Bottom of page:

Cols 1-2: Feature on local author.

Cols 5-6: Mexican peace envoy Manuel Camacho Solis says he will not run for president, ending speculation he would use negotiations with Indian rebels as a platform for launching a campaign sure to split the ruling party. (MEXICO-TIMES, moved).

Sent: 10:13 p.m. EST. For questions, call (800) 283-NEWS, ext. 77832.

Los Angeles Times-Washington Post News Service=

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Stalked by ghosts of sleaze and greed

Now it is obvious why the Clintons were so enthusiastic about raising taxes on the "rich." They planned to evade them.

Sorry, that's a low blow. Although Money magazine found that the Clintons underpaid their taxes by \$16,000 over the last decade and now owe, counting penalties and interest, about \$45,000, the president explains that any errors "certainly were not intentional." And we should trust him, just as members of his party accepted the word of Reagan administration officials who were accused of various indiscretions.

Of course, since part of the underpayment results from improper deductions for the Whitewater investment, a matter under investigation by Special Counsel Robert Fiske, the president's mea culpa might reflect more a recognition that stonewalling is no longer an option than a selfless desire to ensure that he and Hillary contribute their "fair" share to the public weal. But then, contribute the president says they did, by paying taxes on the \$100,000 — nearly seven times the annual median family income at the time — earned by Hillary in the commodities market in 1978. Never mind the fact that the profits came on the advice of James Blair, an attorney for Arkansas' Tyson Foods, a major supporter of Bill's gubernatorial campaigns — which, in turn, received numerous favors from the state Clinton administration, including \$9 million in loans. The dealings were "perfectly legal," explains President Clinton.

What of Hillary Clinton's \$97,500 investment in a fund called ValuePartners, which allegedly went short on medical stocks while the first lady was bashing the health care industry? Share prices fell, though ValuePartners claims that it lost money overall. Not until midyear did she put the investment into a blind trust. Presumably the president sees no need to even comment here because of what he calls Hillary's strong "sense of right and wrong."

Not that there is anything wrong in principle with the Clintons seeking to earn money and shelter it from taxes. Yet their primary road to riches has been political cronyism and favoritism, using their business connections to make money and their political connections to protect their investments. None of

these activities, Whitewater or other, may have been illegal, but they look pretty sleazy, to borrow a term once routinely used by Democrats. And the appearance of impropriety has been greatly exacerbated by document shredding, file filching, and variegated stonewalling.

All of which makes insufferable the pious self-righteousness of leading Democrats, who have consistently criticized the 1980s as the Decade of Greed. Ironically, it turns out that, it was the Decade of Greed for members of this administration. Consider first family friend and Associate Attorney General Webster Hubbell, who may have padded law firm expenses. Then his firm, in turn, appears to have been guilty of a blatant conflict of interest involving Whitewater-tainted Morgan Guaranty Savings and Loan, only to be whitewashed by the Clinton Federal Deposit Insurance Corp. Presidential buddy Rep. Dan Rostenkowski, who won renomination

with Mr. Clinton's assistance, faces a possible indictment for converting public funds to private use.

Even worse is the first couple, advocates of "national service" and critics of greedy doctors.

They entered into exotic real estate deals, profited greatly from a crony's assistance in the commodities market, relied on state regulators to protect the S&L that aided their financial and political ambitions, and underpaid their taxes. Hillary alone earned more than \$200,000 annually as a lawyer, \$60,000 a year from corporate directorships, and a cool \$100,000 in one year from trading on the advice of her well-connected business friend. These people really are experts on the problem of avarice.

Still, the first couple refuses to accept responsibility for anything. It's all the Republicans' fault, says the president, even though it was not Republicans who set up Deputy Treasury Secretary Roger Altman's meetings with White House officials about Whitewater, allegedly pressured Resolution Trust Corp. employees to go easy in their probe of failed Madison Guaranty, cleared out the office of White House Deputy Counsel Vincent Foster after his suicide, shredded Whitewater documents at the Rose Law Firm, ensured the profitability of the Clintons' investments, or underpaid the Clintons' taxes. The only thing the Republicans have done is call for an investigation — something that congressional Democrats did on most any grounds, however specious, when Republicans occupied the White House.

There is little cause for joy in the capital today, for, as President Clinton has complained, we are seeing the "politics of personal destruction." But Democrats have been engaging in this brutal game for years. Today, at least, with a White House overflowing with greed, hypocrisy and sleaze, the targets are truly worthy of attention.

Doug Bandow, a senior fellow at the Cato Institute, is a nationally syndicated columnist.

Ironically, it turns out that, it was the Decade of Greed for members of this administration.

Inside Politics



Values 'mobilization'

The Clinton administration has drafted a plan urging a "national mobilization" against teen-age pregnancy and for such values as work, family and sexual abstinence.

The New York Times says the plan calls for President Clinton to conduct several "dramatic events" while creating a non-governmental agency to raise grants and send 1 million mentors to the 1,000 poorest schools.

"I think that what is important here is a Democratic president saying it," Heath and Human Services Secretary Donna E. Shalala told the Times. She said Democrats have been unfairly accused of neglecting such issues.

The Times, which obtained a draft copy of the plan, said it is "intriguing" for its adoption of "themes that Republicans have often used in contending that the Democratic Party lacks mainstream values." The administration is debating the plan.

Shredders

Clayton Lindsey and Jeremy Hedges, University of Arkansas fraternity brothers and part-time couriers at the Rose Law Firm, seem excited and frustrated by their notoriety for their shredding of documents.

"I wasn't out to get the president or anything like that," Mr. Lindsey told the Boston Globe. "I wasn't even doing anything unusual. ... I was just doing my job."

The two, who say they destroyed documents from the files of the late Vincent W. Foster Jr., have their own attorney and say they enjoy being courted by journalists and becoming local celebrities.

The downside? Reporters are always calling early in the morning. "I mean, we're college students who stay up partying sometimes until 3 in the morning, and then wake up a few minutes before class or work ready to go," Mr. Hedges said.

Today's quote

The New York Daily News quoted a Democrat close to the decision on whether Rep. Henry B. Gonzalez, chairman of the House Banking Committee, should have hearings on Whitewater: "Nobody wanted Henry to hold the hearings, because he was just going to gavel everything down" and embarrass the Democrats.

Hillary's flower

Hillary Rodham Clinton christened a magenta-and-white tulip named in her honor with a sprinkling of champagne, giggling with delight as it was presented to her on a silver platter.

The dainty "Hillary Clinton" tulip was dubbed an official breed by Adriaan Jacobovits de

Szeged, the Dutch ambassador to the United States. "I am thrilled," the first lady said after reading the traditional tulip toast.

The ambassador said it will be five years before fields of the special variety are developed. He did not point out that this means the Hillary Clinton tulip will not be available publicly until the next presidential term.

Blackmun goes on

While some court watchers see Supreme Court Justice Harry Blackmun's passionate dissent against capital punishment as a signal that he is getting ready to retire at 85, he continues to work 12-hour days.

The Wall Street Journal says he is contemplating whether to stay another term or two to complete his journey from a seemingly conservative Nixon appointee to the court's most outspoken liberal.

"Whatever he decides, it's clear he is out to make sure that people don't forget 'Old No. 3' — his self-deprecating reference to having been President Nixon's third choice to fill a court vacancy in 1970," Paul M. Barrett wrote.

California problems

Willie L. Brown Jr., veteran speaker of the California Assembly, told the New York Times that the White House ought to worry about state Treasurer Kathleen Brown's stumbling campaign for governor against GOP Gov. Pete Wilson.

If "Wilson wins, he runs in the presidential primary, and he's on the 1996 ticket, first or second spot," Mr. Brown said. "That makes California a whole lot harder for Bill Clinton to carry."

Hale credibility

There is some dispute over the credibility of former Judge David Hale as a grand jury witness. He is expected to testify that Arkansas Gov. Bill Clinton urged him to make illegal loans.

USA Today says the former municipal judge has a reputation for shady dealings and quotes Max Brantley of the Arkansas Times as saying he is perceived in Little Rock "as a disreputable character."

The New York Post, however, quotes a Justice Department source as saying Mr. Hale is a strong, "credible" witness against Mr. Clinton.

Mr. Hale was appointed a Little Rock judge in 1979 and handled traffic violations and misdemeanors. He won re-election until resigning that \$59,600-a-year job after his 1993 indictment on federal fraud charges.

In 1979, he created the only Small Business Administration-licensed firm in Arkansas that could lend money under a federal program for minorities.

He is accused of distributing much of that money to Little

Rock's white elite. He says he made an inappropriate loan of \$300,000 to Susan McDougal, a partner in the Clintons' Whitewater venture, at Mr. Clinton's urging.

Stern makes move

The only people with worse poll numbers than Democratic Gov. Mario Cuomo of New York are his opponents.

A Zogby survey shows that 62 percent of registered voters think it is time for someone new. The new guys, however, such as GOP state Sen. George Pataki, have no more than 8 percent support.

As Mr. Cuomo easily won all matchups in the poll, radio shock jock Howard Stern announced his intention to run as a Libertarian. Yesterday he discussed his photo-op strategy.

"See if you can get me some blacks to stand by my side. ... Get a Chink — an Asian, whatever. ... Get me two of everything. ... I really want to win this. ... How about some mid-gests?"

Moseley-Braun probe

The state of Illinois is investigating a transportation contract awarded to a friend of Sen. Carol Moseley-Braun's while she was a state lawmaker, an official said yesterday.

The friend, Ronald W. Killebrew, got the \$29,728 contract in 1988 after Mrs. Moseley-Braun introduced him to transportation officials and recommended him for a full-time job.

Under the contract, Mr. Killebrew was to find and refer minority contractors to the Transportation Department for work on a Chicago project. A review suggests he did not fulfill terms of the agreement.

State records show that for seven of the 12 months he held the state contract, Mr. Killebrew had checks mailed to Mrs. Moseley-Braun's apartment, where he lived temporarily. At least one check for \$2,873.25 was cashed by Mrs. Moseley-Braun.

Moseley-Braun spokeswoman Lynette Moten said the Democratic senator cashed the check as a favor and took none of the money. She said Mr. Killebrew didn't have a checking account.

Replacing Hubbell

In the aftermath of Webster Hubbell's departure from the Justice Department, friends of Attorney General Janet Reno's lament her loss of a conduit to the White House, from which she seems increasingly distant.

An official who asked not to be identified told the Boston Globe, however, that her chief challenge is to find someone who is as adept as the outgoing associate attorney general in juggling the job's multiple demands.

Observers also note that despite her loyal support for President Clinton's get-tough policies, her efforts as a Florida prosecutor focused on preventive measures against crime.

Concerns of this sort prompt people such as Sam Dash, a Watergate prosecutor who has known her for years, to tell the Globe: "I would like her to be more outspoken. To some extent, the president has silenced her."

Kinsley gives up

Liberal columnist Michael Kinsley says that like all good Clinton supporters he racked his brain for plausible reasons why there should not be congressional hearings on Whitewater.

"Hmmm ... let me ... Would interrupt the afternoon soaps; Representative Jim Leach is running out of sanctimony? Heck, I give up. ... Evidently congressional Democrats are having no more success. I am."

Mr. Kinsley added, "This is Washington's first great ox-goring festival since the 1800s. Congress reoccupied the White House, and politicians of both parties are struggling with their new lines."

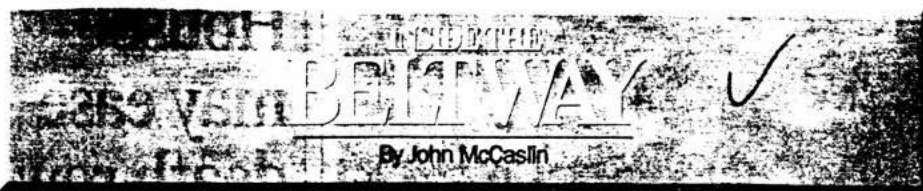
On script at h

Since young Jack Kennedy returned from World War II, a line of Kennedy aides — strikers — with various degrees of access — to manipulate the image the family presents to the public reports the Boston Globe.

Sen. Edward M. Kennedy is an exception, say the Globe's John Aloysius Farrell and Frank Phillips. In Massachusetts, the five-term Democrat appears wary of unrehearsed performances or unscripted access to the p

"Kennedy's press conference in the state are short thematic. His appearances are choreographed to cast him as a Washington heavyweight and Clinton ally who is bringing universal health and jobs to the commonwealth." The Globe quotes analyst Lou DiNatale, who says the senator runs an "imperial candidacy" that escapes the accountability expected of other candidates and exploits the rich mythology of the family's past.

"His is a symbolic candidacy and it has been for 20 years. The question is, is the symbolic nature of his candidacy p



Shocking fellowship

Folk singer and populist politico Michelle Shocked, who on the eve of George Bush's inauguration performed at the radical Christic Institute's "Inaugurate the Truth" concert here in Washington, has been named a regional finalist for a White House fellowship.

Miss Shocked, who ran away from home at 16 after her mother had her committed to a mental institution, was discovered at a folk festival in 1986 while a "squatter" — a member of a political movement that mobilizes the homeless to occupy abandoned buildings until evicted by officials.

Regarded as rough-edged but highly successful in her profession, Miss Shocked, 31, is "among the regional finalists competing for places in the 1994-1995 class of White House Fellows," the White House said.

White House Fellows spend a year working as full-time paid assistants to the vice president, senior White House staff, Cabinet officers and other top government officials. Past fellows include Gen. Colin Powell, former chairman of the Joint Chiefs of Staff.

A native of Texas, Miss Shocked has lived in New York, Amsterdam and San Francisco, where she was arrested after struggling with riot police at a political protest. A photo of that struggle is on the cover of her second album, "Short Sharp Shocked."

R-E-L-I-E-F

President Clinton hardly lets a day go by without taking a shot at the press, which, Lord knows, deserves it on general principles.

But the president rarely takes a shot as pointed as he did one day last week when reporters accompanying him to a printing plant in Keene, N.H., asked him for reaction to Rep. Lee Hamilton's call for congressional hearings to look into Whitewater.

"I don't know," the president replied. "What did he say?"

One of the reporters quoted Mr. Hamilton's remarks.

"That's a discussion he ought to have with the special counsel," the president said, testily. He turned away and — according to the press pool report written by



Michelle Shocked would likely add diversity to White House Fellows.

the two reporters assigned to accompany the president — "emitted what the pool believed to be a flatulent sound and then turned back toward the pool and said, 'We've cooperated.'"

Lula's defense

Lula Rodriguez — a senior adviser at the U.S. Information Agency who resigned as a top assistant to Attorney General Janet Reno in January while under investigation for unethical conduct — said yesterday she's never acted improperly and denied being "a political opportunist."

We revisited Miss Rodriguez's story this week on learning that the former Reno scheduler secured a \$78,682-a-year post at the USIA on leaving Justice.

"This [USIA] job was offered to me a while back," Miss Rodriguez said in an interview yesterday. "I never came up to Washington to be chief of staff to Janet Reno. I never planned to stay at the Department of Justice. I stayed to help Janet. We are friends. We have known each other for years in Florida. I am not here as a political opportunist."

Miss Rodriguez acknowledged that while employed at Justice she helped for three days in the Florida campaign of her brother-in-law, Hialeah Mayor Raul Martinez.

"I didn't go [to Florida] on gov-

ernment time. I took vacation time," Miss Rodriguez said. "I worked only one weekend and took only one day's leave. This was not an election covered under the Hatch Act. It was a nonpartisan municipal election."

Mr. Martinez was re-elected to a four-year term, even though a federal judge had given him a 10-year sentence on a 1991 conviction on federal racketeering and extortion charges. Last month, the 11th U.S. Circuit Court of Appeals in Atlanta reversed the 1991 conviction, saying Mr. Martinez's jury was subjected to outside influences that may have prevented it from being fair.

Miss Rodriguez yesterday blamed the mayor's "losing opponent," Nilo Juri, for spreading untruths. Mr. Juri filed suit challenging Mr. Martinez's 273-vote victory, questioning the validity of some absentee votes. He noted that Miss Rodriguez, while working on the campaign, witnessed 11 absentee ballots.

"It was a very contested, tight election, and I can understand how someone can feel bitter at that point," Miss Rodriguez said, declining to cite Mr. Juri by name.

Back to the Cold War

Last year, as part of the Clinton administration's be-nice-to-the-Russians program, the Pentagon took the unprecedented step of issuing building passes to two Russian defense attaches, who happened to be agents of the GRU military intelligence service.

The passes gave the Russian spies unescorted access to the Pentagon, while it was hoped Moscow's Defense Ministry would give U.S. military attaches the same courtesy.

In light of the spy case involving accused Moscow mole Aldrich Hazen Ames, charged with selling CIA secrets to Moscow since 1985, we wondered whether the Defense Department is still permitting the GRU access to the Pentagon.

Not to worry, says Lt. Col. Stephanie Hoehne, a Pentagon spokeswoman. She tells us the Russians, way back on Aug. 9, turned in their passes "voluntarily" after their country decided against giving U.S. agents access to the Defense Ministry.

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