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HEADLINE: PERSPECTIVE ON WHITEWATER;
A DIVERSION THAT'S COSTING US ALL;
THIS MEDIA-DRIVEN INQUEST IS REMINISCENT OF THE WITCH HUNT THAT DISTRACTED OUR
TOP AIDS RESEARCHER FOR FOUR YEARS.

BYLINE: By DEBORAH TANNEN, Deborah Tannen is University Professor at
Georgetown University and author of You Just Don't Understand: Women and Men in
Conversation (Ballantine).

BODY:

As the Whitewater teapot is whipped into a tempest, let us consider the case
of Dr. Robert Gallo.

Gallo is the American virologist who co-discovered the human immunodeficiency
virus, which causes AIDS. He is also the one who developed the technique for
studying T-cells which made that discovery possible, and taught it to other
labs, including that of Luc Montagnier, the Frenchman who then independently
identified the virus. Most important, Gallo developed the test to detect HIV in
blood. But, as Nicholas Wade explained recently in the New York Times Magazine,
Gallo became the object of a fou
had stolen the AIDS virus from M
Gallo had done nothing wrong. No
a happy ending. Never mind the p
he should have been praised. Nev
painful years and horrible years
this top-ranked researcher had t
of fighting AIDS.

This diversion from the task
Whitewater. And the victims are
its citizens -- and, since the U
the world. The Whitewater investigation is taking the time and attention of the
President and of Hillary Rodham Clinton, the person primarily responsible for
addressing one of the most significant problems facing our country, health care.
It is time necessarily taken away from what they should be doing -- and what we
desperately need them to be doing. As investigations and headlines proliferate,
and members of the White House staff are hauled in for questioning or forced out
of their jobs, it is no surprise to read in Newsweek that "Inside the
Administration there is a looming sense that its entire domestic agenda is at
risk."

This is not to say that any President or public figure should be above
criticism. If wrongdoing surfaces, of course it is the responsibility of the
press and the opposing party -- indeed, of the party in question -- to
investigate the matter. But Whitewater did not come to light because it had
ramifications in public affairs. It was dragged to light by reporters digging

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Bill Led Three Lives

The abiding mystery of the president's multiple-personality disorder

BY JOE KLEIN

THE PRESIDENT LEFT FOR A VACATION THIS WEEK, thank God. The endless soap opera was getting to be a bit much. Washington was twitchy with rumor, overwhelmed by innuendo, overdosed on the continuing saga. A Clintonless week was indicated and, if recent history is any guide, a wise tactical move. Vacating is something this president has done quite successfully. The last time he went away—to Martha's Vineyard in August, after the grueling budget melodrama—his poll ratings began to rise. A grateful nation seemed to say: thanks for getting out of our face. He returned to launch his finest season in the White House, an autumn in which he resembled the first, best Bill Clinton: the moderate Southerner who led the National Governors' Association and the Democratic Leadership Council, a bipartisan coalition-builder, hip to the latest in post-ideological policy thinking. He launched the "reinventing government" campaign, fought the good fight on NAFTA, gave a stirring health-care speech and began a more honest national discussion of race, speaking frankly about the impact of out-of-wedlock births on the black community.

That was the Bill Clinton who had campaigned for the presidency, and won. Unfortunately, the president appears to be the victim of a multiple-personality disorder—he has at least three public personas—and the others aren't nearly as winning as the first. A second, more traditionally liberal Clinton emerged during the transition and dominated his first six months in office. This Clinton hired a cabinet (and filled an administration) by gender and ethnic quota. This Clinton got caught up in the "gays in the military" mess and slavishly attended the congressional leaders he'd studiously avoided during the campaign. In fairness, he was forced into more strident partisanship by the Republicans, who adamantly refused to cooperate in the budget process. But still: Clinton seemed to get lost. He hung out with the Hollywood crowd. He allowed the remarkable, ridiculous—and now, almost entirely irrelevant—Health Care Task Force to be created. He slouched back toward the friends, and anachronistic politics, of his Oxford and Yale Law School days.

Over time, a third Clinton has come into focus. This one is the likely suspect in the Whitewater inquiry, a pragmatic power politician who did whatever necessary to get and keep office in Arkansas. This Clinton played America's favorite local political game with gusto, granting low-interest loans to not-very-needy business interests, who in turn contributed generously to his political campaigns. This Clinton snuggled up close to the Arkansas oligarchs, the bond daddies and chicken pluckers—and never quite escaped the orbit of the shadowy Stephens brothers, Witt and Jackson, who owned and operated one of the great American fortunes. Some of these connections were explored cursorily

during the 1992 campaign. They would be of only marginal interest now, but for three factors: the lingering doubts about the president's character, the First Family's initial reluctance to release Whitewater information—and the disastrous decision, long touted by *The Wall Street Journal*, to bring the Little Rock courthouse crowd up to Washington to help run the country.

The three Clintons are not mutually exclusive; there is cross-pollination. One reason the president remains so devoted to his annual Renaissance Weekend may be that it is one place his three lives commingle—former New South governors and DLC types like Richard Riley sup with FOBs like Ira Magaziner and Arkansas oligarchs like Don Tyson. But life doesn't imitate Renaissance. The president's ability to swim so effortlessly in different waters would be an admirable trait—if it weren't carried so often to excess.

Inner circle: One conclusion seems obvious: the moderate, bipartisan Clinton is the only persona that *hasn't* brought him political grief. It has, in fact, been his refuge when times got tough. It is therefore rather strange that Clinton has stocked the administration primarily from his *other* lives. There is no "New Democrat" guru in the inner circle. Worse, there's a sense that "moderate" issues like crime and welfare are useful mostly to build support for "liberal" issues like health

care—and a belief the centrist coalition that passed NAFTA was an exception rather than a model. A clearer commitment to creative centrism wouldn't have saved the president from his current dilemma, but one wonders if a more ecumenical cast in the White House might have mitigated the bunker mentality that fed this disaster. (The need for a more professional staff goes without saying.)

Another "obvious" conclusion is more risky: one has to wonder about Hillary Rodham Clinton. She has had a central role in two of her husband's three public lives. Guess which two. "We never saw much of Hillary," says a DLC stalwart. While he chaired the Governors' Conference, she chaired the Children's Defense Fund. Of more immediate interest, she is the only former Rose Law Firm partner who hasn't left town or been demoted—and, by her own admission, she was reluctant to indulge the media's Whitewater fixation. It's probably too easy to caricature her as relentlessly tugging the president to the left—she's a pragmatist, not a communist—but she may well be the most influential of the many insiders who disdain the DLC, and see Clinton's "New Democrat" persona as a tactic rather than a strategy. The combination of liberalism, legalism and her profound mistrust of those outside the inner circle probably hasn't served the president well. But it's hard to say. The precise nature of the Clintons' relationship remains the abiding enigma of this administration, the missing piece to every puzzle, the reason why we can't put this mystery down.



An abiding enigma: Back in Arkansas

The moderate Clinton is the only persona that hasn't brought him grief



Cycle of dependency: 33 percent of all U.S. births last year were to women on Medicaid

The Infertility Trap

Welfare: Why do some state Medicaid programs help single mothers have more babies?

USUALLY, WHEN MASSACHUSETTS state Rep. Ronald Gauch holds monthly office hours in Shrewsbury, he hears complaints about budget cuts or potholes. But last month constituents had a more startling grievance. They told him that Massachusetts's Medicaid program was paying for welfare mothers to receive fertility drugs. At first, Gauch said, he found it "hard to believe." Then he checked state records and confirmed that Medicaid spent \$46,000 last year for two drugs, Clomid and Serophene, that are prescribed only to treat infertility. Of the 260 state Medicaid patients who received the drugs last year, 58 percent were on AFDC—the Aid to Families with Dependent Children program that covers mainly single mothers—and 63 percent already had children. In fact, two of the women already had eight children each. Massachusetts's Republican Gov. William Weld abruptly banned the drugs from the state's list of Medicaid-approved medications. Democratic Sen. Edward Kennedy agreed, saying: "Our goal in using tax dollars wisely is to reduce welfare dependency, not create more of it."

At a time when Congress, President Clinton and state legislatures are pushing welfare reform, it hardly seems prudent to add more children to the rolls. But Massachusetts isn't alone. A nationwide count by NEWSWEEK revealed that 11 other states offer some form of fertility assistance

through Medicaid (chart). Six other states—Maine, Wisconsin, Alabama, Connecticut, Montana and West Virginia—have ended such coverage in the last two years. The amount of money is fairly small. Nationwide, the cost of supplying the drugs and treatments is probably less than half a million dollars annually. But because the federal government pays 90 cents of every Medicaid dollar states spend on "family-planning services," U.S. taxpayers fund the vast majority of fertility assistance. And the related costs run much higher. Fertility drugs increase the risk of multiple births and low-birth-weight babies, who can have extremely costly medical problems. As it is, 33 percent of all U.S. births last year were to mothers on Medicaid, and each new welfare baby fuels the cycle of public dependency, requiring more welfare payments, food stamps and other benefits.

Medicaid funding of fertility services raises philosophical questions as well: Is every woman entitled to bear a child, even if she can't afford to raise one? Can the government deny people the

chance to have children, simply because they are poor? Some critics of Weld's action argued that not all Medicaid recipients are unwed welfare mothers—some are working couples who are between jobs or who just don't earn much money. "This is really welfare-bashing—it's a question of treating people equally," says Robert Restuccia of Health Care for All, a consumer group. Officials at Resolve, Inc., a Massachusetts-based infertility support group, point out that even women who already have children can have difficulty conceiving again, and they argue that infertility should be treated like any other medical problem. Dr. Alan DeCherney, president-elect of the

American Fertility Society, sees civil-liberties problems in cutting off fertility aid: "We're making a decision based on a patient's socioeconomic class." On the other hand, he notes that many private insurance plans don't cover infertility services—"so why should a poor person have that benefit paid by taxpayers?"

Optional services: Not surprisingly, conservative advocates of welfare reform are appalled at the idea of government subsidizing fertility aid for the poor. "It's morally irresponsible for someone to have a child and expect someone else to raise them," says Robert Rector of The Heritage Foundation. He urges the Clinton administration to remove fertility treatments from the list of optional services federal Medicaid will match, if states decide to offer them. But U.S. Medicaid director Sally Richardson says she won't press for such a move: "I

think states should have the right to choose how they want to target their dollars."

Most states that cover fertility services under Medicaid aren't specifically trying to promote fertility—they've just traditionally covered most FDA-approved drugs whenever a doctor has prescribed them. But some states have concluded that the practice makes no sense. "We think that there's a real inconsistency between covering infertility drugs and trying to move recipients in the direction of more self-reliance," says Claudette Beaulieu of the Department of Social Services in Connecticut, which stopped covering fertility drugs in 1992 and will begin limiting the

Permissive States

Infertility Assistance to Medicaid Recipients

Drug treatment: Hawaii (also pays for artificial insemination), Iowa, Louisiana, Minnesota, New Hampshire, New Jersey, New Mexico, New York, Oregon, Pennsylvania

Reversal of tubal ligation and vasectomy: Maryland, New Jersey, New Mexico

Canceled assistance this year: Maine, Massachusetts, Wisconsin (all pay for drug treatment only)

The Clinton-Fiske face-off

Where the special prosecutor is heading, and what the president is going to do about it

In March of 1979, just three months before the now very infamous Whitewater Development Corp. came into being, David Hale was licensed by the Small Business Administration to begin making hundreds of thousands in taxpayer-guaranteed loans to underprivileged men and women who wanted to start their own businesses. Hale was a pillar of Little Rock. A onetime prosecutor and national head of the Jaycees, he was appointed to a

able to directly implicate the president and Hillary Rodham Clinton.

President Clinton, clearly, does not see that happening. In yet another demonstration of his extraordinary political resilience, at a prime-time press conference last week—only the second of his presidency—he delivered a highly specific and spirited defense of his and his wife's investment in the Whitewater venture and of the manner in which they handled it in their tax accounting. The president fessed up to an accounting error on Whitewater: He said they had lost approximately \$22,000 less than the \$68,900 they had originally claimed as their loss on the failed real-estate venture. Late in the week, Clinton also unveiled tax returns for 1977, 1978 and 1979, providing for the first time a complete picture of the family's finances for the full period he has served in public office.

Will it be enough? As persuasive as the president's defense was, there is no doubt that Whitewater is harming his administration. In a surging



Prosecutor. Fiske will seek ways to hear from Clinton.

municipal judgeship by then Gov. Bill Clinton. Instead of making loans to disadvantaged borrowers, however, Hale started spreading the money around to Arkansas's business and political elite.

Thanks to a plea agreement negotiated last week, David Hale today is a federal felon, and his story would amount to no more than another sorry morality tale if it weren't for this fact: If there really is any criminal wrongdoing at the bottom of the hopelessly tangled Whitewater affair, David Hale is one of the two or three witnesses who might be

ing economy that should be driving his approval rating higher, polls show it has fallen between six and 12 points in the past month alone; worse, the president's disapproval ratings are climbing. Most of those surveyed say they believe the Clintons are guilty of some wrongdoing in the Whitewater affair.

Whether or not they are will be determined by Special Counsel Robert Fiske, and his investigation is the reason the Clintons may be unable to shake the Whitewater albatross in the months to come. As early as this week, Fiske may



President. After a bravura press conference

call David Hale to testify before a grand jury in Little Rock. But that is just the beginning. In addition to the 12 White House and Treasury Department officials already subpoenaed by a Whitewater grand jury in Washington, Fiske and his team have dished out an additional 150 subpoenas for witnesses and documents related to the Clintons' Whitewater investment, loans made by Hale and his companies and still more loans made by the Clintons' former partner in Whitewater, James McDougal.

The fourth Whitewater partner,

WASHINGTON WHISPERS

AMES spy scandal claims first victims at CIA

WHITE HOUSE strategy struggle: Carville-Begala versus Gergen

SOCKS'S lifestyle hits a new low

■ **Cautious exit.** When the last American forces left Somalia last week, the final unit to board the ships was a detachment of M1A2 tanks, which departed with gun turrets armed and pointed toward the shore. The precaution—personally ordered by Defense Secretary William Perry—was taken to guard against any last-ditch attacks by Somali gangs and to avoid any resemblance to the humiliating abandonment of the American Embassy in Saigon in 1975, when several South Vietnamese were photographed clinging to the landing gear of an airborne U.S. helicopter.

■ **Heads start to roll.** The Aldrich Ames spy scandal has claimed its first victims at the CIA. Intelligence sources say that under fire from Director James Woolsey, two senior officers are taking early retirement: Thomas Twetten, a veteran Mideast hand, until recently head of operations, and Bonn station chief Milton Bearden, who as head of operations in the Soviet/East European Division put Ames in charge of its counterintelligence staff. Meanwhile, the CIA's review may result in a rare action: criminal prosecution of agency officials considered negligent for not catching Ames sooner. Among the subjects probed: the conduct of Ames's superiors; whether co-workers may have known that he possessed classified files to which he was not supposed to have access; whether his polygraphs were properly administered, and if any CIA personnel blocked efforts to check his conspicuous consumption, such as his acquisition of a Jaguar sedan and his cash purchase of a \$540,000 home. But Dennis DeConcini, Senate Intelligence Committee chairman, attacked Woolsey for opposing a legislative provision extending the FBI's counterintelligence authority. DeConcini told U.S. News his proposal would help unmask spies. "He wants to protect that agency," DeConcini charges. "Woolsey may be the wrong guy for that agency." The CIA had no comment.



Accused spy Aldrich Ames

The high price of conspicuous consumption

■ **Novel theory.** Investigators combing through the wreckage of the Ames case also are searching for evidence that the accused spy's wife, Maria, may have been a Soviet double agent. She was recruited by the CIA in Mexico City in 1982 to help U.S. spies gain access to the Cuban Embassy, in part because her Colombian mother was a friend of novelist Gabriel García Márquez—a favorite of Fidel Castro. But the FBI has found that in 1984, a Soviet spy in the Mexican capital in charge of recruiting Americans was given the KGB's second-highest decoration. Now the FBI wants to know if the decoration was awarded for enlisting Maria Ames—and whether she, in turn, led her husband to the Soviets.

■ **Divided counsel.** With the White House still unable to extricate itself from the swirling Whitewater controversy (story,

Page 20), the president's advisers are more deeply divided than ever over how the Democrats can stave off a debacle in this fall's congressional elections. One faction, led by veteran campaign advisers James Carville and Paul Begala, is counseling Clinton to turn sharply partisan and to launch hard-hitting attacks on such outspoken congressional Republicans as Senate Minority Leader Bob Dole and Rep. Newt Gingrich, the presumptive GOP House leader. The suggested issue: the GOP's alleged stonewalling on health care reform. But another camp of advisers—this one led by counselor David Gergen—argues that the president desperately needs Republicans to pass his legislative program and that it would be political suicide to unleash campaign-style oratory at this juncture. Clinton seems to shift from one camp to the other and sometimes winds up squarely in the middle.

■ **Planners' decline.** Although the Clinton State Department is accused of lacking a coherent foreign policy, Secretary Warren Christopher is gutting the one office most responsible for long-range strategy: the policy planning staff. Under its new director, James Steinberg, the office will lose as many as five personnel slots—and also much of its traditional independence. Steinberg, who replaces the ousted Sam Lewis, will report to Strobe Talbott, the department's recently appointed No. 2. The planning staff, once directed by such eminent diplomats as George Kennan and Paul Nitze, has long been one of the State Department's most prestigious divisions. Now its staffers lament that though they sought to join the planning staff to be "present at the creation," they have instead ended up being "present at the cremation."

■ **A dog's life.** Not only does Socks, the White House cat, endure the humiliation of spending hours at the end of a leash, but now he is being forced to spend nights in the White House subbasement. Insiders speculate that Socks has been exiled for the same reason that he was once sent to the guard house at the governor's mansion in Little Rock: Bill Clinton is allergic to cats. Neel Lattimore, a spokesman for Hillary Rodham Clinton, would not confirm the speculation, but he confidently assured America's cat lovers that "Socks has the life we all want." In the subbasement?

EDITED BY CHARLES FENYVESI

By **GEORGE J. CHURCH** and
MICHAEL KRAMER

“WE CERTAINLY KNOW that no one in the White House, at least to the best of my knowledge, has tried to use any information to in any way improperly influence the RTC or any federal agency.” So said President Clinton last week in his televised news conference—but his words do not quite jibe with a story that special counsel Robert Fiske and a Whitewater grand jury were hearing almost simultaneously. Fiske’s probers, *TIME* has learned, are weighing charges that White House aides tried—though unsuccessfully—to force the firing of the lawyer heading a civil investigation for the government’s Resolution Trust Corporation that is closely related to the Whitewater affair.

If those charges can be proved, they could harm the President far more than the

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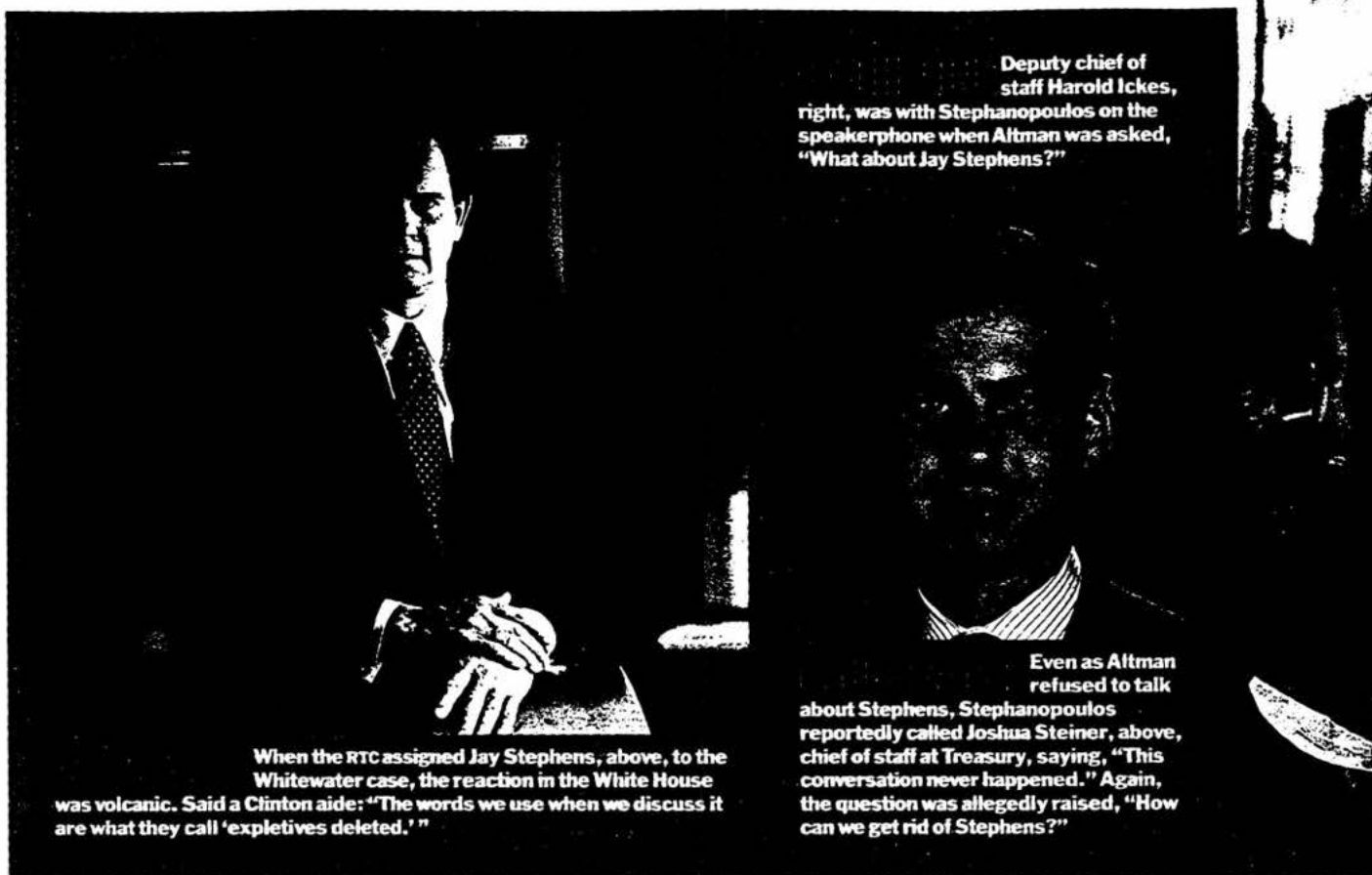
s tried to get a Whitewater prober dismissed

ones he tried to turn aside in his news conference—rated even by Republican foes as an impressively smooth performance—or the accusations leveled by G.O.P. Congressman Jim Leach in a speech hours earlier on the House floor. The new charges involve not what obscure Arkansas wheeler-dealers did 15 years ago but what was said as recently as late February by George Stephanopoulos, the President’s most trusted political adviser after his wife and the Vice President. And the story brings up the dread words obstruction of justice—even in the minds of Administration officials. Says one: “Based on the facts we believe Fiske has developed during his grand jury sessions, it’s possible that at least one and perhaps several Section 1505 indictments could issue.” Section 1505 of Title 18 of the U.S. Code brands any attempt to “influence, obstruct or impede the due and proper administration of the law” a crime punishable by imprisonment as long as five years.

More important still will be inquiries into what events inside



Stephanopoulos, left, is said to have discussed getting rid of an RTC lawyer whose past was perceived to be inimical to the President’s interests.



Deputy chief of staff Harold Ickes, right, was with Stephanopoulos on the speakerphone when Altman was asked, "What about Jay Stephens?"

When the RTC assigned Jay Stephens, above, to the Whitewater case, the reaction in the White House was volcanic. Said a Clinton aide: "The words we use when we discuss it are what they call 'expletives deleted.'"

Even as Altman refused to talk about Stephens, Stephanopoulos reportedly called Joshua Steiner, above, chief of staff at Treasury, saying, "This conversation never happened." Again, the question was allegedly raised, "How can we get rid of Stephens?"

the White House propelled the angry calls to the Treasury officials. Did President Clinton ask that his aide make the calls, or was Stephanopoulos acting purely on his own initiative? Asked by *TIME* on Saturday whether Clinton had requested him to initiate the discussions about Jay Stephens, the lawyer in question, Stephanopoulos replied with a quick and emphatic "No."

Earlier, White House chief of staff Mack McLarty told *TIME* that Stephanopoulos had spoken to the President on Friday and that "to the best of my knowledge," it was the first time they had discussed the calls relating to Stephens. McLarty added that though he had complete confidence in Stephanopoulos, he was asking newly appointed White House counsel Lloyd Cutler to launch a detailed review of the whole affair. The chief of staff put out a formal statement to the daily press asserting that Stephanopoulos and White House deputy chief of staff Harold Ickes "have no recollection of asking anyone" to fire Stephens and pointing out that Stephens "is continuing to conduct his inquiry for the RTC." But, the Associated Press reported Saturday, top RTC officials were informed about the White House calls and briefly considered removing the lawyer.

Stephens is in fact still investigating the collapse of Madison Guaranty Savings and Loan for the RTC, the government body that cleans up the affairs of failed S&Ls, in part to look for evidence of fraud that would enable the RTC to file civil claims to recover some of the \$47 million that Madison's failure cost taxpayers. That probe would almost inevitably delve into the alleged flow of money between Madison and Whitewater Development Co., in which the Clintons were partners with James McDougal, Madison's former owner. Thus the participants in the vain attempt to get Stephens could try to invoke the basketball rule: no harm, no foul. Or they could claim that when White House aides made remarks merely to express dislike and suspicion of Stephens (the aides make no secret they consider him a "right-wing zealot" out to get the President), those statements were misinterpreted as a demand that Stephens be fired. Still, as a Clinton aide admits, while "the actual words used before the grand jury regarding how we felt about the RTC hiring Stephens were 'surprise and shock' among ourselves the words we use when we discuss it are what they call 'expletives deleted.'"

Stephanopoulos tells *TIME* he remembers only one conversation about Ste-

phens, with Joshua Steiner, a friend and political colleague who is now Treasury Department chief of staff. In that talk, says Stephanopoulos, he merely "asked how Jay Stephens had come to be retained by the RTC. I was puzzled and blew off steam over the unfairness of that decision because Jay Stephens had accused the President of acting improperly" on another occasion.

THE REFERENCE IS TO FEBRUARY 1993 when Clinton fired all 93 U.S. Attorneys who had been appointed by George Bush. One of them was Stephens, who was then U.S. Attorney for the District of Columbia and developing a case against House Ways and Means Committee chairman Dan Rostenkowski—a pivotal Clinton ally in the battle for health-care reform—for diverting taxpayers' money to personal and campaign funds. Stephens charged that the mass firing was a way of derailing the Rostenkowski investigation. The RTC, however, chose Stephens precisely because he could be trusted to carry out an investigation that would not back away from information potentially embarrassing to Clinton. Stephanopoulos adds: "Once I got the facts from Josh [Steiner], that end-

“It was a heated conversation ... Altman was almost”



HE RECUSED At the conclusion of his call with Ickes and Stephanopoulos, Roger Altman, above, who had recused himself as RTC head against the White House's wishes, reported the conversation to Steiner, adding, "These guys are nuts."

ed the matter, as far as I was concerned."

But that is not the story Fiske and the grand jury have been hearing from some others. As pieced together by TIME from a review of documents and interviews with many sources—Administration officials, lawyers for some of the 12 Clinton aides subpoenaed by Fiske and sources involved with the special counsel's probe—the tale goes like this:

The key date was Friday, Feb. 25. It was a busy day at the White House: Clinton held a press conference to talk about the massacre of Muslims in a Hebron mosque and the U.S. deportation of a senior Russian diplomat as a retaliatory move in the Aldrich Ames spy case. Nonetheless, Stephanopoulos and Ickes found time to call Deputy Treasury Secretary Roger Altman, who was also acting head of the RTC, using the speakerphone in Stephanopoulos' office. They had just learned that Altman had finally decided to disqualify himself from dealing with any matters related to Madison because of previous contacts with the White House staff about the RTC's investigation. The White House aides were furious about the recusal—for weeks they had urged Altman not to do it—and were even more put out that they had learned of

it only after Altman had divulged his decision to the New York Times.

Stephanopoulos confirms that the conversation occurred but says he only "suggested as a courtesy that [Altman] write a letter to the President explaining his decision. I don't remember anything else about that conversation." Other sources familiar with the call offer more elaborate accounts. Says one: "As best we can figure it, it was an extremely heated conversation. It seems to have gone right from acknowledging the recusal to ignoring it, in that Altman was almost immediately asked to help think of a way to fire Stephens."

Altman's own version, as reported by sources close to Fiske, is that either Stephanopoulos or Ickes asked, "What about Jay Stephens? Can anything be done about it, or are we stuck with this?" Altman reportedly cut off the conversation "quite quickly," telling his callers he "absolutely would not" be a party to sacking Stephens. According to this version, Altman then reported the substance of the conversation to Steiner, adding, "These guys are nuts."

Stephanopoulos was also on the phone to Steiner. That was the conversation in which he says he "blew off steam" about Stephens. Again, others describe the con-

versation differently. They say Stephanopoulos began with the classic "this conversation never happened" line and proceeded to ask Steiner, "How can we get rid of Stephens?" After further contacts between Steiner and Stephanopoulos, the conclusion reportedly was that Stephens could not be removed easily, so the subject was finally dropped. Steiner will testify before Fiske's grand jury this week, and Fiske and his assistants will be able to question him on the basis of Steiner's own detailed notes. "The dumb son of a bitch kept a diary," says a senior Administration official. "A thorough, compulsive diary. Fiske's got it, and God knows what's in it—as if it isn't enough that we tried to off Stephens." One source close to Fiske says, "It's not the Nixon tapes, but it ain't beanbag."

What may come of this inquiry is hard to predict. Stephanopoulos testified to the grand jury last week and said afterward that "it was very refreshing to be before the tribunal that cared about the facts"—an unobvious dig at the press. He may well be recalled, however, after Steiner testifies. Further down the road, says a White House official, "it depends on whether Fiske wants to indict some White House folks. Indictments he could get easily. Convictions are

immediately asked to help think of a way to fire Stephens.??

“It's not the Nixon tapes,” says one source close to Fiske

another matter.” In any case, he says, the conversations are “the most damaging Whitewater-related stuff so far.”

Certainly it will not help Clinton in the process he had begun—but only just begun—to turn public attention away from Whitewater and back to what he called “the fact that by common consensus we had the most productive first year of a presidency last year of anyone in a generation.” True, Clinton is not yet directly involved—and may never be. One source familiar with Fiske's work does speculate: “What really causes us to wonder is whether Stephanopoulos would have pursued the Stephens matter beyond Altman's firm ‘No’ if he wasn't following the President's orders.” But proving any presidential involvement would be most difficult.

Long before Fiske is ready to make any legal moves, though, the Stephanopoulos-Ickes-Altman-Stephens story will make a mighty stick Republicans will use to whack the White House. And more questions will be asked during the (probably separate) Senate and House investigations that Senate Republican leader Bob Dole predicted might get under way around May 1. That the House will match the Senate in conducting such hearings became likely—though not

quite certain—last week, in somewhat roundabout fashion. Henry Gonzalez, chairman of the House Banking Committee, abruptly canceled a hearing into RTC matters last Thursday at which Leach, the ranking minority member, had planned to unveil some results of inquiries by his staff into Whitewater and Madison. In a letter to House Speaker Thomas Foley, Gonzalez ranted about a Republican “malicious campaign of character assassination”—and called for full hearings into all aspects of Whitewater to counter that G.O.P. effort. House Democratic leaders had not been at all eager to endorse such hearings, but after Gonzalez's explosion they had little choice.

MEANWHILE, LEACH, DEPRIVED by the autocratic Gonzalez of one forum, avidly seized another. In a speech on the House floor on Thursday afternoon, he pursued two lines of accusations, delivered in a theatrical combination of harsh language and calm tone. One line was to portray Whitewater as a kind of sweetheart deal—one to which “the Governor-in-the-making provided his name” while “the S&L owner [McDougal] and affiliated entities provided virtually all

perhaps all, the money.” The company “may have begun as a legitimate real estate venture,” Leach intoned, “but it came to be used to skim, directly or indirectly, federally insured deposits from an S&L,” meaning Madison, and some of the money was “used to pay off personal and campaign liabilities of the Governor.” Conclusion: far from losing heavily, as the Clintons have always contended, “the family of the former Governor of Arkansas received value from Whitewater in excess of the resources invested.” The documents Leach produced—and has given to Fiske—did not entirely support his claims, some of which are anything but novel, but they did raise new questions.

Coming closer to the present, Leach offered a detailed account of alleged attempts by RTC officials to shield the Clintons from embarrassment by interfering in its earlier investigations of Whitewater and Madison. From September 1992 to October 1993, Leach said, L. Jean Lewis, the lead RTC investigator in Kansas

The Young Master of the White House

By DAVID VAN BIEMA

IN ADDITION TO HIS SPEAKERPHONE, GEORGE STEPHANOPOULOS' crowded office contains a number of icons. Some are modern. Several, in black and white, are of a martyred President. Another is of a living one. And then there are the literal icons: sad-eyed saints presented to Stephanopoulos, son and grandson of priests, by others in the Greek Orthodox community. The saints stood close to a higher being. None of them had speakerphones, but most of them suffered for expressing what they believed were wishes from above.

From almost the moment George Stephanopoulos joined the Clinton campaign, he was able to speak for the candidate. Even though he was not from Arkansas, even though he was 14 years Clinton's junior, the pessimistic, MTV-ready congressional staffer bonded with the affable Governor. Along with a few other close aides, he saw Clinton through the long primary season. Says Kiki Moore, a former campaign aide and now Democratic National Committee spokeswoman: “You learn a lot about a person late at night on an airplane flying back to Little Rock, Arkansas, from New Hampshire.” He also helped mold the reactive, counterpunching style that made Clinton victorious but appears to be misfiring when applied to the Whitewater affair.

While Moore and other campaigners, including Stephanopoulos' *War Room* co-star James Carville, maintained their distance from the White House after the campaign, the younger

man's path led toward ever greater identification with his boss. “George has an innate knowledge of the President's thought process,” says Moore. It is Stephanopoulos who underlines Clinton's press summaries every morning. And it is he who serves as the President's “policy body man,” hovering near him throughout the day, providing continuity and calculating each issue's relative importance. Says press secretary Dee Dee Meyers: “He's the place where all things come together. He is the one person, more than [chief of staff] Mack McLarty or [presidential counselor David] Gergen, who doesn't lose the forest for the trees.” Although Clinton does not see Stephanopoulos as a peer—“he's not an alter ego,” cautions another aide—Meyers maintains that Clinton “trusts him more than anyone else.”

And when he's not at Clinton's side, Stephanopoulos is usually speaking for him where it counts. “George has no operational responsibilities, which frees him to kind of go from ball to ball according to what is hot at the moment,” says a colleague. In meetings without the President, he can exercise final say over issues involving the media, the public “message” and scheduling. And he often acts as Clinton's proxy on more substantive issues. At a meeting last week on entitlements, a bevy of heavy hitters including Gergen, domestic policy assistant Carol Rasco and budget chief Leon Panetta, argued back and forth. Says one who was there: “When George spoke, it

ske about Joshua Steiner's diary, "but it's not beanbag."

City, Missouri, and her colleagues could not find out what had happened to material they had forwarded to Washington: at one point the Justice Department told Lewis it "had no record of that referral; it is not in [the Justice] computer system." Then after Justice finally began to move—and after Fiske had begun his investigation—Lewis was visited on Feb. 2 by April Breslaw, a Washington-based senior RTC lawyer. Ac-

cording to Lewis' notes, Breslaw expressed hope that Lewis would say Whitewater had not drained any money out of Madison: that "would get them [Washington higher-ups] off the hook." Lewis insisted her investigation had indicated just the opposite: that improper shuttling of money between Whitewater and Madison had indeed hurt the S&L, and that McDougal's "business partners," including the Clintons, should

have known it. When Breslaw angrily denied this account of the conversation, Leach blandly observed that he had not just Lewis' notes but also a tape of the Breslaw-Lewis conversation—the first mention of a tape in any Whitewater proceeding.

Leach's presentation was overshadowed hours later, however, by Clinton's news conference—only the second one he has held in prime time. Though the session had been planned for two weeks, it was finally scheduled rather quickly. The main reason was to try to counteract a sharp plunge in the polls and do so just before Congress's Easter recess, so that lawmakers would discover pro-Clinton sentiment on the rise back home.

The President replied to an early question by reducing his estimate of the losses he and Hillary had suffered in Whitewater from the original \$68,900 to about \$47,000. He had only recently remembered, he said, that the proceeds of one \$20,700 repayment of a loan he had taken out in 1981 had not gone into Whitewater. Rather the proceeds of the loan had been used to buy land and a cabin for his mother. His poor memory seemed surprising, since a \$20,700 repayment of a loan would have loomed very large then; the next year his



BILL AND HIS SHADOW: Employee and boss after delivering a statement on Russia last October

fers unwelcome advice. Three months ago, when both the President and First Lady were resisting the idea of a special Whitewater prosecutor, Stephanopoulos helped champion it. "He had his head knocked off several times," said an official, "and kept going back."

He now finds himself in that same prosecutor's cross hairs, which is sure to launch widespread speculation about what character flaw got him there. The cool impatience that helped lead to his removal last May as White House communications director is not reserved merely for the Fourth Estate. Says an Administration colleague who claims to both like and respect him, "George sometimes gets this look on his face like you're wasting his time talking to him. He's brilliant, but he doesn't know *everything*." Of course, he may not know that. And accurately or no, many continue to feel he suffers from a moral arrogance. In this, of course, he is not alone. The Clintons have been accused on more than one occasion of adopting a philosophy in which the ends justify the means. Since their motives are pure, the thinking goes, their actions are probably unassailable. That may be one area in which George Stephanopoulos would be better off not to identify with the boss.

—Reported by James Carney and Michael Duffy/Washington

wasn't part of the debate. It was time to close your notebook."

No one has suggested that Clinton invested such power in a dummy or straw man. Like the President, Stephanopoulos has a sovereign command of policy issues. Unlike him, thanks to his tenure as floor assistant to House majority leader Richard Gephardt from 1989 to '91, he also understands the Hill. "He knows the Speaker," says a colleague. "He knows the Leader. When the time comes to pass legislation, he knows what it will take to get it done." Despite a well-documented left-of-center tilt (during his House years he could be spied reading Salvadoran dissident novels on the subway), Stephanopoulos is untainted in the ideological wars that sometimes split the Administration. "He has an agenda, but with Clinton, he's reached the top and is going to insure that he serves his master," says an observer. Of his loyalty, another quantifies the accepted wisdom: "On a scale of 10, I'd say he was about a 9½." Clinton repays him by listening, even when his aide prof-

salary as Governor was \$33,750. In response to Leach's charges about the RTC investigation, Clinton remarked that "all the appointees of the RTC were hired under previous Republican Administrations." That was not entirely accurate; two of Breslaw's superiors were appointed last December by Altman, who is an old associate of the President's.

This, however, was a mistake that eluded even many Washington veterans: for those watching on home screens, the President put on a bravura show of candor and reasonableness. He seemed entirely affable, showing not a trace of the anger that

Whitewater accusations have provoked in him at other times. Again and again he stressed eagerness to cooperate with Fiske's investigation or any other: he said specifically that "I expect that the special counsel will want to question me and will want to question the First Lady" and added that "I will cooperate with him in whatever way he decides is appropriate."

Even Leach judged Clinton's performance "charming." But will it really change anything? White House officials readily conceded that Clinton had a long way to go before putting Whitewater behind him—and that was without full knowledge of

the Stephanopoulos-Stephens controversy. Once that becomes more widely known and commented on, it could change the momentum drastically. The public may not care greatly about financial maneuvering in Arkansas in the 1970s and 1980s and may even resent being asked to read stories or watch TV news bits about it. But the public does understand and care about abuse of power in White House. What Fiske, his grand jury and congressional investigators conclude about that will be critical to the future of the Clinton presidency. —*Reported by Laurence I. Barrett, James Carney, Michael Duffy and Suneel Ratan/Washington*

More Follies on the Sidelines

"IT'S DIFFICULT TO DEFEND THE WHITE HOUSE AS MUCH as we'd like," sighs a Democratic congressional leader. "Every day it's something else making them look as if they don't know what they're doing." Two Arkansas cases in point: William H. Kennedy III and Patsy Thomasson.

Kennedy should have learned something about Washington ways while serving on the staffs of two Arkansas Senators in the 1970s before becoming a partner with Hillary Rodham Clinton in the Rose Law Firm of Little Rock. But as associate White House counsel, he has shown mainly a talent for getting in trouble. He drew a reprimand from the White House last summer for appearing to make political use of the FBI by calling in the G-men to investigate the White House travel office. He has been taking heavy flak for the strange anomaly of a White House staff peopled largely by aides whose legal right to roam its corridors is questionable. A third of the 1,044 employees have never received permanent passes attesting that they have passed security clearances—largely, higher officials say, because Kennedy has failed to forward FBI background checks to the Secret Service for final approval.

Last week came the semifinal straw. One of Kennedy's duties was to look into the records of potential Administration appointees and advise the White House of any ethical problems, such as failure to pay taxes. But, it developed, he came to Washington with a tax problem of his own: like Zoë Baird, Clinton's failed first choice for Attorney General, Kennedy had not paid required Social Security taxes on the wages of a nanny. In February 1993, Kennedy did pay \$1,352.52 to settle the 1992 bill—but he did it with a cashier's check supposedly drawn by "Leslie Gail McRae"—his wife's maiden name (they are engaged in what a friend calls "bitter" divorce proceedings).

Kennedy denied he had tried to deceive anyone, but it hardly mattered; he also failed to pay nanny taxes for 1991, and forked over \$700 only three weeks ago. When that became

public, the White House frostily announced Kennedy would no longer run background checks on potential appointees but would perform less demanding—and unspecified—duties. The betting is that he'll go back to Arkansas as soon as he can resign inconspicuously.

Patsy Thomasson, once Arkansas highway commissioner and now director of the White House Office of Administration, has also managed to be in the wrong place at the wrong time. Like Kennedy, she was involved in the travel-office affair. A Little Rock investment group she headed has been caught up in a Securities and Exchange Commission investigation into a run-up in the price of the stock of a fisheries company just before it was acquired by Tyson Foods of Arkansas; Thomasson says she did no trading in the shares.

Further, Thomasson joined ex-White House counsel Bernard Nussbaum and Mrs. Clinton's chief of staff Margaret Williams in entering the office of Vincent Foster Jr. the night of his suicide last July, and neither she nor the other two have ever explained what they were doing in there. Last week a crowd of reporters who did not even recognize Thomasson nonetheless turned up when she testified at a House Appropriations Subcommittee hearing, but learned next to nothing. She would love to relate what happened that night, Thomasson told Congress, but felt she should talk first only to special counsel Robert Fiske. Questioned about those White House passes, she gave a tantalizing quote. "We don't think we have any Aldrich Ames in the White House," said Thomasson, "but we certainly could." Oh? —*By George J. Church.*

Reported by Laurence I. Barrett and Nina Burleigh/Washington



Patsy Thomasson: Wrong place, wrong time



William Kennedy III: A backlog on clearances, unpaid nanny taxes—and divorce proceedings



■ WHITEWATER

Allowable Deductions

The Clintons' tax returns from the late 1970s support their Whitewater story—but they don't close the book

By RICHARD LACAYO

BILL CLINTON PROBABLY WINCES every time he hears that the Whitewater affair has raised "another question." And he probably never believed that he would lay all the questions to rest last week when he released his tax returns for 1977 through 1979. But here's a question he may not have expected to raise: Because the returns go some way to support the White House version of events on Whitewater, why didn't he simply release them sooner?

During the 1990 Arkansas governor's race, the Clintons made public their tax records dating back to 1980. They drew the line there, which meant that the first two years of the Whitewater investment, which they began in 1978, were out of bounds. That kind of defensive perimeter is just the thing to get reporters sniffing. Earlier this year James McDougal, the Clintons' former partner in Whitewater, made matters worse when he began suggesting that the First Couple had never invested more than \$13,500 of their own money. That sounded suspiciously like Whitewater was a sweetheart deal in which McDougal, who later headed a buccaneering S&L, made most of the payments in return for... just what, exactly? White House aides insisted that the Clintons had invested enough to claim \$22,000 in Whitewater-related interest deductions on their 1978 and 1979 tax returns. But when reporters asked time and again to see the returns, which were handed over to the special counsel, they were told to wait until he had issued his report.

When the returns were finally released last week, they did indeed show a total of about \$22,000 for 1978 and 1979 in Whitewater-related interest deductions on two loans. Those included \$10,131 that the Clintons say they paid in 1978 to Great Southern Land Co., a company mostly owned by McDougal that he now says handled payments to the Whitewater lending institutions at that time. In the following year, the returns show the Clintons paying \$11,749 directly to "banks and loan companies," as well as \$238 to McDougal. A new accounting of the Clintons' Whitewater investment released Friday shows payments totaling \$46,636—the latest figure that the President gives as the sum he and his wife lost on Whitewater. (Of the \$46,636 the Clintons say they lost, \$41,000 was deducted and thus yielded tax benefits offsetting their out-of-pocket Whitewater investment.)

Clinton's recollection of the \$46,636 figure has been rather fluid. At his press conference last week, the President admitted to something like a recovered memory when he announced that he and his wife had not lost \$68,900 on Whitewater, the figure they have claimed since 1992. While reading the manuscript of his late mother's forthcoming autobiography, Clinton said, he remembered taking out a loan to help her buy property and a cabin in Arkansas. When questions about Whitewater first arose during the 1992 campaign,

The records belie claims that the Clintons put little money into the investment

Denver attorney James Lyons, who was hired by the Clinton campaign to examine and report on the deal, had included that loan as one related to Whitewater. It became part of the figure that he calculated was their loss on the deal. But even if the \$20,700 payment was not related to Whitewater, it would still be legal for Clinton to claim it on his taxes, presuming that it was, as he asserts, a legitimate loan-interest payment.

Deductions were especially handy for the Clintons in those years, when they were needed to offset gains made by Hillary Clinton's foray into commodity trading. She added \$26,541 to the family income in 1978 and \$72,436 in 1979. Even with deductions, the growth of the Clintons' tax payments outpaced the rise of their income. For 1977, they paid taxes of \$8,194 on an adjusted gross income of \$41,731. By the next year, their income more than doubled, to \$85,214, but their taxes grew faster, to \$22,627. For 1979, when their reported income was up about 90%, their taxes increased nearly 300%, to \$59,388.

McDougal is embarrassed to have claimed that the Clintons were not making Whitewater payments. "My face is red. I have to admit," he says. "I think those are legitimate deductions. I am now convinced that I have substantially underestimated the amount they put in Whitewater." There may be more to be embarrassed about. Though the Clintons' tax records show that they paid more than \$10,000 to McDougal's Great Southern Land Co. in 1978, records examined by TIME indicate that the banks received no more than \$5,752 in interest that year. Just how was McDougal handling the Clintons' payments?

Auditors may also question whether the Clintons could deduct the interest on the main Whitewater loan from their personal income tax report for interest payments made after September 1979, when the corporation took responsibility for the loan.

So, Mr. President, will you take another question?

—Reported by
Richard Behar/Little Rock and Suneel Ratan/
Washington

1040 U.S. Individual Income Tax Return 1979

For the year ended 12/31/79, use page 1 of instructions. For the year ended 12/31/78, use page 1 of instructions.

1. Name of taxpayer Bill Clinton
2. Address 1600 Center
Little Rock, AR 72206
3. Social Security number 42919
4. Filing status Single
5. Dependents None
6. Exemptions None
7. Total number of exemptions 0
8. Gross income 42919
9. Adjusted gross income 42919
10. Taxable income 42919
11. Total tax 59388
12. Refund 0
13. Amount of overpayment 0
14. Amount of underpayment 0
15. Total amount due 0
16. Amount paid 0
17. Balance due 0

■ HEALTH CARE

A Bloody Clash of Egos

Pride and prejudices emerge as five congressional committees vie to craft historic health-care legislation

By JILL SMOLOWE

TO EVERYTHING THERE IS A SEASON. And on Capitol Hill, where legislators are eager to reap the rewards of passing landmark health-care legislation, this is the season to sow—discord, that is. Currently, five Senate and House committees, each with jurisdiction over health-care legislation, are jostling over the details of “purchasing alliances,” “payroll taxes” and “employer mandates,” all in an effort to invent the plan that will eventually supplant the Clintons’ hopelessly complicated 1,342-page proposal. The lawmakers all know the President is intractable on only one point: universal coverage. Each senses that the American public will balk at a plan that is too bureaucratic, too byzantine or too pricey for taxpayers. And each hopes to make the books as the brains behind historic legislation. Not surprisingly, all of this is rapidly giving way to a bloody clash of egos.

Take, for instance, the long knives that flashed last week. Eager to be the first legislators to craft a concrete proposal, the Democratic members of the House Subcommittee on Health have been slaving late nights for two months. But before the panel’s four Republicans would let their objections go down to defeat, they staged a bit of theater last Wednesday that was pointedly designed to embarrass President Clinton. Calling for a formal vote on the White House plan, the Republicans each voted nay. The seven Democrats, as unwilling to join the mutiny as they were unwilling to embrace Clinton’s expensive proposal, were forced to vote “present.”

Later that day, the Democrats got their revenge. Prodded by subcommittee chairman Fortney (Pete) Stark of California, they pushed through a plan that expands Medicare to achieve universal coverage while cutting back substantially on the White House’s proposed benefits to hold down costs. Gone are such high-price items as long-term care and limits on out-of-pocket expenses for catastrophic illness. Under this plan, Medicare patients would foot 20% of their home-health-service bills, which is double what Clinton envisioned. The resulting savings of \$6 billion, coupled with a cigarette-tax hike of \$1.25 a pack, which would raise \$16 billion in annual revenues, provides enough wiggle room to ease the burden on small-business owners. As Clinton had hoped, Stark’s plan still requires all companies to pay 80% of insurance-premium costs for their employees: those with fewer than 100 employees have until 1998 to comply while larger employers must meet a 1996 target date.

The survival of two central elements of the White House plan—universal coverage and employer mandates—gives Clinton’s health-care campaign a much needed boost. But the subcommittee’s nipping and tucking bodes ill for some of the President’s bolder schemes. Purchasing cooperatives, which would have been mandatory for small and mid-size companies, were made optional. Clinton’s vague talk of a broadly-based payroll tax was trimmed back to a 1% levy on self-insured companies with more than 1,000 employees. And parity for mental-health costs was dropped. Still, says House majority leader Richard Gephardt, “it’s clear that for

all of the public pronouncements and cynical assessments, Congress is actually moving forward on health reform, quietly, deliberately and responsibly.”

Not to mention rancorously. House Democrat Jim Cooper of Tennessee, whose stalled plan was upstaged at a moment when he is running hard to capture the Senate seat vacated by Vice President Gore, said dismissively that a bill that passes in committee “by a one-vote partisan majority is one that doesn’t have any legs or wings.” Stark rejoined sarcastically: “I just think he’s exactly what Tennessee deserves, and I wish him Godspeed in the Senate.” As for Cooper’s plan, Stark says, “His bill is all pap and blather. Everybody’s got to love it because it doesn’t do anything.”

Actually, what the Stark bill does is play to the same crucial audience that Cooper’s plan targets: small-business owners, who are worried that mandatory health costs could force them out of business. This group is now the focus of others’ attention as well. John Dingell, chairman of the House Energy and Commerce Committee, has begun circulating another proposal, similar to Stark’s, which Cooper complains is a narrow effort designed simply to win half a dozen Democratic swing votes.

Clinton said last week that if the Stark plan crossed his desk, he would sign it “because it does what I ask.” But that is unlikely to happen. House and Ways Committee chairman Dan Rostenkowski predicts that the bill that will ultimately pass muster with his 38-member panel will be “much more conservative” than Stark’s plan. Though two Senate committees and three House committees are now jockeying for the spotlight, Senator Daniel Patrick Moynihan’s Finance Committee is expected to emerge as the final arbiter of compromise. The question is just how badly the Hill’s titans will wound each other in the process—and whether enough health benefits will survive to handle their resulting medical bills.

—Reported by Julie Johnson and Dick Thompson/Washington

PULLING FOR THEIR PLAN

HERE’S WHERE SOME OF WASHINGTON’S POWER PLAYERS STAND ON THE SPECTRUM OF HEALTH-CARE POLICY

Single-payer plan, in which government insures everybody:

Market-oriented plan, where government involvement is minimal:



Photographs: Terry Ashe (8); Cynthia Johnson; Bagby-SABA TIME Graphic by Steve Hart

Whitewater: Stephanopoulos Under Fire
Hillary's Sweet Investment

Newsmagazine

THE
DEATH
OF JESUS

**New Insights
On His
Last Days**



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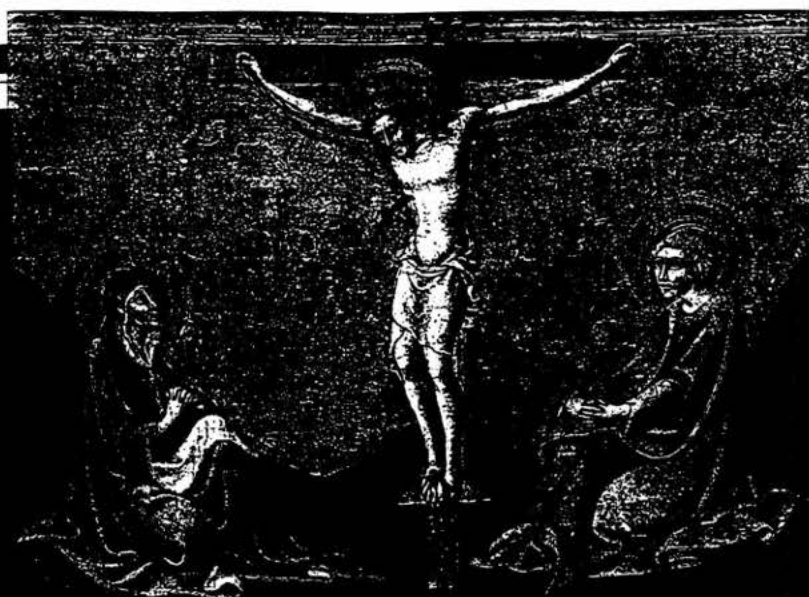
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NATIONAL GALLERY OF ART

A vision of the Crucifixion from a painter five centuries ago

The Death of Jesus: A New Look at His Last Days

The passion and death of Jesus may be the world's best-known story. But how reliable are the New Testament accounts? In a massive new book, a revered New Testament scholar presents a stunning array of fresh insights into the origins of the passion stories—and what, scene by scene, the four Evangelists really say about the arrest and crucifixion of Jesus. **Society: Page 48**



JOHN FICARA—NEWSWEEK

At the press conference

Targeting the Inner Circle

Just as Bill Clinton had started to contain the damage with an I-have-nothing-to-hide press briefing, new charges emerged that brought the Whitewater scandal more deeply inside the White House. The special counsel was looking into reports that George Stephanopoulos tried to influence the probe—allegations that could put Clinton's closest aide in the line of fire. **National Affairs: Page 22**



DE LA HOYA—LA CRONICA

The wounded candidate

A Bloody Blow to Mexico

The assassination of Mexico's leading presidential candidate plunged the country into a crisis—and bloodied its cultivated image as a fast-modernizing bastion of stability. Now Mexico City—and Washington, its NAFTA partner—worry about the future of reform. **International: Page 32**

COVER: "The Crown of Thorns" by Guido Reni—Private Collection/The Bridgeman Art Library, London.

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Periscope



A nuclear-bomb blast

NUKES

Helping Hand?

DID WASHINGTON SECRETLY help China's nuclear-weapons program? That's the claim by Robert Norris, chief author of a new data book on British, French and Chinese nuclear weapons published by the Natural Resources Defense Council. Norris maintains that in the early 1980s the Reagan administration supplied the Chinese with "equipment" enabling them to conduct underground tests safely. Eugene Rostow, a senior Reagan arms-control official, says he didn't know of this technology transfer. But in the mid-'80s, he says, the administration, worried by Soviet threats to China, assisted Beijing with its nuclear program: "There was some cozying up."

WASHINGTON FAX

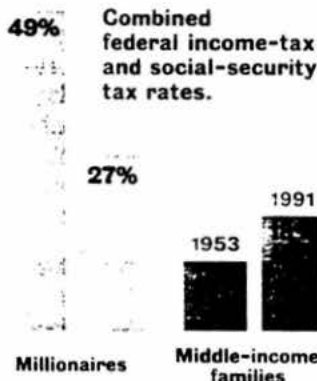
Mixed Message

The Clinton administration is divided over how far—and how fast—to push its drive against smoking. Hillary Rodham Clinton prohibited smoking in the White House. The Labor Department last week proposed a virtual ban on smoking in the workplace. But the rules don't cover government buildings. Why? The budget office, it seems, is worried about the multimillion-dollar cost of revamping the ventilation systems in federal buildings to meet the new standards. The administration also hasn't decided whether to back a House antismoking bill.

VITAL STATS

Fair Share?

In their new book, "America: Who Really Pays The Taxes?", respected Philadelphia Inquirer investigative reporters Donald Barlett and James Steele argue that over the past 40 years politicians of both parties have consciously skewed the U.S. tax structure to favor the wealthy. A look at the shifting tax load:



SOURCE: BARLETT AND STEELE

RUSSIA

Slow Going

IT'S BEEN MORE THAN A YEAR since the Russians were finally permitted to occupy their new Washington embassy. But the fortresslike structure atop a hill overlooking downtown still stands empty. Russian diplomats say they hope to move within several months or "by this fall," at the latest. Why the delay? U.S. officials say the Russians can't come up with the estimated \$1 million to cover moving expenses and the installation of light fixtures, appliances and other finishing touches. The building was completed in 1985. Washington denied access to the Soviets after snooping devices were found in the new U.S. Embassy in Moscow.

Still empty: The new embassy



Life was better in Little Rock: Kennedy and his wife in 1993

WHITE HOUSE

More Washington Woes

WASHINGTON HASN'T BEEN GOOD TO WILLIAM KENNEDY III. The White House lawyer was stripped of many of his duties last week after admitting he didn't pay 1991 social-security taxes for a nanny until recently. Now NEWSWEEK has learned that Kennedy, who was responsible for background checks on administration appointees, at times held up candidates who hadn't paid taxes for household help. A White House spokesman said Kennedy's job "was to make sure people were in compliance."

Kennedy was already under fire for mishandling another key part of his job: White House security clearances. About 10 percent of the White House staff still don't have their clearances; one third don't have permanent building passes. Last May, Kennedy was publicly rebuked by chief of staff Mack McLarty for bungling the Travelgate affair.

Some White House aides say the reason Kennedy hasn't been fired is compassion for his difficult personal life. A partner at the Rose Law Firm, he came to Washington reluctantly. In July, when his close friend Vince Foster committed suicide, Kennedy was asked to identify the body. Months later, his wife left him to return to Little Rock. The couple is now mired in a bitter divorce and custody dispute over their two children.

CONVENTIONAL WISDOM WATCH

Star Turn Edition

Clinton's press conference and the Oscars reach for dignity, achieve comatosity. The CW feels nostalgic for Nixon vs. Rather and Brando's Native American. And where was Cher?

Players

Conventional Wisdom

B. Clinton	↔	Calm, convincing performance—but you can't remember loaning Mom \$20,000?
H. R. Clinton	↔	Mum's the word. Emotional discipline is admired, but D.C. ghouls want to see you cry.
Press corps	↓	Tough guys play softball in prime time. Bring back Letterman's mom.
J. Leach	↑	A much more credible attack dog than D'Amato. But lose the sweaty, sweater look.
Whoopi	↓	How can you tell a joke and have 2,000 people not laugh? Even Conan would be funnier.
T. Hanks	↑	Tinseltown's Mr. '90s goes over the top—but for a good cause.

PERI TEST

Get Out Your Pencils

CONGRESS APPROVED NATIONAL ACHIEVEMENT TESTS for the 40 million U.S. school kids last week—exams designed to encourage thought over memorization. But as the 8th-grade sample question below suggests, kids may really miss multiple choice. (At bottom: a top-rated student answer.)

We have decided to sell laces for sports shoes. We will sell different lengths for shoes with different numbers of eyelets. We will offer lengths for sport shoes that have 4 eyelets all the way up to 18 eyelets (no odd numbers, of course). No one have ever sold so many different lengths for sports shoes before. You have to figure out what lengths to make and which lengths go with which shoes, based on the number of eyelets.

We collected some data from store customers last week. It is confusing because there haven't been very many lengths available. That means that sometimes the customers have had to use lengths that are too short or too long. That's not what we want! We want a unique length for each number of eyelets.

DATA FROM STORE CUSTOMERS WITH SPORTS SHOES

Customer I.D.	Lace Length (inches)	Eyelets (numbers)	Customer I.D.	Lace Length (inches)	Eyelets (numbers)
A	45	8	G	54	12
B	54	10	H	24	4
C	26	4	I	72	14
D	63	14	J	54	12
E	63	12	K	72	16
F	36	8	L	72	18

Write your decisions about lace length so the advertising people making the sign can understand it. They want a table, so customers can look up the number of eyelets and find out the length of lace. They also want a rule, so customers who don't like tables can use the rule to figure out the lengths. Don't worry about making it pretty, they will do that, just make sure the mathematics is right. You better explain how your decisions make sense so the advertising people will understand.

Thanks,

YOUR BOSS.

Angela

Sample answer

The rule: $3(e-1) + 20 = x$
 e = number of eyelets
 x = length of lace

The Table

Eyelets	Length of lace
4	29 inches
6	35 inches
8	41 inches
10	47 inches
12	53 inches
14	59 inches
16	65 inches
18	71 inches

Student's explanation of answer:

"The length of each lace allows enough for 3 inches between each eyelet, plus 20 inches for the bow. Of course, many people use more than 20 inches for their bow, but most don't use a whole 3 inches for each eyelet, so there should be plenty. The table also pretty much corresponds with the data from the customers. The rule of thumb I did will always tell the exact length needed."



Rubbish majors: On Key West

SPRING BREAK

Sands of Time

SINCE FT. LAUDERDALE, FLA., shut its doors to college students four years ago, Key West has assumed the status of spring-break mecca—and attendant problems like littering and underage drinking. Lately Key West officials have dealt with two troubles at once, without threatening business. Students who plead guilty to underage drinking or using fake IDs are given a choice: a \$175 fine or a broom. So far 75 percent of the nearly 400 arrestees have chosen a day's "community service." Squads of garbage-hauling BMOs in orange prison-road-crew shirts are now a common sight at Key beaches.

PETS

Roll Over, Beethoven

SOME DOGS, OLD OR NOT, can't be taught any tricks. Or so says psychologist Stanley Coren, whose book, "The Intelligence of Dogs," ranks breeds for "obedience and working intelligence." His five top-IQ pups, and some dimmer lights:

1. Border collie
2. Poodle
3. German shepherd
4. Golden retriever
5. Doberman pinscher
20. Cocker spaniel
39. Dalmatian
48. (tie) Boxer, Great Dane
65. Saint Bernard
79. (dumbest) Afghan hound

Canny: Border collie



Card from the Marilyn Network



AmeriVox's phone patriotism



ACI's panda fetches \$60



Think Alaska, dial Akron

HOBBIES

Dialing for \$\$

TOO OLD FOR BASEBALL cards? Try the new collecting craze: prepaid long-distance calling cards. The cards are still such a novelty that few telephone users know what they are. (The debit cards have a set value in calling time and generally work with an 800 number, though some "smart" cards need special phones.) But to collectors, some cards are already legendary. A \$1 card given out at the '92 Democratic convention in New York is now worth \$1,700. Harried politicians didn't know what they were and threw them away, making them very scarce today. Other hot cards depict endangered species (most coveted: pandas), Marilyn Monroe and Elvis.

LUCY HOWARD and GREGORY CERIO with bureau reports

Perspectives

"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."

BILL CLINTON

in last week's press conference on the Whitewater affair

"He handles press conferences extraordinarily well, but handling a press conference and being forthright are not always the same thing."

REP. JIM LEACH

Clinton's chief Republican inquisitor on the Whitewater affair

"Al Gore is so boring his Secret Service code name is 'Al Gore'."

AL GORE

in a comic speech at Washington's annual press-and-pols soiree, the Gridiron Club dinner

"I thought it was, particularly if she had known I'd had prostate cancer."

SEN. BOB DOLE

asked whether he thought Oscar telecast host Whoopi Goldberg's joke about him—'Bob Dole, meet Lorena Bobbitt'—was in bad taste

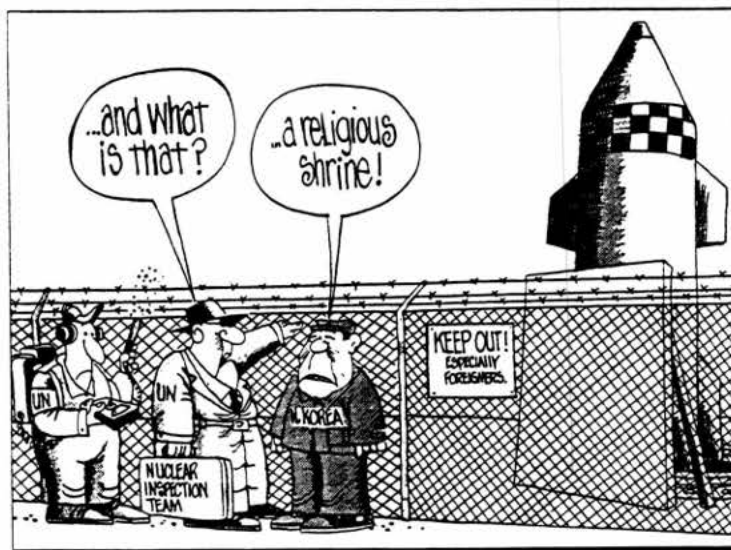
"I'm real proud to be here as Revlon's guest!"

NANCY KERRIGAN

figure skater turned plug machine, at the Oscar ceremony



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"I don't have to ride in that bus, do I?"

MICHAEL JORDAN

eyeing a dilapidated White Sox team vehicle, after learning he was being sent to the minor leagues

"Sometimes I kid around in an earthy and salty manner. And I never do that unless I am comfortable that the person I am doing that with will not be offended by it... And I didn't think in any way, shape or form that she was offended."

ED RENDELL

Philadelphia mayor, after a local female magazine writer accused him of making sexually explicit remarks throughout their interview, including speculations about the way she behaves in bed

"It's a very sad commentary on the way our society is."

Unfortunately, I'm as dopey as everyone else."

GREGG MARKINSON

one of the crowd of gawkers milling outside Joev Buttafuoco's "welcome home from prison" party last week

"About 7 million Chinese people die every year. That is more than the population of some countries."

ZHANG KAI

founder of China's first private funeral parlor, on his business prospects

'I Want to Die at Home'

People should be able to spend their last days around family and friends

BY ANNE RICKS SUMERS

LAST WEEK MY BROTHER RICK DIED AT HOME. I AM SO proud that we helped him die at home. Everyone should have as beautiful a death. Don't get me wrong—it is tragic and wrong that he should be dead. Rick was only 40, a nice, funny guy, a good husband, a dedicated lawyer, a father of a little boy who needs him. He didn't "choose death"; he wanted desperately to live, but a brain tumor was killing him and the doctors couldn't do a thing. He had only one choice: die in the hospital or die at home.

Three months ago, doctors discovered cancer in both of Rick's kidneys. The kidneys were removed and he and his wife coped well with home dialysis. He returned to work, took care of his son, remodeled his kitchen and went to a Redskins game.

Then disaster struck. It all happened so quickly. On a Tuesday his wife noticed Rick was confused. By Wednesday he was hallucinating and an MRI showed that his brain was studded with inoperable cancer. Doctors said chemotherapy or radiation might buy him a few more weeks of life, but they couldn't predict whether he would become more lucid. When Rick was coherent, his only wish was to go home.

"Where are you, Rick?" said the intern, testing Rick's mental status.

"I don't know," he answered politely, "but I want to go home."

Rick was confused and disoriented, but he was fully aware that he was confused and disoriented. I showed him pictures of my children I keep on my key chain; he shook my keys and gently put them back in my hand: "You better drive. I'm too f—ed up to drive."

My brother was a strong guy. He kept getting up out of bed. The hospital staff tied him down. He was furious, humiliated, embarrassed, enraged, confused and frightened.

A hospital is no place to die. It's noisy and busy and impersonal; there's no privacy anywhere for conversation or a last marital snuggle; there's no place for the family to wait and nap; only one or two people can be with the dying person. The rest of the family hovers unconnected in a waiting room, drinking bad coffee, making long phone calls on pay phones in lobbies. It was exhausting.

Please don't misunderstand me: I like hospitals. Hospitals are great places to live, to struggle for life, to undergo treatments, to have surgery, to have babies. But not to die. If it's at all possible, people should die in familiar surroundings in their own beds.

Rick begged to go home. The doctors could offer us nothing more. Hospice care wasn't available on such short notice. We all knew it would be an enormous responsibility to take him home.

But Rick's wife is the most determined person I know. He wanted to go home and she wanted to take him home. Rick's doctor was empathetic and efficient; in less than two hours after we came to this decision, we were on the road in an ambulance, heading to his house.

Rick's last evening was wild, fun, tragic and exhilarating. Rick walked from room to room in his house, savoring a glass of red

wine, eating a cookie, talking with his best friend, our mother and dad, our sisters and brothers. Neighbors stopped in with food and stayed for the conversation. Friends from the Quaker Meeting House stopped by. Cousins arrived.

It was like a Thanksgiving—good food, lots of conversation, but the guest of honor would be dead in a few days, or hours.

Although Rick was confused he wasn't frightened. Rick knew he was in his home, surrounded by friends and family. He was thrilled to be there. He ate. He cleaned. He was busy all evening, reminiscing, telling fragments of stories, neatening up, washing dishes, giving advice and eating well.

At the end of the evening he brushed his teeth, washed his face, lay down in his wife's arms in his own bed and kissed her goodnight. By morning he was in a deep coma.

All that long Saturday my family was together and we grieved. We watched over Rick. My father planted bulbs, daffodils and tulips, to make the spring beautiful for his grandson. My mother washed Rick's hair. My brothers and sisters and in-laws painted the porch banisters. Family, friends and neighbors came by to see him sleeping in his bed. Sometimes as many as 10 people were in his bedroom, talking, crying, laughing or telling stories about him, or just being with him—other times it was just his wife.

He took his last breath with his wife and his best friend beside him, his family singing old folk songs in the living room. He was peaceful, quiet, never frightened or restrained. Rick died far too young. But everyone should hope to die like this; not just with dignity, but with fun and love, with old friends and family.

Over the past week I have told friends about my brother's death. A few friends shared with me their regret about their parents dying prolonged and painful deaths alone in the hospital, sedated or agitated, not recognizing their children. Other people express fear of a dead body in the house—"Wasn't it ugly?" they ask. No, it looked like he was sleeping.

Rick's death was as gentle as a death can be. It worked because all parties—doctors, family, Rick and Rick's wife—were able to face facts and act on them. His doctors had the sense to recognize that no more could be done in the way of treatment and had the honesty to tell us. Rick's wife was determined to do right by him, whatever the burden of responsibility she was to bear. Our families were supportive of all her decisions and as loving and helpful as we could be.

Doctors must learn to let go—if there's nothing more to offer the patient then nothing more should be done—let patients go home. We all should plan for this among ourselves—preparing our next of kin. Families, husbands, wives need not be fearful. If a family member is dying in a hospital and wants to return home, try to find the means to do it.

And to all of the nurses, doctors and social workers in hospices: continue to do your good work. You have the right idea.

SUMERS, an ophthalmologist, practices in Ridgewood, N.J.



Hospitals are great places to have surgery and to have babies. But not to die.

IN THE LINE THE SCANDAL WIDENS OF FIRE

Only days after Clinton avowed a new openness on Whitewater, the scandal moved closer to home, with the special counsel looking into reports that Stephanopoulos tried to influence the investigation

WITH THE EXCEPTION of his wife, Bill Clinton has no closer senior adviser than George Stephanopoulos. In the crucible of a turbulent 1992 campaign, Clinton came to depend heavily on Stephanopoulos's combination of razor intellect and political instinct. And in a world where proximity is power, the 33-year-old son of a Greek Orthodox priest holds forth in the work space closest to the president, adjoining the Oval Office through a private dining room.

Now it appears that Clinton's most trusted aide has joined the lengthening list of those caught up in the Whitewater scandal. Sources told *NEWSWEEK* and other news organizations that Stephanopoulos had two phone conversations last Feb. 25 that may constitute an attempt to obstruct a regulatory investigation of Madison Guaranty, the failed Arkansas S&L at the murky center of the affair. A detailed diary, kept by a Treasury Department aide and turned over to special counsel Robert Fiske, describes at least one of the conversations. Sources say that during the calls—one to Deputy Treasury Secretary Roger Altman, the other to Treasury chief of staff Joshua Steiner—Stephanopoulos asked about the possibility of removing



Stephanopoulos: Blowing off steam, and nondenial denials

Jay Stephens, a prominent former Republican prosecutor hired by the Resolution Trust Corporation to investigate civil claims against Madison.

The latest revelations came only 36 hours after the president's most elaborate attempt yet to free his administration from

Whitewater. In a prime-time news conference last Thursday, Clinton confidently affirmed a new willingness to answer all legitimate questions about the affair "so that I can go back to work doing what I was hired to do." But the allegations against Stephanopoulos brought the inquiries into the administration's conduct in Whitewater closer to the Oval Office than ever before—and plunged the White House back into a frenzy of damage control. Clinton's domestic agenda, already impeded by all the talk of cover-up and deceit, may now be in danger of stalling completely. To make matters worse, the widening scandal raised new tensions and mutual distrust among an embattled White House staff. "That's what is most upsetting, that people are attacking each other," says one worried adviser.

Until March 1993, Jay Stephens had been the U.S. attorney for the District of Columbia. He'd also been pursuing a criminal investigation of Rep. Dan Rostenkowski for alleged misuse of House funds. When

the incoming Clinton administration sought the resignations of all incumbent U.S. attorneys, Stephens implied that he was being forced out to protect the powerful Ways and Means chairman. According to sources, Stephanopoulos was furious on Feb. 25, when he learned that Stephens's

Washington firm had been hired for the Madison inquiry. He regarded Stephens's political grievance against Clinton as a clear conflict of interest.

The most potentially damaging of the two calls was to Steiner, an old friend from the campaign. Stephanopoulos acknowledges raising the issue with Steiner, but says he has no memory of inquiring about Stephens's ouster. "I was puzzled and blew off steam over the unfairness of the decision," Stephanopoulos told *NEWSWEEK*, but he added, "Once I got the facts from Josh, that ended the matter as far as I was concerned." Much of the conversation, says Stephanopoulos, concerned Altman's decision to recuse himself from RTC deliberations involving Madison. Altman had been rebuked by Republicans on the Senate Banking Committee that week after acknowledging that he'd met with senior White House staff earlier that month to discuss potential civil actions against Madison. But Steiner, scheduled to testify before the Whitewater grand jury this week, may offer a different recollection of the conversation in a diary he turned over to Fiske.

That same day, according to sources, Stephanopoulos also raised the Stephens issue with Altman, who was also serving as acting head of RTC. This time, Stephanopoulos was joined by deputy chief of staff Har-



Stephens: *The object of displeasure*



Altman: *He rebuffed the inquiries*

old Ickes. A knowledgeable source says either Stephanopoulos or Ickes—it is not clear who—asked about sacking Stephens. "Is there anything that can be done?" one of them reportedly asked Altman. Again, Stephanopoulos says he has no memory of such a question. Nor does Ickes.

The White House says Clinton learned of the phone calls only last Friday. News of the conversations, first reported last Saturday by *The Washington Post*, sent a new jolt of

anxiety through the White House. New presidential counsel Lloyd Cutler said it was "perfectly natural" for officials to express surprise at Stephens's appointment, and cautioned against blowing the matter out of proportion. But he also took pains to distance the administration from the calls by Ickes and Stephanopoulos, saying that he didn't think they were "authorized" under White House policy. Other officials said privately that the two did nothing more than

Hillary's Cash Cows and Other Sweet Deals

THE TAX RETURNS RELEASED last week by the White House contain no smoking gun. But according to Marvin A. Chirelstein of Columbia University Law School, they do contain clear evidence that Hillary Clinton made a financial killing in a sweetheart deal in cattle futures. The deal in itself was legal—but Chirelstein says Mrs. Clinton never put up any money of her own. Because it was arranged by a lawyer for Tyson Foods, a major player in Arkansas, it smacks of political favoritism. "It's one of those things—somebody gets put into a good thing," Chirelstein said. "It's hazy, but it doesn't look wonderful, does it?"

Chirelstein is one of four outside experts chosen by the White House to brief reporters on the Clintons' 1977, 1978 and 1979 tax returns. The Clintons made \$98,977—\$26,541 in 1978 and \$72,436 in 1979—by trad-



James Colburn—PHOTOREPORTERS
Lucky investor: First Lady

ing in commodity futures. The trades were made at the step-by-step direction of James Blair, a Clinton friend and an outside counsel for Tyson Foods. Chirelstein says that the Clintons piggybacked on Blair's brokerage account.

Blair and the Clintons' lawyer, David Kendall, have told *The New York Times* that Mrs. Clinton had her own brokerage account and that she assumed real financial risk in the deal. Chirelstein says he saw no evidence of hard risk. "There weren't any checks," he says. "This fellow Blair seems to have said, 'You can have a fractional interest in my trading in these cattle futures. If I make money, you get a share. If I lose, you have to take your share of the loss.'"

Chirelstein said he knows of no contract that required Mrs. Clinton to repay such a loss, which means her "investment" could be considered by some to be a gift. Republicans are bound to wonder whether Blair, whose business interests were dependent on state government, would ever have demanded that a loss be covered.

Chirelstein also said that James McDougal, chairman of

Madison Guaranty Savings and Loan and the Clintons' partner in Whitewater Development Corp., assumed the Clintons' share of Whitewater interest payments three years after they went in business together. As a result, the Clintons essentially paid no part of Whitewater costs from 1981 to 1990. Although documents released by the White House indicate the Clintons paid \$7,826 in Whitewater interest and taxes between 1981 and 1990, Chirelstein says these payments covered the costs of a model home built on the Whitewater tract—a house the Clintons sold at a small profit.

The bottom line, in Chirelstein's tally, is that Clinton is still overstating his Whitewater investment. Clinton has revised the figure downward, from \$68,880 to \$46,636. Chirelstein says the real total is no more than \$38,809—and if he's right, the Clintons had two sweetheart deals back to back.

RICH THOMAS in Washington

38



Ickes: Protest or inappropriate call?

protest a flatly inappropriate hiring decision by RTC. "It's not like we don't like Republicans. Fiske is a Republican," says one senior adviser. "But this guy held a press conference to accuse Bill Clinton of a secret plot to get rid of him."

Last week's events continued the White House's troubling pattern in Whitewater: denial followed by fragments of disclosure. Claims of openness are repeatedly tainted by evidence that it has actually been work-

ing harder to control and contain damaging information. Along with the phone calls, a cluster of other issues has turned scandal management into a full-time job at the White House. New ones may crop up; others may fade. But for the moment, these problems are driving Whitewater.

Financial Questions: The release of the Clintons' long-withheld tax returns from the late '70s seemed to establish that they lost money on the Ozark vacation-home development they co-owned with S&L operator James McDougal. But it also provided details about Hillary Rodham Clinton's lucrative flier in the cattle-futures market (box). Although the deal is completely legal, it carries the whiff of hypocrisy for a couple that campaigned in 1992 against '80s greed—S&L abuses, insider trading, public officials who used their positions to enrich themselves. Her good fortune came through a friendship with a lawyer for one of the state's largest and most influential employers.

The financial disclosures also evoked the least attractive aspect of Clinton's political personality: his facility for convenient evasion. Such a moment came at the Thursday-evening press conference, when he explained that he'd revised the estimate of his Whitewater losses downward (from about \$70,000 to \$50,000) because galleys of his mother's autobiography reminded him that

\$20,000 had actually gone to buy her a house. Accurate or not, it conjured memories of an earlier Clinton, one who suddenly remembered his induction notice.

Altman's Changing Tune: The deputy treasury secretary keeps generating new suspicions about improper White House involvement in the Madison probe. Last week, he offered a fourth correction to congressional testimony on his contacts with the White House regarding the Madison investigation. He originally told the Senate Banking Committee that he remembered only one White House meeting—a "heads up" session to discuss nothing more than procedural questions about civil suits against the bank. Altman later amended his comments to include what he said were two brief hallway conversations with the then White House counsel Bernard Nussbaum and Ickes. Now Altman says the discussions were more extensive, and involved his desire to recuse himself from RTC investigations, which he did at the end of February.

Altman is also rapidly becoming a man without allies. Since Fiske's operation is regarded as "airtight," Clintonites suspect that the original leaks disclosing the two phone calls under investigation came from the Treasury Department. Their surmise only adds to tensions between Altman and

Bill and Hillary Clinton's tax returns for 1977, 1978 and 1979 contain some clues about why they have been reluctant to make them available to the public. The returns show that the Clintons' adjusted income rose

sharply—from \$41,731 to \$158,495—during those years, and that much of it came from trading in cattle futures. Interest payments on Whitewater, a deduction, helped reduce their tax bill. Selected details:



1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1977**

Earned income	\$42,106
Bill Clinton, Attorney General of Arkansas	\$25,378
Hillary Clinton, Rose Law Firm partner	\$14,800
Bill, speech fees	\$700
Hillary, speech fees	\$550

Interest income..... **\$518**
Savings and retirement accounts

Capital gains..... **none**

Total deductions	\$6,488
Use of Hillary's car	\$595
Books and magazines	\$135
Interest on Yale student loans	\$521
Interest paid on credit cards	\$244
Glasses	\$77
Interest paid on furniture	\$54

Total adjusted income..... **\$41,731**

Taxes paid..... **\$8,194 (19.6%)**

1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1978**

Earned income	\$58,683
Bill Clinton, Attorney General	\$26,500
Hillary Clinton, Rose Law Firm	\$24,250
Hillary, consulting	\$6,312
Bill, speech fees	\$740
Hillary, speech fees	\$350

Interest income..... **\$1,176**

Capital gains	\$28,049
Sale of five acres of land	\$3,036
Profit in cattle futures commodity trading aided by James Blair, a top lawyer for Tyson Foods.	\$26,541

Total deductions	\$20,995
Among many other deductions was interest on the Clinton's share of the loan to buy the land to launch Whitewater Development Corp.	\$10,131

Total adjusted income..... **\$85,214**

Taxes paid..... **\$22,627 (26.6%)**

1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1979**

Earned income	\$84,059
Hillary Clinton, Rose Law Firm	\$38,615
Bill Clinton, Governor of Arkansas	\$30,100
Hillary, consulting	\$8,823
Hillary, speech fees	\$1,000
Hillary Clinton, Univ. of Ark.	\$889

Interest income..... **\$4,652**

Dividend income	\$1,928
Capital gains	\$72,996
One of two cattle-futures accounts lost money while the other performed spectacularly.	

Total deductions	\$24,606
Bookshelves, sofa, desk taken as a business expense	\$664
Payment, Whitewater interest	\$11,752
Payment, James McDougal, Whitewater partner	\$238

Total adjusted income..... **\$158,495**

Taxes paid..... **\$59,388 (37.5%)**





Fiske: A deal with Clinton's accuser



Leach: Dramatic charges in the House

the White House aides, building ever since he confessed the "heads up" session to the Senate and then publicly recused himself without informing Clinton aides.

The Republican Inquest: The administration's new difficulties will further energize congressional Republicans who already smell blood. Until last week, the most visible face of GOP antagonism on Whitewater was Sen. Alfonse D'Amato, who has had his own ethical problems. That was before Rep. Jim Leach, an Iowa moderate who radiates Main Street Republican probity, took the House floor to make two dramatic charges: that the Clintons are not telling the truth about losing money in the Whitewater venture, and that the administration tampered with the investigation of Madison, owned by James McDougal, the Clinton's partner in the Whitewater land development. Federal investigators believe Madison accounts were drained by McDougal to subsidize other business interests, including Whitewater.

Leach put up a fragile case for his first allegation. Using RTC documents, he notes \$70,000 passed from Madison affiliates to Whitewater during one six-month period in 1985. But his thesis that the Clintons pocketed Madison cash is unproven.

He offered more disturbing evidence for his charge of political interference. His strongest exhibit was a sheaf of notes from Jean Lewis, the criminal investigator who led the Madison inquiry in RTC's Kansas City, Mo., office. She charged that superiors in Washington pressed her to ignore evidence that the Clintons' Whitewater venture played a significant role in draining Madison's accounts. Most

telling was Lewis's account of a Feb. 2 meeting in which RTC attorney April Breslaw told her the agency was under pressure to conclude that Whitewater did not contribute to Madison's losses. "She felt like they wanted to be able to provide an 'honest answer,'" Lewis quoted Breslaw, "but that there were certain answers that they would be happier about, because it would get them off the hook."

According to her notes, Lewis told Breslaw she believed that the Clintons benefited from a check-kiting scheme that drew money from Madison into the foundering Whitewater development. She cited no evidence of the Clintons' complicity. But she wondered why they apparently asked no questions of McDougal, who assumed their interest payments on Whitewater land in the mid-1980s despite his own financial difficulties. "Wouldn't you question the source of the funds being used to your benefit?" Lewis asked. Breslaw has denied Lewis's account.

Clinton's accuser: Special counsel Fiske, busy in Washington pursuing White House revelations, may have gained important ground in Arkansas when he cut a deal with former Little Rock municipal court Judge David Hale. Facing trial on fraud and conspiracy charges, Hale pleaded guilty, hoping for lenient sentencing in exchange for testimony on Whitewater. The agreement allows Fiske to question the one figure in the affair who directly accuses Clinton of wrongdoing. Hale, who ran a federally backed finance company, has charged that in 1986 Clinton pressured him to make a \$300,000 loan to a firm owned by McDougal's wife: \$110,000 was funneled to Whitewater. But Fiske has big credibility problems. A new General Accounting Office report on Capital Management Services, Hale's firm, shows he secretly owned 13 of the 57 companies to which he made loans.

The unending trickle of bad news has given way in the White House to a bleak acceptance that Whitewater is now a permanent part of the administration's political landscape. "The question is, can we continue to make progress with Whitewater as background music?" asks one senior official. For the moment, the answer is yes. Some issues still have constituencies that outstrip political problems caused by the scandal. Last week the outlines of a compromise on health reform began to emerge, and a major education initiative setting national academic guidelines passed the Senate.

Yet Whitewater is forcing the administration to work doubly hard for victories it should already have in hand. Clinton was counting on passage of the \$22 billion crime bill before the press conference, to demonstrate that Whitewater has not swamped his legislative agenda. But White House lobbyists and Democratic congressional whips, consumed with staving off Whitewater hearings, allowed Republicans

to gain the procedural advantage and deny Clinton a bill until after Easter. One top Republican strategist says continuing uncertainty about Whitewater will make it more difficult for Clinton to form majorities on a range of issues. "Because the question is, what's next and how low can he go?" he said. "People on the Hill will hedge their bets and they do that better than anyone." The bad news for the president—and the country—is that until the new questions get answers, all bets could be off.

BILL TURQUE with BOB COHN, RICH THOMAS, ELEANOR CLIFT and MARK HOSENBALL in Washington and GINNY CARROLL in Little Rock.

WHITewater METER



ALTMAN'S ROLE: The deputy treasury secretary oversaw the regulators investigating Madison Guaranty. At first he said he had one contact with White House officials. Then he admitted to another, then another, and another. There's no evidence Altman squelched the key investigation, but each changed story hurts his credibility. The good news is that he rebuffed Stephanopoulos's overheated inquiries about Jay Stephens.



REVISED LOSSES: The Clintons first said they lost \$69,000 on Whitewater. Last week Clinton said it was \$47,000. The difference matters little, if it was a loss. Representative Leach says the Clintons actually made money but has so far produced little proof. If he's right, the next question is far more serious: were the "profits" really a way for cronies to funnel funny money to Clinton? That would send the meter shooting to 6 or 7.



performance and the release of more finance information, he hopes the crisis atmosphere will fade.

McDougal's ex-wife, Susan, could prove to be one of the most valuable witnesses called by Fiske, well-informed observers say. She is likely to appear before the grand jury in Little Rock in the next few weeks, sources say, when she will be asked detailed questions about accounting practices, expenditures and sources of revenue in the Whitewater venture. James McDougal's appearance as a witness could be more adventurous. He has sometimes changed his version of events as new documents and evidence appeared. Last week, for example, he

said that the release of the Clintons' early tax returns convinced him that he had been wrong in his earlier assertions that the Clintons hadn't suffered the losses on Whitewater that they had claimed. "My face is red. I have to admit," he told the Associated Press. "I am now convinced that I have substantially underestimated the amount they put in Whitewater."

But questions about Whitewater keep popping up. Just hours before Clinton's prime-time Whitewater defense last week, Rep. Jim Leach, a moderate Re-

publican from Iowa, delivered a highly detailed attack on the Clintons' investment. Whitewater, Leach said, "skimmed" at least \$70,000 in taxpayer-guaranteed funds from McDougal's Madison Guaranty Savings & Loan. The Clintons also lost much less money than they have claimed. Leach charged, in part because they benefited from several transactions made by the real-estate firm and the S&L. Clinton challenged any allegations of wrongdoing.

These are the principal areas of focus of the Fiske inquiry:

■ **Finances.** Besides releasing his family's tax returns from the late 1970s, the president estimated his Whitewater loss at \$46,700—substantially less than the earlier assertion that he and his wife had lost \$68,900 in the land deal. Clinton said he made the new calculation after reading his mother's autobiography, which reminded him that he had taken out a \$20,700 loan to assist her with the purchase of a cabin. The loan was made by a bank controlled by James McDougal. Two months ago, however, McDougal told *U.S. News* that the loan had been used to pay expenses from a Clinton gubernatorial campaign. Prosecutor Fiske will need to sort this out.

Still another puzzle relates to a \$300,000 loan by David Hale to a McDougal shell company called Master Marketing. McDougal says \$110,000 of the funds went to Whitewater to buy land—a transaction that might have improperly benefited the Clintons because they were partners in Whitewater and the loans were meant for other purposes. Fiske is investigating a claim by the Clintons that they were unaware of any such transaction.

Another question is whether Bill Clinton pressured Hale into making the loan. Clinton denies that he did.

The president has promised to respond promptly to any questions Fiske may have. It is unlikely, however, that Clinton himself will be summoned before a grand jury. As was the case with President Ronald Reagan during the investigation of the Iran-Contra affair, Clinton may be asked to respond to any questions during a videotaped deposition with Fiske or his lawyers. Such a videotape would then be shown to grand jurors.

Hale could prove to be an important

■ U.S. NEWS

witness. Although Fiske's specific mandate is to investigate any crimes arising from the Whitewater mess, he is obliged to dig into wrongdoing wherever he finds it. Fiske, then, may find himself investigating just about anyone Hale identifies as having received improper or illegal loans from his companies. That could lead the special counsel to Arkansas Gov. Jim Guy Tucker, whose companies, Castle Sewer and Water and its subsidiary, Southloop Construction, defaulted on \$300,000 in loans from Hale's Capital Management. Both businesses also had mortgages from McDougal's Madison Guaranty Savings & Loan. Tucker says he did not know Capital Management's loans were intended for the disadvantaged.

■ **Obstructionism.** Perhaps Representative Leach's most damaging revelations may be those suggesting that officials of the federal Resolution Trust Corp. in Washington attempted to stifle the efforts of Kansas City investigators to explore the Clintons' connections to



Players. David Hale, on left, and James McDougal were part of key financial deals.

Madison. Four meetings between White House and Treasury officials have come under intense scrutiny since being revealed. Leach says those meetings were triggered by senior RTC officials in Washington: They were concerned, Leach says, about requests by investigators in Kansas City for a federal investigation of Madison Guaranty. In January, Leach says, RTC officials in Washington "attempted to put in place procedural techniques to undercut the traditional independence of

its regional offices." Then on February 2, Leach charges, RTC senior attorney April Breslaw traveled to the Kansas City RTC office to let them know that "Washington would like to say that Whitewater caused no losses to Madison." Breslaw has declined to comment. In his press conference, Clinton flatly denied that he had had any contact with the RTC. The president said he had "made no attempt to influence" any RTC investigation of Madison.

If Leach's assertions are true, some administration officials could face charges of participating in a cover-up. Obstruction of justice charges are hard to prove, however, because prosecutors must be able to demonstrate corrupt "intent" on the part of those impeding an investigation. In reality, much of the effort to keep the lid on Whitewater may turn out to be nothing more than well-meaning friends of the Clintons trying to keep the first couple out of trouble. ■

BY DAVID J. BOWERMASTER AND GREG FERGUSON IN LITTLE ROCK



WHITEWATER FILES: LITTLE ROCK TALES

One mystery is why the Justice Department did not at first seriously probe allegations of possible wrongdoing at Madison Guaranty Savings & Loan made by S&L investigators at the height of the 1992 campaign. Now, the plot thickens:

Federal prosecutors who received the first government report of possible illegal activity at Madison Guaranty misrepresented the involvement of Bill and Hillary Clinton in the case and delayed sending the report to the Justice Department in Washington until just two weeks before the 1992 presidential election, according to government records and interviews.

The Resolution Trust Corp. sent its first criminal referral on Madison to the U.S. Attorney's Office in Little Rock in early August 1992. It sought a Justice Department probe of

Madison and its owner, James McDougal. U.S. Attorney Charles Banks, who knew the Clintons in the tight-knit world of Little Rock's elite, did not report on the referral to his bosses in Washington until late October 1992. Banks eventually sent an "urgent report" to then Attorney General William Barr, concluding there was no reason for criminal investigation of Madison, according to two officials with knowledge of it. Banks, who is now in private practice, refused to comment on the contents of the report or the reasons why it took nearly three

months to send it to Washington. Federal policies require "urgent reports" on pending political matters of significance to be forwarded in a "timely manner."

Although the RTC referral described the Clintons as "beneficiaries" of a possible criminal check-kiting scheme at Madison, the October 1992 report from the U.S. Attorney's Office in Little Rock described the Clintons as "witnesses" — a less serious characterization. Federal prosecutors in Little Rock who were questioned about the discrepancy refused to discuss the matter.

The office of U.S. Attorney Paula Casey received 10 referrals from federal S&L investigators about Madison, but she did not investigate.



Overall, the RTC sent 10 criminal referrals on Madison to the U.S. attorney in Little Rock. Paula Casey, who succeeded Banks, refused to conduct any probe of Madison. She has since recused herself from all Madison inquiries. In an interview last week, Casey said she did not know what the RTC referrals said.

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A view of the increasingly hardy bacterium responsible for tuberculosis

Antibiotics: The End of Miracle Drugs?

For more than half a century, doctors have been fighting infectious diseases with antibiotics and winning. But scientists who declared victory over TB, pneumonia and other infections spoke too soon. The overuse of antibiotics has helped resistant bacteria proliferate dangerously—and now people are falling sick who can't be cured. How will science battle the new strains of drug-resistant bugs? **Society: Page 46**

Clinton's Bleak House

Clinton is stunned by how "surreal" his life has become. He is reportedly devastated by the resignation of his friend Webb Hub-

bell, and last week another top aide was subpoenaed. It seemed impossible to change the subject: questions lingered about the investigation of Madison Guaranty, and hearings on Whitewater appeared inevitable.

National Affairs: Page 18

Cyberwar

Our digital airspace is getting crowded these days. Anyone and everyone who owns a computer, it seems, is going on line. To meet the frenzied demand, big media companies are scrambling to offer new and specialized information services. The competition will be ferocious.

Business: Page 38

DOWNING—NEWSWEEK
A frustrating time

COVER: Photo by MYKO.

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LETTERS

Clinton leadership: Finally, there is in print in a major media publication valid confirmation of the sham that is the hallmark of this administration ["Double Standards in Clintonland," March 14]. Gloria Borger brilliantly describes the double standard of the Democrats. Had this been any Republican in the White House, the level of shock and dismay expressed by the ethically and righteously pure Democrats would have had the country in a state well before now. Ms. Borger brings into focus the need for factual investigation and public disclosure of the fundamental issues of public trust and integrity or the lack thereof that is the real point.

Mr. and Mrs. Clinton speak with brilliance but without inner sincerity and without any sense of conscience. America deserves better.

Dean L. Gordin
Cedarville, Ohio

■ Why is Gloria Borger so surprised by the lack of ethics in the White House?



Political targets. President, first lady under fire

Wasn't she around when the president promised to curtail the power of lobbyists while making superlobbyist Ron Brown secretary of commerce and Lloyd Bentsen, he of the \$10,000 breakfast, secretary of the Treasury? Wasn't she around when the presidential candidate, who had been running for president since before he was able to vote, continually

whitewashed dirty laundry? We rejected both Paul Tsongas—a man of integrity—and a sitting president to elect Bill Clinton because the national press never pointed out that there is a connection between ethical conduct and public policy. This country desperately needs long-term thinking. Instead we have a man (and apparently a woman) who take the short-term, me-first approach to everything.

Randy Salzman
Augusta, Ga.

■ It is true there is now a five-year rule preventing some officials from lobbying their former agencies. It is also true they are free to become lobbyists with any firm the day after they leave office. They can deal with senior congressional staffers with whom they once worked or with friendly colleagues from any department or agency as long as it is not the one in which they were employed. So much for Clinton standards discussed in your well-balanced piece.

Evie Maheras
Miami Lakes, Fla.

■ Could Michael Barone be one of the few who cannot abide an intelligent, energetic woman operating in the public arena from the White House ["Is She a Political Liability?" March 7]? Well, there are plenty of men and women in this country—and they are not all "feminists" as Barone implies—who are grateful to have a first lady who can contribute something to this country besides adorning looks focused on her husband.

Phyllis Brewster
Arcadia, Calif.

■ I don't know who Michael Barone has been speaking to, but the notion that Hillary Clinton is a political liability and perhaps wounding to the cause of feminism is ludicrous. What she has done is champion causes most job-fearing politicians wouldn't touch.

Joey A. Chavez
New York City

■ Mr. Barone's article was on target. The first lady's programs, which show "startlingly bad judgment," her friends, who are now entrenched in the highest levels of government, and her financial dealings show she is not this administration's lodestone but this nation's millstone.

Gerald Tyson
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THE WEEK

MARCH 13 - 19

NATION

Rollin' on a River

After weeks of partisan bickering, the Senate reached consensus by voting unanimously to hold hearings on the Whitewater affair—at some unspecified point in the future. In the meantime, the Whitewater grand jury reached ever higher into the White House, issuing a subpoena to George Stephanopoulos, one of the President's closest advisers, on the same day the jury heard testimony from departing White House counsel Bernard Nussbaum and deputy chief of staff Harold Ickes.

Hubbell Burst

Webster Hubbell resigned as Associate Attorney General to focus on resolving allegations of client overbilling and expense abuse—charges that were leveled by his erstwhile partners at Little Rock's Rose Law Firm (former workplace of Hillary Rodham Clinton and other Administration figures). The exit was another painful development for the Clintons, particularly the First Lady, many of whose imports into the Administration have run into trouble.

Tonya Pleads Guilty

The Tonya Harding saga finally reached an end, of a sort: in an Oregon courtroom, Harding pleaded guilty to conspiring to hinder the prosecution of the assault on Nancy Kerrigan. Harding, who denies any role in the attack itself, was sentenced to three years' probation and a \$100,000 fine. As part of the plea, she will also have to resign from the U.S. Figure Skating Association, ending her amateur career.

Rosty Slugs Out a Primary Win

Though battered by a federal probe into his financial dealings with the scandal-ridden



IN THE SPOTLIGHT: Powerful Congressman Dan Rostenkowski, Clinton ally, resurrected with a big primary win despite the deep whiff of scandal

INSIDE WASHINGTON

**Miscommunication at Foggy Bottom**

U.S. Secretary of State **WARREN CHRISTOPHER** took heat from Congress for his chilly reception in Beijing two weeks ago. But what Christopher's critics didn't know is that the advance foray by one of his deputies that so irritated the Chinese was carried out without Christopher's knowledge. The Secretary was unaware that John Shattuck, Assistant Secretary of State for Human Rights, was meeting a week earlier with Chinese dissident leader Wei Jingsheng. The U.S. embassy arranged the visit at the last minute and expected Wei to keep it secret.





TIME

■ WHITEWATER

It's a Jungle Out There

The Administration is in retreat, embarrassed by new disclosures, unable to head off congressional probes

By GEORGE J. CHURCH

IT SEEMED AT TIMES LIKE A WEEK OUT of the early 1992 campaign. Once again Bill Clinton was stumping New Hampshire in the winter (as well as Boston and Detroit). Just as he did two years ago, he sought to take the offensive against attacks on his character and credibility—and in some of the same places; as the President strode through the lobby of the Sheraton Tara in Nashua, New Hampshire, aides reminded him of a 1992 press conference in the same hotel at which he confronted charges that he had dodged the draft. Now, of course, the questions are about Whitewater, but Clinton's strategy is pretty much the same as it was two years ago: accusing his accusers of trying to distract the public's attention from far more important issues like health care and crime. At a Democratic dinner in Boston, a red-faced Clinton shouted that instead of engaging in "honest political debate," the Republican Party "just stands up and says no, no, no, no..." Reporters counted nine noes, each punctuated by a slam of the presidential fist against the lectern.

This time, though, the strategy is not working quite so well. Clinton did draw sympathetic responses from the crowds he

worked; at a "town meeting" in Nashua, a woman remarked that she thought Whitewater was for rafting and canoeing. But back in Washington the Administration was in a worsening bind, facing congressional hearings about Whitewater and the near-certainty of further revelations and unable to stop either. Special prosecutor Robert Fiske subpoenaed a 10th Administration official, senior adviser George Stephanopoulos, possibly to ask him what he may have said about Whitewater in phone conversations with Deputy Treasury Secretary Roger Altman. As for congressional hearings, Clinton knows they will become a highly partisan circus. But the prospect nonetheless puts him in a dilemma pithily summarized by his chief Republican congressional tormentor, Iowa Representative Jim Leach: "If [Democrats] provide me a hearing, their President is likely to be embarrassed. If they don't, they look like they have been complicitous in working with the Executive Branch to block full disclosure."

At week's end Senate majority leader George Mitchell and Republican chief Bob Dole struck a deal that enabled the upper chamber to approve the idea of a probe, 98 to 0. The resolution, however, left in doubt "the appropriate timetable, procedures and forum"; Mitchell and Dole are to work those out. The Senate also specified that the hearings must not interfere with Fiske's probe. That means witnesses will not be given immunity. Also, each phase of the hearings will begin only after Fiske has completed the relevant part of his investigation. Thus even the first hearings—into contacts between the White House and Treasury officials that have prompted suspicions of a cover-up—will not begin for weeks or months. Any

Survival of the Slickest?

As they wend through the wilderness of Whitewater, the Clintons and friends are faced with... subpoenas and hearings and Dole, oh my! Lurking as well are a hissing D'Amato, a hawk-eyed Leach and a snooping Fiske. Already, Hillary's old partner Webb Hubbell is a casualty.

hearings into Whitewater proper—that is, the Clintons' land deals in Arkansas—would come much later.

In any case, Clinton probably has less to fear from the Senate than the House. His Republican critics in the upper chamber are led by Alfonse D'Amato of New York, whose qualifications to be a judge of ethics are, to put it mildly, dubious; D'Amato's ethics have often been publicly questioned. In the House, the Republican charge is being led by Leach, a far more moderate and responsible figure—though he too is beginning to rumble darkly about unspecified bombshells. But in contrast to D'Amato's charges, which mainly feed off headlines, Leach's rumblings are based on some independent investigative work done by the staff he commands as ranking minority member of the House Banking Committee.

The committee has already scheduled a routine hearing, to be held on Thursday, to examine how well the Resolution Trust Corporation, an agency subject to congressional oversight, is doing its job of cleaning up the affairs of failed savings and loans. Leach wants to focus on the RTC's investigation into the affairs of Madison Guaranty Savings & Loan, which was once owned by James McDougal, a partner of Bill and Hil-

lary Rodham Clinton in Whitewater Development Corp. To that end, Leach asked Banking Committee chairman Henry Gonzalez to summon 43 witnesses, including McDougal and his former wife Susan, another Whitewater partner, but Gonzalez has not done so. Instead, last week Gonzalez wrote the four witnesses he had invited that they need not answer any questions about Madison. The Democrats may thus frustrate Leach initially, but only at the price of triggering more accusations of stonewalling.

Leach has dropped some heavy hints as to what it is he wants to probe. He will

try to establish evidence that RTC officials, so far unnamed, attempted to thwart or dilute efforts by Jean Lewis, an investigator in RTC's Kansas City, Missouri, office, to delve into Madison's affairs. If they did, those attempts were not fully successful. It was an RTC investigation of Madison, and a referral of its findings to the Justice Department for possible criminal prosecution, that helped start the Whitewater mess; the referral named the Clintons as possible, though perhaps unwitting, beneficiaries of illegal practices. And it was a series of contacts between Treasury officials and White House aides about that



The Subpoenaed

The special prosecutor may ask what Altman, left, may have talked about with Stephanopoulos and with Clinton aide Harold Ickes (escorted by lawyer Bob Bennett)

Suddenly, an Old Nemesis

JAY STEPHENS ISN'T EXACTLY A HOUSEHOLD NAME, BUT YOU can bet Bill Clinton knows all about him. Until last year, when the President fired every one of the nation's 93 U.S. Attorneys, Stephens was leading the federal investigation of House Ways and Means chairman Dan Rostenkowski for allegedly misusing his \$1.3 million campaign fund, a probe intertwined with the House post-office scandal. Clinton's sack-

ing of the federal prosecution chiefs is believed by some of the dismissed to have been a way of getting Stephens off Rostenkowski's back. Now, though, Stephens is engaged in an even more sensitive inquiry, and this time Clinton could become a target.

Stephens and other lawyers in the Washington office of San Francisco's Pillsbury Madison & Sutro have been retained by the Resolution Trust Corporation to investigate civil claims flowing from the failure of Little Rock's Madison Guaranty Savings & Loan, the institution run by James McDougal, the Clintons' partner in Whitewater Development Corp. Stephens won't elaborate on his work, which began last month, but it's likely to bring more heat on Clinton. Sources close

to the investigation describe Pillsbury's effort as "the civil equivalent of [Whitewater special counsel Robert] Fiske."

At first blush there's nothing unusual about the RTC's appointing a lawyer like Stephens. With its staff taxed to the limit, the RTC routinely farms out complicated legal work to private lawyers. But the agency didn't pick just anyone. Stephens, says a banking regulator, "was deliberately chosen so the RTC could deflect any charges that it wasn't being rigorous in its Madison-related investigations."

Rigor is certainly what Clinton can expect. Stephens, 47, is a lifelong Republican with impressive academic and prosecutorial credentials. After a boyhood on an Iowa farm, he studied at Harvard College and Law School and at Oxford. He spent a brief time in private practice, became an assistant special prosecutor in the Watergate scandal under Leon Jaworski and rose steadily through top-level posts at the Justice Department and White House. During one tour, he was Ronald Reagan's deputy White House counsel, the job the late Vincent Foster held under Clinton at the time of his death last July. After becoming U.S. Attorney for the District of Columbia in 1988, Stephens directed the successful prosecution of former Washington Mayor Marion Barry on drug charges.



Digging for the RTC: Stephens



referral that heightened suspicions of interference.

But a separate investigation proposed by Brian McCormally, a veteran prober in the Treasury Department's Office of Thrift Supervision, may have been aborted by higher-ups. Leach has tried to call McCormally as a witness. Leach further wants to look at the records of 11 Arkansas financial institutions, trying to track money flows, some possibly through Whitewater, that might have been designed to deceive regulators about how bad Madison's financial condition was. If the Iowa Congressman cannot raise any of these matters Thursday, he seems sure to get a chance to do so later. More and more Democrats concede that whatever happens in the Banking Committee this week, an eventual broad investigation of Whitewater by House as well as Senate probes looks inevitable.

Meanwhile, an indirect clue surfaced to one of the most tantalizing Whitewater mysteries: why Hillary Rodham Clinton was so anxious to save on federal taxes owed by herself and her husband that she took deductions related to Whitewater that seem at best questionable (and that the White House is finally getting around to admitting may in fact have been excessive). The *New York Times* reported that beginning three weeks before Bill Clinton was elected Governor in 1978, and continuing through most of 1979, his wife speculated heavily in commodities, mostly betting on future cattle prices. Under the guidance of James Blair, a friend and lawyer for the Tyson poultry interests, Hillary reportedly made a profit of \$100,000.

That does not quite fit Mrs. Clinton's carefully cultivated reputation as a preacher of a moralistic "politics of meaning"—Saint Hillary the Commodity Speculator is an odd image—but on the face of it there is nothing illegal about it. And though there have been charges that Governor Clinton was excessively favorable to the Tyson company—for example, by being far less

strict about the disposal of chicken wastes than environmentalists would have liked—that could be explained on the simple ground that the company was the biggest employer in Arkansas. But the \$100,000 was the first serious money the couple had ever seen; Hillary was then a struggling young lawyer, and her husband held offices—as attorney general and Governor—that in Arkansas paid niggardly salaries. It would be understandable if the Clintons treated their Whitewater investment largely as a much needed tax shelter.

A kind of grace note in this symphony of embarrassment was provided by the abrupt resignation of Webster Hubbell as Associate Attorney General, the No. 3 post in the Justice Department. Hubbell was a partner with Hillary Clinton in the Rose Law Firm of Little Rock and a golfing buddy of Bill Clinton. He is credited with galvanizing Justice lawyers charged with civil rights enforcement. But back in Little Rock he came under suspicion by the remaining Rose partners of having overbilled clients, padded expense accounts and caused Rose to swallow some expenses that should properly have been paid by Hubbell's in-laws, whom he represented in a patent-infringement case. Rose partners reportedly filed a formal complaint with the Arkansas Supreme Court's committee on professional conduct. Hubbell concluded that defending himself against those charges would take so much of his time that he could not do his job in Washington properly.

The charges against Hubbell are only marginally related to Whitewater—one of the clients he is alleged to have overbilled is the RTC—and Fiske has not yet decided whether to include them in his investigation. Hubbell's exit prompted some rueful reflections among Rose lawyers who once thought the prominence of many of the firm's alumni in the Clinton Administration could only boost their business. But they never anticipated the suicide of White House counsel and former Rose partner Vincent Foster, the departure of Hubbell and the suspicions of conflict of interest on the part of Hillary Clinton when she represented Madison while her husband was Governor.

Those developments have thrown such a glare of bad publicity on Rose that some of its lawyers have taken to holding briefcases in front of their faces as they enter the firm's Little Rock offices to avoid having their pictures appear on TV. As for Bill and Hillary Clinton, they made no effort to talk Hubbell out of quitting. Much as it must have hurt to see another old friend from Arkansas leave, the last thing they needed amid the Whitewater uproar was to face questioning about the ethics of a friend they had persuaded to stay.

—Reported by Laurence I. Barrett/Washington, Nina Burleigh with Clinton and Suneel Ratan/Little Rock

Will They Pay?

NO QUESTION ABOUT WHITE-water hit such a raw nerve at the White House as whether the Clintons might have underpaid their federal income taxes. Asked about it by *TIME* last month, presidential adviser Bruce Lindsey angrily brandished folders of documents (which he refused to show) that he insisted proved all the deductions they took related to Whitewater were legitimate.

But now, following a hint first dropped by Hillary Rodham Clinton in an interview with *TIME*, White House sources are beginning to acknowledge that, well, er, maybe there were some errors. Mrs. Clinton told columnist Mary McGrory that she and her husband may have taken at least one deduction that had already been claimed by a corporation, presumably Whitewater. The First Source, Bill Clinton, followed up by telling reporters that any underpayments "certainly were not intentional." Said he: "I don't think we owe any extra taxes, but I'm not sure yet. If we do owe, we'll make it good" by repaying the Treasury.

How much may be at stake? Robert Stone, a tax expert consulted by *TIME*, has estimated the Clintons might have underpaid their income taxes by \$11,000 in 1978-79-80 because they took deductions for interest on Whitewater-related loans to which they were not entitled. With interest and penalties, they would have to pay about \$30,000 now to clear the debt. According to estimates prepared for *TIME* by the accounting firm Grant Thornton, the First Couple's debt might come to \$53,632 in an absolute worst case—\$13,744 in taxes, the rest in interest.

Accountants working for David Kendall, the Clintons' personal lawyer, may well conclude that the Clintons lost less on Whitewater than the \$68,900 calculated in a 1992 report issued by Denver attorney James Lyons at the Clintons' request. Why did the Clintons embrace that figure if it was wrong? "I didn't have the records of the company," the First Lady told McGrory. But Susan McDougal, a partner in Whitewater, says she turned over all corporate documents to the Clintons. So how come Hillary Clinton could not find them? Stay tuned.

Charles Krauthammer

Why Whitewater Matters

AT THE HEART OF THE CLINTON PRESIDENCY LIES AN oddity. Bill Clinton has been plagued by questions of character and trustworthiness throughout his career. He earned the nickname Slick Willie long before he ran for the White House. The man who "didn't inhale" is a man the public does not trust. His slickness is such a given that in a column *defending* the President, Michael Kinsley quite casually, indeed parenthetically, concedes that Clinton all but lied about Gennifer Flowers.

And yet this is a presidency that makes a public fetish of its virtuousness. The Clintons really do believe that they are doing God's work on health care, welfare, national service, etc., and that those who oppose them do so for the most venal, usually pecuniary, motives. They really do believe theirs is the politics of virtue. Hillary Clinton spent so much time championing the politics of virtue that she earned a cover photograph in the *New York Times Magazine* last year showing her dressed in purest white, with the accompanying article headlined SAINT HILLARY.

It is this contradiction between the claim to saintliness and the evidence of slickness that gives the Whitewater affair such drama and urgency. We would not be half so interested in the personal failings and shady dealings of a First Family that did not so insistently engage in arrogant, high-handed moralism.

Take health care. The Clintons did not just offer their plan as a needed reform of an old and inefficient system. They had to portray the existing system as the workings of "price gouging, cost shifting" and "profiteering" bogeymen—the greedy insurers, drug makers and doctors from whose malevolent grasp the Clintons and their bureaucrats would free us.

Take taxes. When the President proposed his tax increase on the rich, he did not just present it as a necessary measure for reducing the deficit. He presented it as just desserts—fitting retribution—for those who had made it in the '80s. Clinton would avenge the little guy on those who cashed in on the Decade of Greed. Now it turns out the President and his wife spent much of the decade trying to cash in themselves, albeit ineptly (hence the \$69,000 loss—alleged and unclaimed on their income tax returns—on Whitewater).

Take their response to Whitewater itself. Hillary Clinton calls routine inquiries into her cozy dealings with a sleazy Arkansas savings and loan a "well organized" and "well financed" campaign by those with "a different political agenda" and "financial" motives. Stands to reason. Who could oppose an apostle of political virtue but those who, for the most selfish of reasons, wish to stop her good works? The President angrily declares that "the

American people can worry about something else" than his wife's "moral compass." The Clintons do not just deny wrongdoing in Whitewater. They take offense at the very suggestion.

Offense comes easily to the self-righteous. And this is an Administration bursting with self-righteousness. The conceit of Clinton's politics is that he and his wife have come with the virtue—"idealism," it was called then—of the '60s to redeem us from the "corrupt do-nothing values of the 1980s."

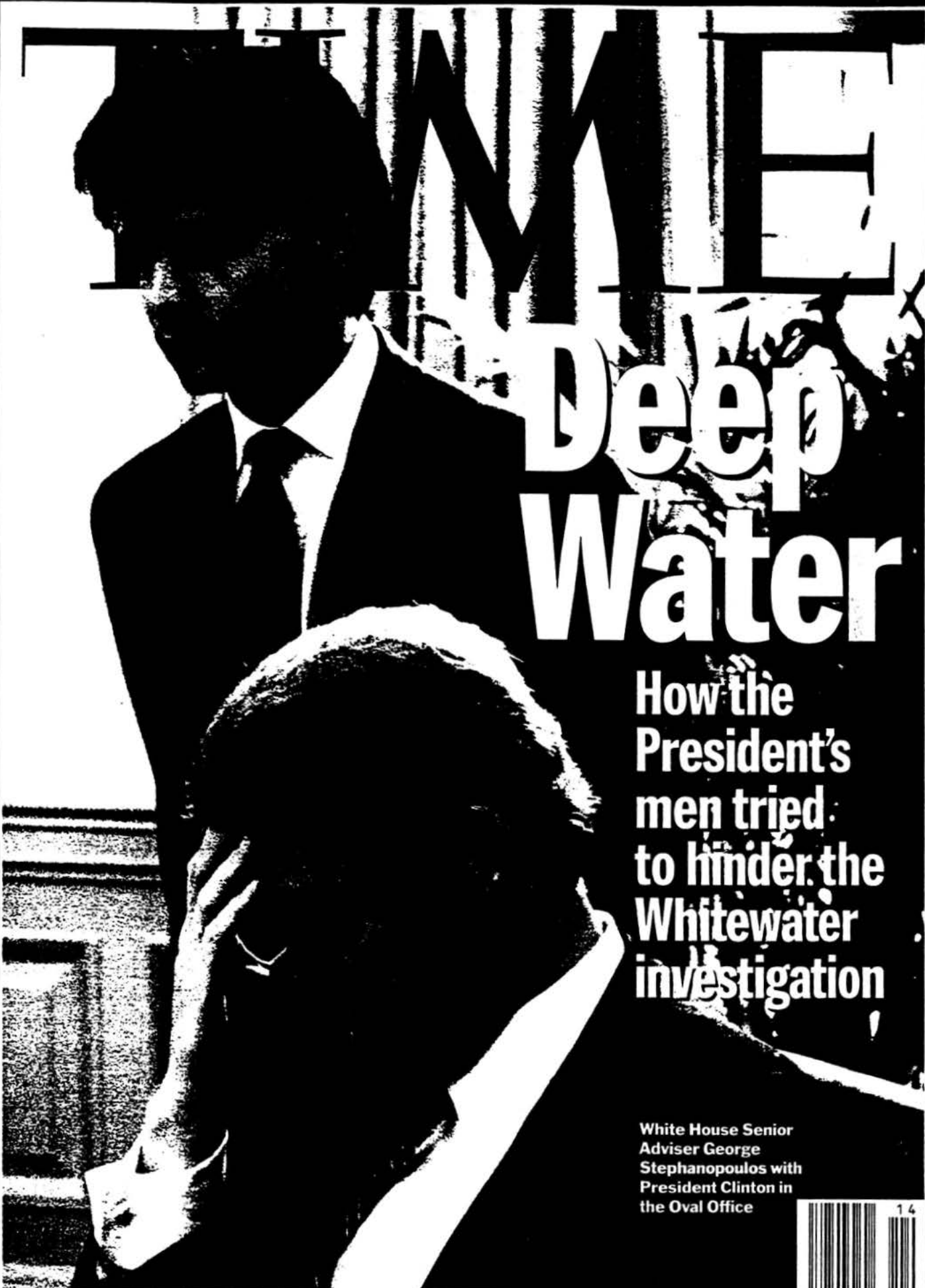
The '80s figure prominently in their demonology. They ran against it with great zeal in 1992. It was "a gilded age of greed and selfishness, of irresponsibility and excess," of "S&L crooks [who] stole billions of dollars in other people's money." And it was very Republican: "For 12 years of this Reagan-Bush era, the Republicans have let S&L crooks and self-serving CEOs try to build an economy out of paper and perks . . . It's the Republican way: every man for himself, and get it while you can."

And what was the Clinton way at the time? In 1985 Hillary Clinton took a \$2,000-a-month retainer to represent Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater partner James McDougal. She represented Madison before a regulator appointed by her own husband. She won authorization for an unusual stock offering on behalf of an institution whose viability, according to a confidential federal examination, was threatened by "unsafe and unsound" business practices. (It later collapsed at a cost to taxpayers of \$47 million.) After first representing Madison S&L, Hillary Clinton's Rose Law Firm then closed out the '80s getting fat on contracts from government agencies pursuing Madison and other S&Ls in an attempt to recover monies they had looted earlier in the decade. The Clintons then launched into the '90s running against S&Ls and the '80s greed they represented.

And succeeding, until Whitewater. This is why Whitewater matters. It is a tangled web of, for now, obscure dealings involving political favors, real estate speculation and conflicts of interest—with a dead man, Vince Foster, lying enigmatically at the center. It is important less for its possible criminal violations than for the light it sheds on the ethical norms, the greed and ambition, of our moral betters in the White House.

In the 1992 campaign we learned about the Bill Clinton of the '60s and '70s and decided that, whatever his character flaws, he would do as President. Now we are learning about the Clintons of the '80s. One can begin to understand the desperation with which the Clintons, having defined themselves as the antithesis of the '80s, seek to relegate that once so serviceable decade to what the President now calls "the dark ages."





TIME

Deep Water

How the President's men tried to hinder the Whitewater investigation

White House Senior Adviser George Stephanopoulos with President Clinton in the Oval Office



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COVER: Photograph courtesy of the White House



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Crime: Serial-killer chic sweeps the country



Music: "Playing the game of being 'hot' is offensive to me"

THE WEEK

MARCH 20 - 26

NATION

Clinton's Whitewater Offensive

In a bold attempt to contain the damage from the Whitewater affair, President Clinton went on the offensive at a nationally televised news conference to state that while he intended to cooperate "fully" with the special counsel and any congressional investigation, he also intended to stay "preoccupied with the business we were sent here to do for the American people." Responding to fresh allegations of wrongdoing—leveled on the floor of the House by Republican Jim Leach—the President categorically denied having tried to suppress a federal investigation of the S&L at the center of the Whitewater affair. To underline his contention that he had done nothing wrong in the real estate venture, the President publicly released his tax returns for 1977, 1978 and 1979.

Meanwhile ...

The Whitewater grand jury in Washington continued to hear testimony from Administration officials. And the special counsel obtained cooperation, as part of a plea bargain on non-Whitewater fraud charges, from an Arkansas businessman and former judge who says Clinton pressured him to make questionable loans. The President denies this accusation too.

And Then ...

The White House lawyer responsible for screening Administration job applicants fell victim to his own "Zoë Baird problem." William Kennedy III—yet another of Hillary Rodham Clinton's beleaguered former law partners—was reassigned following the revelation that he had only belatedly paid 1991 and 1992 Social Security taxes for his family's nanny.



IN THE SPOTLIGHT: Basketball great Magic Johnson returns to the Los Angeles Lakers as head coach. But in his heart of hearts, is he still a player?

STEVE BRONER FOR TIME

INSIDE WASHINGTON



TERRY ASHE FOR TIME

Shalala's Altogether Impropriety-Free Party

The furor over ethics has some Clintonites treading very lightly. Health and Human Services head **DONNA SHALALA** wanted to throw a routine book party for her friend Madeleine Kunin, Deputy Secretary of Education, who's published her memoirs. Even though the do was to be held at a friend's house, Shalala got clearance from an HHS ethics officer, sternly forbade book-selling at the party, wrote the invitation herself and stood in line at Kinko's for copies. All this to thwart any criticism that either Shalala or Kunin were using their connections for gain.

WINNERS & LOSERS



STEVE BERMAN—GAMMA LIAISON

JOE BUTTAFUOCO

Statutory rapist is freed from jail, house hunting in Hamptons

HOCKEY STAR WAYNE GRETZKY

The Great One is now The Greatest with his record 802nd goal

MARIO CUOMO

Howard Stern's bid for Governor divides New York's pro-death penalty vote

JONATHAN POLLARD

Despite a big campaign for his release, Israel's spy has pardon nixed

WILLIAM KENNEDY III

Lawyer who vets White House staff has own nanny-tax problem

NASA

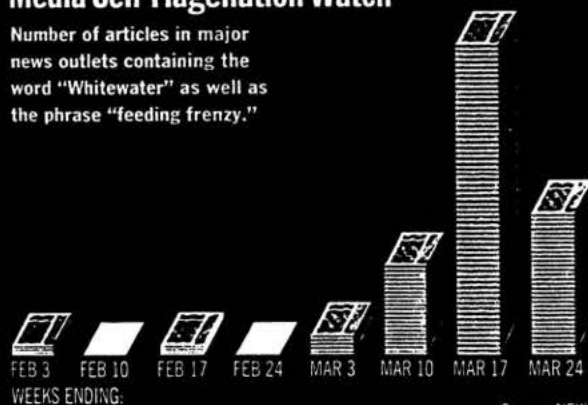
Congressional Budget Office says agency may have to scrap entire astronaut program



CYNTHIA JOHNSON FOR TIME

Media Self-Flagellation Watch

Number of articles in major news outlets containing the word "Whitewater" as well as the phrase "feeding frenzy."



VOX POP

Which would you prefer as a name for your race?

	FEB. 1989	FEB. 1994
AFRICAN AMERICAN	26%	53%
BLACK	61%	36%

From a telephone poll of 503 African Americans taken for TIME/CNN on Feb. 16-17 by Tarkenton Partners Inc. Sampling error is $\pm 4.5\%$. "Not sure" omitted

Closing In on Smokers

The FDA and now the Labor Department are on the offensive. Testifying before Congress, FDA commissioner David Kessler said his agency was considering regulating tobacco as a drug. Labor Secretary Robert Reich moved to prohibit smoking in all workplaces, including factories, office buildings, restaurants and schools. Meanwhile Philip Morris, the nation's largest cigarette manufacturer, laid a whopping \$10 billion libel suit on ABC television for reporting that cigarette makers deliberately manipulate nicotine levels in cigarettes in order to keep smokers hooked.

Health Reform: A Qualified Yes

By a 6-to-5 vote, the House Ways and Means Subcommittee on Health passed a watered-down version of the President's health-care plan, one that would provide a more modest benefits package but still guarantee universal coverage and require employers to pay for most of their workers' insurance.

Appropriations Spurt?

Choosing an aggressive liberal activist, House Democrats voted Wisconsin's David Obey as the new head of the powerful Appropriations Committee.

Pollard Stays Behind Bars

On the recommendation of the CIA and the Defense and Justice departments, President Clinton denied clemency to convicted spy Jonathan Pollard, whose life sentence for passing top-secret documents to Israel had been targeted as excessive by some Jewish groups and members of Congress.

Rodney King, Part III

Rodney King's civil suit against Los Angeles got under way with the battered motorist seeking \$9 million in damages from the city. King rejected the city's offer of a \$1.25 million settlement.

Why We Fight Art

People for the American Way is releasing a study this week of 204 "challenges to artistic free expression" during 1992-93. These include attempts to remove paintings from exhibitions, stop productions of plays, revoke arts funding and the like. Here is a partial breakdown of the cataloged objections (categories may overlap):

- Nudity and/or sexual content... 50%
- Offensive/inappropriate political content... 31%
- Antireligious content... 16%
- Homosexual content... 13%
- Racist/ethnically insensitive content... 7%
- Sexually harassing content... 6%
- Aesthetically unpleasing/ugly... 1.5%

Accessory of the Week

Last Thursday, as Congressman Jim Leach (R-Iowa) made serious-sounding allegations about the Whitewater affair for 45 minutes on the floor of the House, and then later on ABC's *Prime Time Live* and *Nightline*, millions of Americans wanted to know: Where on earth did he get that saggy pale green sweater? TIME has learned—from sources deep inside Leach's office—that it was a gift from his mother-in-law. No word about its last dry cleaning.



JOHN DUBICKA—AP

Los Angeles Times, April 5, 1994

in Little Rock garbage, searching for something -- anything -- to provide the exposure of errors that our public discourse now requires. Whitewater filled the slot.

The Gallo investigation, too, was sparked by a particular type of journalistic zeal. The hint of scientific theft originated in an article addressing the puzzle of why Gallo's and Montagnier's viruses resembled each other so closely that they had to be related. The article was written in the currently popular spirit of demonography: not to praise the person it features but to bury him -- to show his weaknesses, his villainous side. Gallo's great failing -- like Caesar's, according to Brutus' oratory -- was ambition. (And, yet, how else to win a battle against such a virus, if not by single-minded obsession of the type ambition provides?) The journalist found colleagues willing to claim that Gallo had "hogged the credit for joint discoveries." This was presented as evidence that he was the sort of person who would steal a virus and claim to have discovered it.

In other words, the implication that Gallo had stolen the virus was created to fill a requirement of the discourse: In demonography, writers must find negative sides of their subjects for readers who enjoy seeing heroes pulled down. So the suspicion led to investigation and the investigation became a juggernaut that acquired a life of its own, continuing for years after the two scientists solved the puzzle of their matching viruses. (A third virus had overrun both Montagnier's and Gallo's, carried by samples Montagnier sent to Gallo.)

And so with Whitewater: The investigations themselves are a graver threat to the country than any conceivable effects of the behavior they are examining.

I am sure the journalist writing his story on the puzzle of HIV did not intend to set AIDS research back by years. One would like to think that Rep. Jim Leach, Sens. Alfonse D'Amato and Bob Dole (all Republicans) and the journalists pumping up the story do not intend to prevent the government from addressing issues like crime, health care and international trade. But that is what they are doing.

Leach said he "thought initially it was a one-to-three-week issue, that you'd have a hearing and then put it behind us. Now the great challenge is how to bring the issue to resolution." Indeed. That, now, is the challenge for us all.

GRAPHIC: Photo, DEBORAH TANNEN ; Drawing, Get the Clintons or bust!; Conrad

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 6, 1994

bc-hillary-comment - a0854

(ATTN: Editorial Page editors)

Stop 'Pillorying Hillary'; It's Utter Hypocrisy
Friedan's latest book is 'The Fountain of Age'
(Simon and Schuster, 1994).

By Betty Friedan= Special to the Los Angeles Times=

I'd been invited to Australia to help launch a new government policy on age and to talk about my book, 'The Fountain of Age.' But since I am also known as an American feminist, I was asked by women in Sydney and Melbourne, 'What on earth are they doing to Hillary in your country?'

I was myself unable to figure out why it had suddenly become a crime for an American to have made \$100,000 on the commodities market 17 years ago this is a capitalist nation, after all though some men may still resent that a woman acting on a smart tip could turn \$1,000 into \$100,000 in that high-risk market. It's not exactly like turning \$1 million into \$100 million in the S&L scandal at the taxpayers' expense. As for Whitewater, it seems to have been a financial mistake that didn't make anybody money. I first knew of Hillary Rodham Clinton when she headed the board of the Children's Defense Fund, working as an effective and unrelenting advocate of neglected children, black and white, in the era of greed. President Clinton, by putting her in charge of health care reform, and she, by her leadership, have lent national health insurance a seriousness and a sense of urgency.

So all I could surmise was that the powerful economic and political forces in the United States who want to prevent health insurance from happening and who want to bring Bill Clinton down were trying to do so by getting Hillary. This seemed a little crazy to the women of Australia, since they've long had national health insurance. But I assured them that this 'get Hillary' ploy wouldn't work, that the American people support Hillary Rodham Clinton as an equal partner of the president.

When I got back home and saw escalating scandal insinuations about Hillary and 'Whitewatergate' on the front pages and covers of newspapers and magazines, my incredulity turned to outrage. What hypocrisy, all this digging up of tax mistakes of several thousand dollars.

It has been pointed out to me defensively by some journalists that certain newspapers that caught on to Watergate late are trying to make up for it by 'building Whitewatergate,' as they put it, into a news scoop. It has also been explained to me that women journalists 'have to prove that they are not feminists by getting Hillary as meanly as the men.'

I am proud of my young sisters in the National Organization for Women and the Hollywood Women's Political Committee and the Democratic National Committee for their marches, ads and buttons, 'Stop Pillorying Hillary.' And I am ashamed of the editors and reporters who are exacerbating and building up beyond all probable basis in fact 'Whitewatergate' and, yes, lending themselves to 'pillorying Hillary.'

Some insight into the media's role here may be found in a report just released by Women, Men & Media, which I co-chair and direct under the auspices of the schools of journalism of the University of Southern California and New York University and the Freedom Forum, analyzing the coverage of women on the front pages. While there has been a notable increase in the percentage of women mentioned, quoted or pictured on the front pages of major newspapers, it seems that women are mainly there as victims or perpetrators of violence (Bobbitt and Harding), as sex objects or in otherwise negative roles or as 'entertainers,' while men hit the front pages predominantly as opinion makers.

The growing number of women in Congress, the Cabinet, Supreme Court and business leadership are evidently still notoriously not quoted on the front pages or in broadcast news. Did Hillary Rodham Clinton violate that taboo through her impossible-to-ignore force as an opinion maker? She used that force effectively last week to defend the investments she made for her family's welfare, but she shouldn't have had to. Where is the investigative reporting about the role of the insurance, pharmaceutical or medical establishments or the Republican National Committee in 'Whitewatergate'?

I am outraged at the hypocrisy and double standard and, yes, immorality of the misuse of government and media power diverting our attention and resources from the real problems facing our nation the job-downsizing crisis, the health care crisis, escalating gun violence, Bosnia to which the president and his wife, the administration and Congress need to give their whole attention. As for the media, have you no shame?

**** filed by:LAWP(--) on 04/28/94 at 02:35EST ****
**** printed by:WHPR(162) on 04/28/94 at 03:29EST ****

116

GOP keeps up pressure for Whitewater hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Republicans continued their push Tuesday for congressional hearings into the Whitewater Development Corp. affair, while Senate leaders haggled over the format.

"Hearings are the only way to get straight answers," said Sen. Alfonse D'Amato, R-N.Y.

Senate Minority Leader Bob Dole, R-Kan., signaled a change in his position Tuesday by suggesting the hearings could be held in the Senate Banking Committee. For several weeks, Dole had supported the creation of a panel with members from several committees.

But Senate Majority Leader George Mitchell, D-Maine, has resisted the creation of a special committee. Mitchell has said he sees no need to hold hearings outside the Banking Committee.

Dole said the impasse might be resolved by expanding the jurisdiction of the Banking Committee. Such a move would keep the hearings in one committee but provide senators with enough latitude to explore a variety of topics.

President Clinton and first lady Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater, a 230-acre Marion County real estate development.

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

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

Congress agreed last month to a vaguely worded provision calling for Whitewater hearings. Since then, congressional leaders have been unable to agree on a time and format.

Congressional discussion of Whitewater has slowed in recent weeks. But Dole said the

topic remains a concern.

"It won't go away," he said. "It will be around for a while."

D'Amato said a number of questions involving Whitewater should be addressed in the hearings.

"The American people have a right to know," he said.

D'Amato's role has become an issue in the debate over Whitewater hearings. Hearings in the Banking Committee would focus attention on the senator, who is the committee's ranking Republican. D'Amato has faced ethical questions in the past, which Democrats think could blunt the GOP's Whitewater attack.

Conservative fund-raisers on Whitewater net a trickle

BY JOHN KING
AP Political Writer

WASHINGTON — After four single-spaced pages calling President Clinton a cheat and a liar deserving impeachment for the Whitewater Development Corp. affair, Floyd Brown closes his letter with a postscript: "Please include your maximum contribution to Citizens United."

A letter signed by Nick Guarino calling Whitewater "a pure hustle" and Clinton a crook is twice that long — eight pages, also single-spaced.

But the closing is much the same: Please send money and "sorry, no credit cards."

A Democratic president battling a scandal — real or inflated — would seem just the tonic for conservative groups that pay their way — and their leaders — by raising money through the mail with urgent-sounding appeals for cash to fight Clinton and the dreaded Democrats.

Yet Whitewater is proving to be somewhat of a disappointment to some of the controversy's biggest fans — and fanners.

"It is not what I would call a super hot fund-raising issue," said Brown, a conservative activist who bills himself as the major media source of damaging information on Whitewater. "There are big issues, and there are less sexy issues. Whitewater falls into the less sexy category."

Not that he and others aren't trying.

The Freedom Alliance, a conservative organization headed by former Sen. Steve Symms, R-Idaho, has included Whitewater in its fund-raising appeals.

So has Concerned Women of America, a conservative organization that focuses predominantly on abortion and other social policies but is trying to raise money in appeals about Whitewater.

"Never before have I asked you to take an action like this," Beverly LaHaye, the organization's president, said in a recent fund-raising letter.

Brown has used Whitewater as the anchor of a half-dozen Citi-

zens United fund-raising letters in recent months, the most recent of which asks recipients to "give me the moral and ethical authority I need" to demand Clinton's impeachment.

It's not the first time Brown has appointed himself to lead a conservative crusade. He helped lead a multimillion-dollar ad effort in 1988 designed to make furloughed killer Willie Horton a household name and Democratic presidential nominee Michael Dukakis appear soft on crime.

It is Brown's style to unveil scathing ads but then spend little to air them. Instead, he hopes for free media coverage while he launches mail fund-raising campaigns.

When he started the Whitewater effort several months ago, Brown lamented to some friends that it was less lucrative than he had expected.

"I told him it takes awhile for these things to penetrate," said conservative consultant Craig Shirley. "There needs to be a psychological presence in the minds of voters."

Brown said things have picked up lately. He declined to say how much Citizens United's Whitewater appeals have generated.

But in one hint that Whitewater is no conservative cash cow, Brown said Citizens United has not expanded its mailings beyond its membership. When a direct mail appeal is successful, its sponsors usually rent additional lists and "prospect" beyond their initial target audience.

Officials of the Conservative

Caucus, another organization that has launched direct-mail appeals anchored on Whitewater, says promising to push for impeachment hearings has helped its returns. After printing and mailing costs, "we've raised \$50,000 into the impeachment inquiry fund," said Charles Orndorff, a caucus vice chairman.

While that is a modest success, veterans of conservative fund-raising who are not involved in the Whitewater prospecting are skeptical the issue will escalate into a major money producer.

Whitewater, they say, pales in comparison to Sen. Ted Kennedy, D-Mass., in liberalism's heyday or conservative angst at the work of first lady Hillary Rodham Clinton and Surgeon General Joycelyn Elders.

"There are far more important, far better issues for conservatives," said GOP direct mail guru Richard Viguerie. "The Clintons' march toward socializing America is something more worth focusing on. Whitewater is at this point and time more a distraction and side issue."

Whether Nick Guarino has made any money off his letter — which opens with the words "WHITEWATER COVERUP!" in one-inch print — is a difficult question to answer.

Guarino, who acknowledges in his letter spending some time in the federal penitentiary for "supposed white-collar crime," isn't listed in any phone directory in Arkansas, where he says he ran a successful business when Clinton was governor.

BC-KIDSASK lifestyle editors:R:DE

The story behind the Whitewater case

(May be of interest to AT-RISK readers; see end of story.)

By Nancy Laughlin and Cathy Collison

Knight-Ridder Newspapers

Q. What exactly is the Whitewater scandal? Josh Hubbell, 14.

A. Scandal can mean talk of something that is embarrassing, wrong and makes people feel ashamed. Not everyone believes the news about Whitewater is a scandal.

President Bill Clinton and his wife, Hillary Rodham Clinton, have said they did nothing wrong and haven't tried to hide anything. To date, no one has been charged with any crime.

The name Whitewater refers to a company called Whitewater Development Corp. The Clintons formed the company with a friend, James McDougal, in 1978, when they lived in Arkansas. The company planned to build vacation homes in the mountains.

In 1992, the Clintons sold their part of the company to McDougal.

Here's why it is in the news now: A person called a special counsel, a lawyer who is appointed by the attorney general to do one specific task and does not work for the president, is investigating to determine whether the Clintons did anything wrong.

The investigation concerns two main questions:

Did the Clintons and McDougal, who owned a savings and loan company, do something unfair or illegal when they owned the land company?

Since coming to Washington, have the Clintons and their aides run a cover-up have they tried to hide things and stop people from finding out more about the land deal?

To answer those questions, investigators are trying to find out whether the Clintons got any money from McDougal in a way that was unfair or against the law. They're also looking into why some documents were shredded. People who work for the Clintons say shredding paper is just a normal way to get rid of old files.

X X X

(When kids ask, you can answer! ``Why Is a Barn Red: The Little Book of Big Questions'' includes the best questions and answers from the Detroit Free Press' popular ``News for Young Readers'' column. Kids and parents can have fun and learn about the president, the White House, weather, animals, geography, sports, health, the environment, holidays and much more. The book is available by calling 1-800-245-5082 between 8-5 weekdays and charging it on VISA or MasterCard. Or enclose a check or money order payable to Detroit Free Press: \$6.95 per book, with \$2 for postage and handling to: Send to Why Is a Barn Red?, P.O. Box 441340, Detroit, Mich. 48244-1340. Allow 10-14 days for delivery.)

X X X

(AT-RISK READERS: KRT News Service wants to help newspaper editors identify stories that may be of interest to ``readers at risk'' (people that newspapers are at risk of losing as readers: young people, women, African-Americans and Hispanics). These stories can be identified by note (AT-RISK) at top of story.)

**** filed by:KR-F(--) on 04/28/94 at 07:58EST ****

**** printed by:WHPR(JEL) on 04/28/94 at 10:00EST ****

PM-AR- Arkansas Today, 0830

McDougal, Leach Exchange Critical Letters

LITTLE ROCK (AP) The territory between ``Dear'' and ``Sincerely'' gets chilly in the letters Whitewater investor James McDougal and Rep. Jim Leach, R-Iowa, have written to each other.

McDougal's letter, dated April 16, threatens to sue Leach for libel if he doesn't ``apologize to the people of Arkansas'' and ``withdraw (his) slanderous remarks against the president and me'' within 10 days.

Leach's letter, dated April 19, accuses McDougal, a Democratic candidate for Congress, of playing politics in criticizing him.

The congressman attached a stack of documents that he contends support the view that McDougal's real estate venture with President Clinton and Hillary Rodham Clinton ended up costing taxpayers money by contributing to the failure of Madison Guaranty Savings and Loan, which McDougal owned.

Leach has been the leading House critic of the Clinton administration's handling of the Whitewater investigation.

Special counsel Robert Fiske Jr. is investigating Whitewater Development Corp., which the Clintons co-owned with McDougal. Fiske is investigating various matters, including allegations that money from the now-defunct Madison Guaranty was improperly funneled into Whitewater or into a Clinton gubernatorial campaign fund.

Madison failed in 1989 at a cost to taxpayers of at least \$47 million.

McDougal and the Clintons maintain that they did nothing improper.

McDougal's letter blasts Leach for allegations Leach has made about Whitewater in the House, in the press and in ``bogus documents'' he said Leach's office has distributed to the press.

----> Two Killed When Aircraft Goes Down

AUGUSTA, Ark. (AP) Federal investigators are trying to determine the cause of a light-plane crash that killed two men.

The single-engine Cessna 150 crashed about 7:20 p.m. Tuesday evening in a rice field about two miles northeast of McCrory. The aircraft had been performing aerobatic maneuvers before the crash, witnesses said.

Woodruff County Sheriff Jack Caperton on Wednesday identified the two men aboard, who were killed, as Joe Odom, 47, of Morton, and Andy Pulley, 32, of McCrory.

Odom was a general contractor and Pulley was an engineer who built race cars and chassis, family members said.

``The plane hit nose first, straight into the ground, with a tailspin,'' Caperton said. ``It was a mass of mess.''

----> Juvenile Justice System Needs Reform, AG Candidate Says

PINE BLUFF, Ark. (AP) The adult justice system needs to work more closely with the state's juvenile justice system, a candidate for the Democratic attorney general nomination says.

State Rep. Mark Pryor on Wednesday proposed a revision of the juvenile justice code to make that possible.

Pryor is challenging incumbent Attorney General Winston Bryant for their party's nomination to the post. The winner of the May 24 primary will face Dan Ivy, the only candidate for the Republican nomination, in the November general election.

Pryor highlighted his remarks by speaking outside Tommy's Drive-Inn Restaurant in Pine Bluff, where a man was shot and killed by two teen-agers last year.

``On June 7, 1993, a 19-year-old and a 14-year-old robbed this restaurant. They shot Mike Nowden in the back of the head and killed him in cold blood,'' Pryor said.

``The older murderer is currently on death row. The juvenile will be released when he turns 18. That is not justice. It shouldn't have happened and it shouldn't ever happen again. If you commit a violent crime with a gun, you

Whitewater

—

GOP welfare bill cuts off unwed mothers under 21

By Cheryl Wetzstein
THE WASHINGTON TIMES

Under the name of "real" welfare reform, Senate and House Republicans yesterday introduced a bill that would overhaul the welfare system by transferring money and programs to state control, requiring able-bodied recipients to work and capping annual welfare spending.

The bill carries a controversial measure to discourage illegitimate births: Beginning one year after the bill is enacted, welfare checks, food stamps and public housing would no longer be available to women under age 21 with children born out of wedlock.

"We must remove the enormous economic subsidy for people to form families that are dysfunctional," said Rep. James M. Talent, Missouri Republican, at a news conference attended by numerous members of Congress.

Ending the welfare subsidy for young, unwed mothers, he said, would make marriage the only economically viable way to live.

"We want to change the conversation between young men and young women so young women will say, 'Oh, no, you don't,'" said former Education Secretary William Bennett, co-founder of Empower America.

Critics said the bill wrongly presumes that welfare causes illegitimate births.

"It ignores the fact that out-of-wedlock births are not unique to young American women who are poor," said Jodie Levin-Epstein, senior state policy analyst of the Center for Law and Social Policy. "In fact, the rate of increase is greater among older American women," she said.

"The data and research do not support the hypothesis that welfare is the cause of out-of-wedlock births," the Center for Budget and Policy Priorities said in a statement.

The new Republican bill, called the Real

Welfare Reform Act of 1994, proposes a 3.5 percent cap on the growth of welfare spending, excluding Medicaid.

The cap is estimated to "save American taxpayers \$80 billion over five years," said Sen. Lauch Faircloth, North Carolina Republican and one of 17 sponsors in the Senate.

Mr. Faircloth said the bill challenges President Clinton. "If he is serious about reforming welfare and doing something about it, he should reduce the spending on welfare."

Mr. Clinton is expected to propose a \$9.5 billion plan to provide welfare recipients with training, education and child care to get jobs in two years.

The Republican bill calls for money saved by excluding mothers under 21 to be given to the states as block grants. States could design their own programs to help young mothers and children.

The bill also would:

- Deny an increase in Aid to Families With Dependent Children (AFDC) benefits to welfare mothers who have additional children.

- Require any unwed mother 21 or older to identify the father of her child in order to receive AFDC funds.

- Require single parents on AFDC to work at least 30 hours per week.

- Require fathers who are not in the home or paying child support to work, do community service or go to jail.

- Establishes a \$1,000 pro-marriage tax credit to help poor, two-parent families.

The bill also would radically change the welfare bureaucracy by terminating funding to 67 federal programs and redirecting that money to the states.

"Each state would be given extremely wide flexibility in determining what services were provided and who would receive benefits," an outline of the bill said.

A spokeswoman for the American Public Welfare Association, which represents the welfare industry, said the group had no comment on the proposal.

McDougal, Leach wage war by mail

LITTLE ROCK, Ark. (AP) — The territory between "Dear" and "Sincerely" gets chilly in the letters Whitewater investor James McDougal and Rep. Jim Leach, Iowa Republican, have written to each other.

Mr. McDougal's letter, dated April 16, threatens to sue Mr. Leach for libel if he doesn't "apologize to the people of Arkansas" and "withdraw... slanderous remarks against the president and me" within 10 days.

Mr. Leach's letter, dated April 19, accuses Mr. McDougal, a Democratic candidate for Congress, of playing politics in criticizing him.

The congressman attached a stack of documents that he says support the view that Mr. McDougal's real estate venture with President Clinton and Hillary Rodham Clinton ended up costing taxpayers money by contributing to the failure of Madison Guaranty Savings and Loan Association, which Mr. McDougal owned.

Madison failed in 1989 at a cost of \$50 million.

Mr. Leach has been the leading

House critic of the Clinton administration's handling of the Whitewater investigation.

Mr. McDougal and the Clintons say they did nothing improper.

Mr. McDougal's letter blasts Mr. Leach for allegations the congressman has made about Whitewater in the House, in the press and in "bogus documents" his office has distributed to the press.

"I had expected to confront you concerning these matters at the congressional hearings you have been demanding for months," Mr. McDougal wrote. "I especially wanted to face you and answer your slanderous attacks against the people of Arkansas. I am disappointed to learn that since my public exposure of you as a liar and a forger of evidence that you have lost your appetite for public hearings."

There's no apology in the letter from Mr. Leach, the senior Republican on the House Banking Committee.

Mr. McDougal said Wednesday he was consulting with a lawyer about a libel suit. He has threatened to sue other people.

The Washington Times FRIDAY, APRIL 29, 1994

126

RTC to press court to obtain Rose firm's full list of clients

By Jerry Seper
THE WASHINGTON TIMES

An attorney for the Resolution Trust Corp. (RTC), which is looking into accusations of conflict of interest and overbilling at Little Rock's Rose Law Firm, said yesterday the agency will ask a federal court to force the law firm to turn over its client list.

Patricia M. Black, general counsel for the RTC's Inspector General's Office, said the Rose firm failed to produce the list by a Wednesday deadline set in an April 18 subpoena. As a result, the government will ask the U.S. District Court in Little Rock to compel compliance.

The Rose firm, where first lady Hillary Rodham Clinton and for-

mer Associate Attorney General Webster L. Hubbell were senior partners, filed a lawsuit on Tuesday seeking a permanent injunction to avoid the subpoena. The firm said the government request was "grossly overbroad" and violated attorney-client privilege.

The government wants a list of clients dating back to Jan. 1, 1985.

Ms. Black said an RTC request to the court that the client list be released will be included in the government's response to the Rose firm lawsuit, although she said federal authorities had not yet been served.

The government does not consider the client list to be confidential or privileged, and is expected to argue that the federal subpoena is within its authority. Last year, a

law firm in Texas refused to comply with a similar subpoena but lost its bid to keep the list secret when the RTC took the matter to court.

"We will simply respond to the lawsuit and ask that the subpoena be enforced," Ms. Black said.

Ronald M. Clark, Rose managing partner, did not respond to telephone calls to his office this week for comment. He told the Associated Press, however, the firm did not believe the government was entitled to "a wholesale review of our records."

"We regret having to file suit but the RTC inspector general's overbroad subpoena seeks disclosure of information that our clients properly expect to be kept confidential," he said.

The RTC, along with the Federal Deposit Insurance Corp. (FDIC), is looking into accusations of billing improprieties by Rose lawyers and into separate concerns the firm had a conflict of interest in its 1989 representation of the FDIC in a lawsuit involving Little Rock-based Madison Guaranty Savings and Loan Association.

Federal law enforcement authorities said investigators want the client list to examine other billings made by the firm on government contracts and to scrutinize its dealings with clients tied to separate financial institutions.

The overbilling accusations center on Mr. Hubbell, who resigned his Justice Department post last month. Investigators are

looking into bills Mr. Hubbell signed for work he says he did on government contracts involving hundreds of thousands of dollars.

Investigators also are looking at a possible conflict of interest involving Mr. Hubbell and the late White House Deputy Counsel Vincent W. Foster Jr., another former Rose senior partner whose July 20 death has been ruled a suicide. Investigators have focused on whether Mr. Hubbell and Mr. Foster made false statements to regulators in an effort to gain government contracts.

The Rose firm was paid \$400,000 to represent the FDIC in 1989 in a case involving Madison, four years after Mrs. Clinton had represented the S&L before state

regulators who were trying to shut it down as insolvent.

Madison was owned at the time by James B. McDougal, who was a partner with Mrs. Clinton and Gov. Bill Clinton in a northern Arkansas real estate venture known as Whitewater Development Corp. The thrift was closed by federal regulators in 1989 at a cost to taxpayers of \$50 million.

The S&L is the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several Arkansas politicians, including Mr. Clinton.

BC-MCDOUGAL national editors:DA Congressional race keeping McDougal,
media, voters busy

(ARCHIVE PHOTO; details below)

(HAS TRIM)

By Thomas G. Watts

Dallas Morning News

ARCADELPHIA, Ark. The folks in the 4th Congressional District here have many of the same concerns as voters across the country.

Jobs, health care and crime top their list.

What no other voters in the country have is the presence of candidate James B. McDougal, who walked into the Arkansas secretary of state's office with a "gaggle of Yankee reporters" in March and plunked down his \$5,000 filing fee for the May Democratic primary.

This was the same James McDougal who has become famous as the former partner with President Clinton and Hillary Rodham Clinton in Whitewater, a land venture in northern Arkansas that has dogged the first couple for months. The controversy prompted the appointment of a special prosecutor to investigate Whitewater and related issues.

It was this McDougal who sold 2,400-page sets of Whitewater-related documents to nine media groups last week at \$1,000 per box after lowering his initial request for \$4,000 to raise money for legal fees.

And it was this McDougal who recently offered the public its own bit of Whitewater dirt a cubic foot of soil from the Marion County property for \$19.95 each.

He got in the race, he said, to set the record straight on Whitewater and have a little fun.

McDougal, who is doing most of his campaigning through the media, said he had so many interview requests he would not have time to talk until later.

Some expressed concern that McDougal's entry would turn the three-man race in the May 24 Democratic primary into a forum on Whitewater, but the district's voters have not treated it that way.

Residents are asking questions about McDougal, but most political observers here say they don't think that will translate into many votes.

And his opponents say the heaviest interest in the campaign is coming from the media.

"We're not getting much coverage on the issues," said candidate Jay Bradford, a Democratic state senator from Pine Bluff.

Bradford and the other Democratic candidate, state Rep. John Parkerson, spend much of their time moving around the 4th District.

They hope to reclaim it for Democrats who lost to a Republican, lawyer Jay Dickey of Pine Bluff, in 1992 for the first time since Reconstruction. Dickey has no primary opposition.

Most observers in the district say they see McDougal coming in third in the primary despite his wide name identification.

The district is as diverse as the three Democrats who are running.

It stretches across the bottom half of Arkansas. The predominantly black Delta of the east, with its fields of cotton, rice and soybeans, is stitched by two-lane blacktops to the lush forests and hills in the mostly white western part of the state.

Some say the leading candidate is Bradford, a state senator for the past decade and owner of 12 insurance offices scattered throughout the state. He also is a former chairman of the Arkansas Democratic Party.

Bradford also was one of the Arkansas Travelers, a group of state politicians who traveled to New Hampshire and other states during the 1992 presidential campaign to praise Gov. Bill Clinton's record.

Parkerson, 47, a lawyer, has been a state representative for the resort community of Hot Springs since 1983.

The two have split some key endorsements: Bradford has the support of the Arkansas Education Association and Parkerson the backing of state labor groups.

Despite McDougal's campaign through the news media, Hal Bass, a member of the Clark County Democratic Committee and a Bradford supporter, said he did not believe McDougal had any "electoral base down here."

"He's an intriguing character," said Bass, who succeeded McDougal as head of the political science department at Ouachita Baptist University in Arkadelphia in 1978. McDougal had left the school to go to work for Clinton, a longtime friend, after he won his first race for governor.

Arkadelphia orthodontist Tommy Roebuck, an Democratic activist, also said he didn't think McDougal's candidacy would go anywhere but was glad he was making the effort.

"It's been real good for him," said Roebuck, who has been helping Bradford's primary campaign. "He has a goal now. It gives him something to do."

(EDITORS: STORY CAN END HERE)

In recent years, McDougal has been a near-recluse. He suffered from manic depression and circulatory problems that led to a stroke. His Madison Guaranty Savings and Loan failed in 1989, and he subsequently faced trial on bank fraud charges. He was acquitted in 1990 and now lives on Social Security disability payments in a trailer at the edge of Arkadelphia.

Roebuck and Bradford said they have noticed that McDougal had seemed happier recently.

Bradford spoke with him at one campaign appearance. "He said in passing, 'I'm just out here having a good time,'" Bradford said.

A McDougal friend agreed.

"I think he's having fun with this," said Ron Addington, an Arkadelphia property manager and Democratic candidate for state representative. He and McDougal became friends 20 years ago when McDougal was teaching at Ouachita Baptist and Addington was teaching at nearby Henderson State University.

McDougal has said he resented attacks on him and the Clintons by East Coast political groups and media.

"They really made a mistake screwing me," he told USA Today, "because I'm a kamikaze."

He said the McDougals "have historically been a very contentious clan of people" who "never really quit."

And McDougal's Little Rock attorney, Sam T. Heuer, told The Arkansas Democrat-Gazette: "It would be refreshing to have someone in Congress who would call an ace an ace and a spade a spade."

Roebuck and Addington said they had not heard any criticism of McDougal over the Whitewater developments or the failure of Madison.

"I personally don't feel that he did anything wrong," said Roebuck. "It hit the savings and loans all over the place."

Addington said that during his own campaign appearances, people ask him more questions about McDougal than about any other candidate for office in the district.

So what does that mean for May 24?

"I don't have a clue," said Bynum Gibson, the state Democratic chairman and a lawyer in the southeastern delta town of Dermott.

"I take all candidates seriously. I would advise everyone else to do that, as well."

X X X

An archive photo of McDougal filing for Congress is available from the KRT Photo Archive through PressLink dialup via Macintosh computer. For information, call 1-800-435-7578 or (202) 383-6099.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:KR-F(--) on 04/29/94 at 08:13EST ****
**** printed by:WHPR(JEL) on 04/29/94 at 08:49EST ****

GOP keeps up pressure for Whitewater hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Republicans continued their push Tuesday for congressional hearings into the Whitewater Development Corp. affair, while Senate leaders haggled over the format. "Hearings are the only way to get straight answers," said Sen. Alfonse D'Amato, R-N.Y. Senate Minority Leader Bob Dole, R-Kan., signaled a change in his position Tuesday by suggesting the hearings could be held in the Senate Banking Committee. For several weeks, Dole had supported the creation of a panel with members from several committees.

But Senate Majority Leader George Mitchell, D-Maine, has resisted the creation of a special committee. Mitchell has said he sees no need to hold hearings outside the Banking Committee.

Dole said the impasse might be resolved by expanding the jurisdiction of the Banking Committee. Such a move would keep the hearings in one committee but provide senators with enough latitude to explore a variety of topics.

President Clinton and first lady Hillary Rodham Clinton once were partners with James and Susan McDougal in Whitewater, a 230-acre Marion County real estate development.

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

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

Congress agreed last month to a vaguely worded provision calling for Whitewater hearings. Since then, congressional leaders have been unable to agree on a time and format.

Congressional discussion of Whitewater has slowed in recent weeks. But Dole said the

topic remains a concern.

"It won't go away," he said. "It will be around for a while."

D'Amato said a number of questions involving Whitewater should be addressed in the hearings.

"The American people have a right to know," he said.

D'Amato's role has become an issue in the debate over Whitewater hearings. Hearings in the Banking Committee would focus attention on the senator, who is the committee's ranking Republican. D'Amato has faced ethical questions in the past, which Democrats think could blunt the GOP's Whitewater attack.

Conservative fund-raisers on Whitewater net a trickle

BY JOHN KING
AP Political Writer

WASHINGTON — After four single-spaced pages calling President Clinton a cheat and a liar deserving impeachment for the Whitewater Development Corp. affair, Floyd Brown closes his letter with a postscript: "Please include your maximum contribution to Citizens United."

A letter signed by Nick Guarino calling Whitewater "a pure hustle" and Clinton a crook is twice that long — eight pages, also single-spaced.

But the closing is much the same: Please send money and "sorry, no credit cards."

A Democratic president battling a scandal — real or inflated — would seem just the tonic for conservative groups that pay their way — and their leaders — by raising money through the mail with urgent-sounding appeals for cash to fight Clinton and the dreaded Democrats.

Yet Whitewater is proving to be somewhat of a disappointment to some of the controversy's biggest fans — and fanners.

"It is not what I would call a super hot fund-raising issue," said Brown, a conservative activist who bills himself as the major media source of damaging information on Whitewater. "There are big issues, and there are less sexy issues. Whitewater falls into the less sexy category."

Not that he and others aren't trying.

The Freedom Alliance, a conservative organization headed by former Sen. Steve Symms, R-Idaho, has included Whitewater in its fund-raising appeals.

So has Concerned Women of America, a conservative organization that focuses predominantly on abortion and other social policies but is trying to raise money in appeals about Whitewater.

"Never before have I asked you to take an action like this," Beverly LaHate, the organization's president, said in a recent fund-raising letter.

Brown has used Whitewater as the anchor of a half-dozen Cit-

izens United fund-raising letters in recent months, the most recent of which asks recipients to "give me the moral and ethical authority I need" to demand Clinton's impeachment.

It's not the first time Brown has appointed himself to lead a conservative crusade. He helped lead a multimillion-dollar ad effort in 1988 designed to make furloughed killer Willie Horton a household name and Democratic presidential nominee Michael Dukakis appear soft on crime.

It is Brown's style to unveil scathing ads but then spend little to air them. Instead, he hopes for free media coverage while he launches mail fund-raising campaigns.

When he started the Whitewater effort several months ago, Brown lamented to some friends that it was less lucrative than he had expected.

"I told him it takes awhile for these things to penetrate," said conservative consultant Craig Shirley. "There needs to be a psychological presence in the minds of voters."

Brown said things have picked up lately. He declined to say how much Citizens United's Whitewater appeals have generated.

But in one hint that Whitewater is no conservative cash cow, Brown said Citizens United has not expanded its mailings beyond its membership. When a direct mail appeal is successful, its sponsors usually rent additional lists and "prospect" beyond their initial target audience.

Officials of the Conservative

Caucus, another organization that has launched direct-mail appeals anchored on Whitewater, says promising to push for impeachment hearings has helped its returns. After printing and mailing costs, "we've raised \$50,000 into the impeachment inquiry fund," said Charles Orndorff, a caucus vice chairman.

While that is a modest success, veterans of conservative fund-raising who are not involved in the Whitewater prospecting are skeptical the issue will escalate into a major money producer.

Whitewater, they say, pales in comparison to Sen. Ted Kennedy, D-Mass., in liberalism's heyday or conservative angst at the work of first lady Hillary Rodham Clinton and Surgeon General Joycelyn Elders.

"There are far more important, far better issues for conservatives," said GOP direct mail guru Richard Viguerie. "The Clintons' march toward socializing America is something more worth focusing on. Whitewater is at this point and time more a distraction and side issue."

Whether Nick Guarino has made any money off his letter — which opens with the words "WHITEWATER COVERUP!" in one-inch print — is a difficult question to answer.

Guarino, who acknowledges in his letter spending some time in the federal penitentiary for "supposed white-collar crime," isn't listed in any phone directory in Arkansas, where he says he ran a successful business when Clinton was governor.

PM-AR- Arkansas Today, 0830

McDougal, Leach Exchange Critical Letters

LITTLE ROCK (AP) The territory between ``Dear'' and ``Sincerely'' gets chilly in the letters Whitewater investor James McDougal and Rep. Jim Leach, R-Iowa, have written to each other.

McDougal's letter, dated April 16, threatens to sue Leach for libel if he doesn't ``apologize to the people of Arkansas'' and ``withdraw (his) slanderous remarks against the president and me'' within 10 days.

Leach's letter, dated April 19, accuses McDougal, a Democratic candidate for Congress, of playing politics in criticizing him.

The congressman attached a stack of documents that he contends support the view that McDougal's real estate venture with President Clinton and Hillary Rodham Clinton ended up costing taxpayers money by contributing to the failure of Madison Guaranty Savings and Loan, which McDougal owned.

Leach has been the leading House critic of the Clinton administration's handling of the Whitewater investigation.

Special counsel Robert Fiske Jr. is investigating Whitewater Development Corp., which the Clintons co-owned with McDougal. Fiske is investigating various matters, including allegations that money from the now-defunct Madison Guaranty was improperly funneled into Whitewater or into a Clinton gubernatorial campaign fund.

Madison failed in 1989 at a cost to taxpayers of at least \$47 million.

McDougal and the Clintons maintain that they did nothing improper.

McDougal's letter blasts Leach for allegations Leach has made about Whitewater in the House, in the press and in ``bogus documents'' he said Leach's office has distributed to the press.

----> Two Killed When Aircraft Goes Down

AUGUSTA, Ark. (AP) Federal investigators are trying to determine the cause of a light-plane crash that killed two men.

The single-engine Cessna 150 crashed about 7:20 p.m. Tuesday evening in a rice field about two miles northeast of McCrory. The aircraft had been performing aerobatic maneuvers before the crash, witnesses said.

Woodruff County Sheriff Jack Caperton on Wednesday identified the two men aboard, who were killed, as Joe Odom, 47, of Morton, and Andy Pulley, 32, of McCrory.

Odom was a general contractor and Pulley was an engineer who built race cars and chassis, family members said.

``The plane hit nose first, straight into the ground, with a tailspin,'' Caperton said. ``It was a mass of mess.''

----> Juvenile Justice System Needs Reform, AG Candidate Says

PINE BLUFF, Ark. (AP) The adult justice system needs to work more closely with the state's juvenile justice system, a candidate for the Democratic attorney general nomination says.

State Rep. Mark Pryor on Wednesday proposed a revision of the juvenile justice code to make that possible.

Pryor is challenging incumbent Attorney General Winston Bryant for their party's nomination to the post. The winner of the May 24 primary will face Dan Ivy, the only candidate for the Republican nomination, in the November general election.

Pryor highlighted his remarks by speaking outside Tommy's Drive-Inn Restaurant in Pine Bluff, where a man was shot and killed by two teen-agers last year.

``On June 7, 1993, a 19-year-old and a 14-year-old robbed this restaurant. They shot Mike Nowden in the back of the head and killed him in cold blood,'' Pryor said.

``The older murderer is currently on death row. The juvenile will be released when he turns 18. That is not justice. It shouldn't have happened and it shouldn't ever happen again. If you commit a violent crime with a gun, you

BC-KIDSASK lifestyle editors:R:DE

The story behind the Whitewater case

(May be of interest to AT-RISK readers; see end of story.)

By Nancy Laughlin and Cathy Collison

Knight-Ridder Newspapers

Q. What exactly is the Whitewater scandal? Josh Hubbell, 14.

A. Scandal can mean talk of something that is embarrassing, wrong and makes people feel ashamed. Not everyone believes the news about Whitewater is a scandal.

President Bill Clinton and his wife, Hillary Rodham Clinton, have said they did nothing wrong and haven't tried to hide anything. To date, no one has been charged with any crime.

The name Whitewater refers to a company called Whitewater Development Corp. The Clintons formed the company with a friend, James McDougal, in 1978, when they lived in Arkansas. The company planned to build vacation homes in the mountains.

In 1992, the Clintons sold their part of the company to McDougal.

Here's why it is in the news now: A person called a special counsel, a lawyer who is appointed by the attorney general to do one specific task and does not work for the president, is investigating to determine whether the Clintons did anything wrong.

The investigation concerns two main questions:

Did the Clintons and McDougal, who owned a savings and loan company, do something unfair or illegal when they owned the land company?

Since coming to Washington, have the Clintons and their aides run a cover-up have they tried to hide things and stop people from finding out more about the land deal?

To answer those questions, investigators are trying to find out whether the Clintons got any money from McDougal in a way that was unfair or against the law. They're also looking into why some documents were shredded. People who work for the Clintons say shredding paper is just a normal way to get rid of old files.

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(When kids ask, you can answer! ``Why Is a Barn Red: The Little Book of Big Questions'' includes the best questions and answers from the Detroit Free Press' popular ``News for Young Readers'' column. Kids and parents can have fun and learn about the president, the White House, weather, animals, geography, sports, health, the environment, holidays and much more. The book is available by calling 1-800-245-5082 between 8-5 weekdays and charging it on VISA or MasterCard. Or enclose a check or money order payable to Detroit Free Press: \$6.95 per book, with \$2 for postage and handling to: Send to Why Is a Barn Red?, P.O. Box 441340, Detroit, Mich. 48244-1340. Allow 10-14 days for delivery.)

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(AT-RISK READERS: KRT News Service wants to help newspaper editors identify stories that may be of interest to ``readers at risk'' (people that newspapers are at risk of losing as readers: young people, women, African-Americans and Hispanics). These stories can be identified by note (AT-RISK) at top of story.)

**** filed by:KR-F(--) on 04/28/94 at 07:58EST ****

**** printed by:WHPR(JEL) on 04/28/94 at 10:00EST ****

PM-IN--Eller-Town Meeting,340

Clinton Press Director Considers Indiana Town Meeting

GREENCASTLE, Ind. (AP) One of President Clinton's trademark town meetings may be staged in Indiana.

Jeff Eller, the White House communications director, scoped out the state Wednesday during a visit to DePauw University. He didn't name any possible sites for the president to answer questions from an audience of citizens.

Eller said Clinton is growing tired of discussing Whitewater, a failed real estate investment he and first lady Hillary Rodham Clinton made several years ago in Arkansas.

"They think they are being held to somewhat an unnatural standard," said Eller, who handles the media outside Washington.

Eller helped organize the first lady's news conference last Friday, in which she defended her investments in Whitewater and the commodities markets. He set up the meeting with reporters in a White House dining room, with Mrs. Clinton seated in a chair with no table in front of her.

"She's not the president so she doesn't get the podium," which has the official presidential seal on it, Eller said.

"The first thing is, what is she most comfortable doing? What do you want to accomplish? And we told her to answer the questions, don't dodge them and answer them fully."

Eller said he and other White House staffers spoke to the president after he lost his patience with audience questions about Whitewater at a Charlotte, N.C., town meeting.

"I was one of three who had a frank conversation with the president," Eller said. The advisors made it clear they were "less than pleased with his tone and with his answers."

Eller said the White House does not select the audiences and the questions aren't prepared in advance. A local television station agrees to host the program and helps the White House choose a topic.

But if a station offered to host a town meeting for Clinton to address only Whitewater issues, "we probably would have a scheduling conflict," Eller said.

**** filed by:APW-(IN) on 04/28/94 at 09:52EST ****

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BC-AR--McDougal,0410

McDougal Challenges Republicans to Whitewater Debate

Eds: First moved for Sunday AMs

AP Photo LR101

jsdbstffls

By JULIE STEWART= Associated Press Writer=

LITTLE ROCK, Ark. (AP) President Clinton's partner in the Whitewater land development deal has challenged three Republican congressmen to a nationally televised debate.

James McDougal of Arkadelphia, a Democratic candidate for Congress, said Saturday he wanted to debate Clinton's leading Whitewater critics: Rep. Jim Leach of Iowa and Sens. Robert Dole of Kansas and Alfonse D'Amato of New York.

"I will show the American people what bums and phonies these Republicans are," McDougal said at a news conference at his lawyer's office.

"He should debate his congressional opponent," said D'Amato spokesman Frank Coleman. "Mr. McDougal will be able to tell his story at Senate Whitewater hearings."

D'Amato said Friday that Senate Republicans will demand a vote this week on a resolution to specify a starting date for Whitewater hearings.

McDougal also said he would sue Leach for libel and defamation of character. Leach spokesman Joe Pinder declined comment. A spokesman for Dole could not be immediately reached for comment Saturday.

Special counsel Robert Fiske Jr. is investigating Whitewater Development Corp., which Bill and Hillary Rodham Clinton co-owned with McDougal and his former wife, Susan. Fiske's probe includes allegations that money from the McDougal-owned Madison Guaranty Savings and Loan of Little Rock was improperly funneled into Whitewater or into a Clinton gubernatorial campaign fund. Grand juries in Little Rock and Washington have heard testimony in the probe.

Madison failed in 1989 at a cost to taxpayers of at least \$47 million. McDougal and the Clintons say they did nothing improper.

In April, McDougal had asked Leach to apologize to him, Clinton and the people of Arkansas after Leach said Whitewater cost taxpayers money by contributing to the failure of Madison Guaranty.

Leach refused, saying he is obligated to ensure accountability for taxpayer losses at failed thrifts.

McDougal said his suit against Leach would be filed May 12. He said he would seek legal fees and \$1 for each of Arkansas' more than 2 million residents, with the money going into the state treasury.

McDougal, state Sen. Jay Bradford of Pine Bluff and state Rep. John Parkerson of Hot Spring are running for the Democratic nomination in Arkansas' 4th Congressional District. Incumbent Jay Dickey of Pine Bluff is unopposed in the May 24 Republican primary.

**** filed by:APE-(AR) on 05/02/94 at 00:37EDT ****

**** printed by:WHPR(JEL) on 05/02/94 at 09:07EDT ****

PM-Rose Under Siege, 1016

Inside a Staid Firm Shaken by Whitewater Barrage

Eds: Also in Monday AMS report; moved in advance April 27 as b0318

AP Photo NY381 of April 28

By DAN SEWELL= Associated Press Writer=

LITTLE ROCK, Ark. (AP) Past the conservative brick exterior into a contemporary style lobby. Through corridors peppered with Arkansan paintings. Down to a swimming pool built when the building was a YWCA. Then, out for a view of Hillary Rodham Clinton's former law office.

A pause to point out the former office of the late Vince Foster.

Then, a tight smile.

"These are the steps the people were praying on last weekend," said Ronald M. Clark, managing partner of the Rose Law Firm, recalling a recent demonstration by anti-Clinton protesters. "I think they chose us because they thought they would get TV coverage."

"Which they did."

These days, the attacks come from many directions at the staid law firm, which calls itself the nation's oldest west of the Mississippi. It traces its roots to 1820 territorial days and its name to a former American Bar Association president, Uriah M. Rose.

"Proud of its long history and tradition," as the Rose firm says in a brochure, it is shaken by the Whitewater barrage.

Virtually all the work done here by Mrs. Clinton and former partner Webb Hubbell, who last month resigned as the Justice Department's No. 3 official, now is under scrutiny. Questions also linger about the apparent suicide of Foster, a Rose partner who was deputy White House counsel until his death last July.

The firm has been defending legal work going back a decade and trying to disprove allegations that it shredded sensitive documents. It also grasps for normalcy as several employees leave to testify before a grand jury and federal investigators arrive to work in some 10 rooms filled with relevant documents.

Clark, 39, a tax attorney, said Rose is cooperating fully with regulators and special prosecutor Robert Fiske, who are probing the broad sweep of allegations that grew from President and Mrs. Clinton's Whitewater land venture with the head of a failed savings and loan.

Some of the exposure has been painful.

"The ones that upset more than anything concern the reputation of the firm, where they're attacking our credibility and our truthfulness," Clark said. "Our reputation was the opposite."

Clark answered questions for two hours in a rare interview in his first-floor corner office, from which he often spots camera crews approaching through the parking lot. His computer beeps frequently with telephone messages from reporters, at times numbering 60 a day.

Lean and bespectacled, Clark was unruffled, although he did grin sheepishly at a suspicious mispronunciation. He referred to Rep. James Leach, the Iowa Republican who is Congress' most vocal Whitewater critic, as "Representative Lynch."

"Oh I see Leach. I'm sorry," he replied when asked if that was intentional. "No, not at all. A Freudian slip, maybe."

There has been speculation that the Whitewater affair will wear away at this bedrock of Arkansas' legal community.

"I don't think the publicity has been good for them," said Alston Jennings Sr., of the rival Wright, Lindsey, Jennings firm. "I don't know whether it's hurt their reputation good people and good lawyers."

The president of the Arkansas Bar Association, attorney Lamar Pettus of Fayetteville, said Rose's reputation for high ethics and professionalism remains strong.

As for losing clients, "about the only way that you can judge that is just wait and see," Pettus said.

"We haven't noticed any difference," Clark said. "You never know about

the call you didn't get, obviously, so I can't quantify that. But our clients have been extremely supportive."

There may be anxiety and frustration inside the firm, Clark said, but no internal battles are raging. However, he and the nearly 60 other attorneys are upset about apparent leaks that have occurred despite a strict policy prohibiting interviews on Whitewater.

There's no "wasted effort" tracing the leaks, he said, although culprits face unspecified punishment. Two couriers who told of shredding recently left the firm. One said he felt uncomfortable remaining at Rose, but said they both quit voluntarily.

A year ago, the Clinton presidency seemed to offer a bright new era for Rose, with four partners Mrs. Clinton, Hubbell, Foster and White House lawyer William Kennedy heading to Washington for key administration roles.

The firm even opened a Washington office, but Clark said Rose has never been a politically minded firm.

"I think we knew in our heart that we have always been and always will be an Arkansas law firm," he said. "We didn't anticipate any big boon. We didn't go out and recruit a bunch of new people to handle all this new work that would be coming in the door."

Even in Arkansas, Clark insisted, having the governor's wife as a partner brought mixed results. The firm turned away some business because of ethical conflicts and probably both lost and gained business depending upon clients' opinions about the Clintons, he said.

Most Rose employees lamented losing four major producers to Washington, Clark said.

And beginning with Foster's death, much of the impact from Washington has been bad.

"Vince is a very difficult subject, only because of the circumstances surrounding his death," said Clark, recruited by Foster out of the University of Arkansas law school. "It was the biggest tragedy for all of us to come out of this. ... We miss him."

By now, the Rose firm is braced. It has hired its own counsel, the Houston-based firm of Vinson & Elkins, for the long months of questions and examination ahead.

"At some point, this will come to an end," Clark said. "When this ends, I think the firm will still be here, and still be healthy."

EDITOR'S NOTE Dan Sewell is the AP's Southeast regional reporter, based in Atlanta.

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Another Arkansas Sale

By MICAH MORRISON

Former Arkansas Attorney General Steve Clark faces a new trial later this year in Little Rock on charges that he owes the state more than \$18,000. In 1990, Mr. Clark was convicted of "felony theft by deception" for putting nonbusiness entertainment charges on his state credit card; he was driven out of politics and disgraced. Four years after his conviction, the state of Arkansas has decided it wants another piece of him.

Mr. Clark's downfall opens a window on the incestuous political culture out of which President Clinton's current White-water troubles emerge. The story begins in late 1989, when Mr. Clark staked out his opposition to then-Gov. Bill Clinton and the Stephens Inc. financial empire in a dramatic speech to the board of the Arkansas Development Finance Authority (ADFA). The board was meeting to consider a bond issue to finance the sale of Arkansas nursing homes to Texas financier Bruce Whitehead. A similar deal in Iowa, involving Mr. Whitehead and the Rose Law Firm, would soon be raising concerns of profiteering.

'Odorous Bond Deal'

Specifically, the ADFA board was considering a \$75 million bond issue for the sale of 32 Arkansas nursing homes, owned



Messrs. Clinton and Clark jogging

by the Stephens-controlled Beverly Enterprises health care giant, to Mr. Whitehead. Mr. Clark, readying a bid to challenge Gov. Clinton for the Democrat gubernatorial nomination, told the board he had been offered a \$100,000 bribe by a "Beverly-Stephens representative" to withdraw his criticism of the deal. In a blistering speech, Mr. Clark condemned Stephens Inc. for "arrogance of wealth" and Gov. Clinton for "arrogance of power."

"In one speech," wrote Arkansas Gazette columnist John Brummett, "Clark broke every rule of good ol'-boy, inside-the-family politics, the kind that runs Arkansas." But by breaking the rules, Mr. Clark "may have killed a growingly odorous bond deal . . . which has been kept alive by Gov. Bill Clinton's vacillation and his appointees on the ADFA board."

Burdened with debt and reeling from cuts in Medicaid reimbursement, Beverly was seeking to sell off its nursing homes in a number of states, including Iowa and Arkansas. This was of more than passing interest at Stephens Inc. headquarters in Little Rock. Beverly was in trouble and Stephens, which controlled the company through ownership of a preferred stock issue and dominance of Beverly's board, could sustain heavy losses. Stephens tapped the Rose Law Firm to find a buyer for the nursing homes, turning the matter over to Rose partner Vincent Foster Jr. Mr. Foster passed the deal to William Kennedy III, now White House associate counsel.

Mr. Kennedy found a buyer for the Iowa and Arkansas homes in Mr. Whitehead, a high-rolling Texas financier. Mr. Kennedy and Mr. Whitehead quickly put together a deal for the Iowa homes that later would be sharply criticized. In a two-step transaction, Mr. Whitehead's for-profit Ventana Investments bought 41 nursing homes for

\$57 million. The homes were then immediately purchased by a Whitehead-controlled nonprofit corporation, Mercy Health Initiatives, for \$63 million, with money borrowed from the state under an \$86 million bond issue.

The deal netted Mr. Whitehead and the bond underwriters up-front profits of more than \$15 million and gave Beverly a cash infusion of about \$10 million, according to the Des Moines Register. The Rose firm made "hundreds of thousands of dollars," estimates Little Rock financial adviser Roy Drew. Unfortunately, the deal also saddled Mercy Health with millions in debt—Mr. Whitehead soon fled the organization—and raised the cost of patient care by 14%, according to a study by Iowa authorities.

Iowa Judge Gene Needles later ruled that Mercy was a "shell nonprofit corporation" used "to make millions of dollars of excessive profits." He called the deal "unconscionable." An Iowa lawyer hired by the state to investigate the deal, Frank Pachacek, told the Washington Times that it was "the worst case of profiteering" he had seen in 20 years.

Mr. Whitehead and Mr. Kennedy hoped to pull off a virtually identical transaction in Arkansas, where Stephens exerted powerful influence. Stephens executives had good reason for confidence that the publicly funded deal would come together without a ripple. Two ADFA board members were employed by Stephens-controlled organizations. The politically hyper-connected Rose firm, which counted Stephens among its major clients, was shepherding the arrangement. And Gov. Clinton himself retained final authority over all ADFA bond issues.

(It wasn't until years later that the Arkansas public learned that Rose was handling the bond deal, the fiction being advanced at the time that former Rose managing partner Joseph Giroir was representing Beverly. But documents show that Rose was stage-managing a transaction that could have brought them \$500,000 in fees. In a May 9, 1989, letter to Mr. Whitehead regarding "the sale of facilities in Iowa and Arkansas," William Kennedy III wrote that he was "awaiting instructions from the appropriate Beverly personnel.")

The bond issue sailed through an initial ADFA board meeting, then started to come undone when the underwriters withdrew and the Arkansas Democrat newspaper, prompted by longtime Stephens critic Roy Drew, began a tough series investigating the financing of the deal. At a second meeting, under growing public pressure, the ADFA board decided to delay final approval. An angry Bruce Whitehead then challenged the ADFA board president to a fistfight. At the third and final meeting, on Dec. 20, 1989, Steve Clark's bombshell announcement of a bribe attempt and attack on Gov. Clinton and Stephens Inc. killed the deal. It was, wrote columnist Brummett, "either the bravest or stupidest move of his political life."

According to Mr. Brummett, it probably was the bravest—"though it may be plenty stupid to make the kind of enemies he made" with the speech. Within 24 hours, the alleged briber, Earl Jones, a lobbyist for the nursing-home interests, came forward to deny that the \$100,000 figure was a bribe. Mr. Jones told the Gazette that he had indeed called Mr. Clark, asking him to get off his car phone and on to a "secure line." They discussed the bond deal, and toward the end of the conversation Mr. Jones told Mr. Clark that "down the road" he probably could raise \$100,000

for Mr. Clark's gubernatorial campaign.

Mr. Brummett noted that at the same time that Mr. Clark heard from Mr. Jones, he also received a phone call from Stephens Inc. chairman and Arkansas kingmaker Witt Stephens, "to suddenly tell him that he was his 'boy for governor.'" What a coincidence. "I bet Clark is not Mr. Witt's 'boy for governor' anymore," Mr. Brummett wrote.

Soon, Mr. Clark would not be anybody's boy for anything. Officially entering the gubernatorial race a month after the Beverly debacle, Mr. Clark was considered Bill Clinton's most formidable opponent. Within weeks, however, he would be ruined—a victim it seems of both his political enemies and his own extravagance.

Within days of his announcement of a challenge to Gov. Clinton, Arkansas newspapers ran a story detailing the travel and dining expenses of state officers. Attorney General Clark led the way, with over \$60,000 in expenses. Some of Mr. Clark's expenses were legitimate. The attorney general's salary was only \$26,000, with a \$15,000 public-relations supplement.

But what appeared to be a mid-dleweight political embarrassment turned into a disaster when Mr. Clark's alleged dining partners started phoning the Arkansas Gazette to deny their having dined with him. The first person to contact the Gazette was a major Clinton fundraiser, Marilyn Porter. The first person called by the Gazette was Judge Richard Arnold, an FOB currently on the short list for the Supreme Court. Both denied having dinner with Mr. Clark. Ms. Porter would later testify that she had been called by Bruce Lindsey, then Mr. Clinton's campaign treasurer and now a senior White House aide, who drew her attention to the article. When she asked what she should do, Mr. Lindsey suggested she contact her lawyer, Rose partner and FOB Webb Hubbell.

Despite apologies and payments to the state of more than \$4,000, Mr. Clark was finished, the object of suspicion and ridicule. A few months later, he was indicted on felony theft charges, accused of stealing more than \$8,000 in state money by putting personal charges on his state credit card. He was convicted and ordered to pay a \$10,000 fine, plus court costs.

Lobbyist Earl Jones, meanwhile, was cleared of the bribery charge, in a trial that focused on Mr. Clark's lack of credibility. Mr. Jones's attorney successfully argued that the lobbyist was operating in a two-track role as agent for the companies involved in the Beverly buyout and campaign fund-raiser.

Reignited Interest

Mr. Clark left the state, perhaps seeking to fade into obscurity but courting notoriety again when he was photographed jogging with President Clinton on the Mall in Washington in August 1993. According to Arkansas Assistant Attorney General Angela Jegley, the photograph reignited interest in Mr. Clark. Investigations completed after Mr. Clark's criminal trial, Ms. Jegley said, had determined that Mr. Clark "had not paid in full." Ms. Jegley, who held a Clinton-appointed post as a chancery judge prior to joining the attorney general's staff, contacted the ubiquitous Mr. Brummett, who tracked down Mr. Clark, whereupon the state filed civil charges.

Through a spokesman, Mr. Clark pointedly declined to comment on how it was he came to be jogging with his former rival, or why. As attorney general for most of Gov. Clinton's tenure, Mr. Clark was privy to much sensitive information, sources in Little Rock say. The two men certainly had a long and complicated relationship. His spokesman said, declining to elaborate, that Mr. Clark believes the new trial "is politically motivated," and added: "Steve Clark just wants to put Arkansas behind him and get on with his life." Apparently when you've done political business in Bill Clinton's Arkansas, that's not always easy.

Mr. Morrison is an editorial page writer.

to the Justice Department, suggesting that Mr. McDougal may have manipulated \$250,000 in loans through the S&L and diverted other monies to the campaigns of several Arkansas politicians, including Mr. Clinton.

The RTC suspected that Mr. McDougal diverted depositor funds from Madison to Mr. Clinton using overdrawn accounts and Madison-approved loans. The agency also recommended a possible prosecution into reports that Madison funds had been illegally diverted to Whitewater.

Mr. McDougal, who has long since traded in his posh Little Rock home for a trailer in Arkadelphia, has denied any wrongdoing. His lawyer, Mr. Heuer, said he expects his client to be indicted in the Whitewater-Madison probe.

Mr. Fiske, appointed special counsel on Jan. 20 by Attorney General Janet Reno, has said he expects to take testimony from Mr. McDougal, Mr. Clinton and Mrs. Clinton under oath.

Under guidelines established by Miss Reno, Mr. Fiske has the authority to investigate whether "any individuals or entities committed violations of federal law," including Mr. and Mrs. Clinton and others involved with the couple through Madison and Whitewater.

The guidelines also give Mr. Fiske the authority to look into Capital-Management Services Inc., a Little Rock lending agency that gave a \$300,000 Small Business Administration (SBA)-guaranteed loan to Mrs. McDougal.

Capital-Management's president, David L. Hale, a former Little Rock municipal judge who pleaded guilty last month to unrelated SBA fraud charges, has said Mr. Clinton pressured him for the loan. About \$110,000 of it eventually found its way into the Whitewater account.

Mr. Fiske, according to the guidelines, also has the authority to investigate "other allegations or evidence of violation of any federal criminal law by any person or entity" that might surface during his investigation.

February 7, 1985 -

TO: Governor Bill Clinton

FROM: Jim McDougal

Kathy called yesterday to ask for my recommendations 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. Mr. Latham is a CPA and a licensed attorney. 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. Dr. Kendall is a popular figure at Camden. His wife, Nancy from Magnolia, is widely and favorably known. Their complete support of your administration is a certainty.

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.

JAM/ss

July 11, 1985

TO: John Latham

FROM: Jim McDougal

1. This is probably a good time to take in some 5-year money cheap. Let's discuss rates.

2. 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.

JM/ss

Memos by James B. McDougal show he was involved with then-Gov. Bill Clinton and Hillary Rodham Clinton in an attempt to influence the Securities Department.

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The Washington Times TUESDAY, APRIL 5, 1994

The avenging angel Fiske

As administration officials start clearing one another, the prosecutor sifts the evidence

Robert Fiske, the special counsel investigating the Whitewater affair, has always been liked wherever he worked. In fact, lawyers who served under him when he ran the U.S. attorney's office in New York in the 1970s still gather for reunions at which they pay tribute to their former boss. At one, they jokingly compared the mild-mannered Fiske with his flamboyant success-

There's no way to know whether Fiske will leave behind such good feelings when he finally finishes his work on Whitewater. But last week, the heat diminished for some top White House aides under the special counsel's scrutiny. Roger Altman, the deputy secretary of the Treasury Department, broke his silence on just what happened when

White House officials called over to the Treasury Department about the Whitewater affair. Altman told *U.S. News* columnist Gloria Borger that none of his White House colleagues ever tried to impede the Resolution Trust Corp.'s investigation into Madison Guaranty Savings & Loan—the Arkansas thrift that is at the heart of the Whitewater scandal ("On Politics," Page 26).

Clearing the air. Altman clarified questions surrounding two controversial phone calls from the White House to the Treasury Department. In the first call, placed on February 25, top Clinton aides George Stephanopoulos and Harold Ickes chided Altman—who doubled as acting head of the RTC—for recusing himself from oversight of the RTC probe of Madison without first informing the White House. There is nothing illegal or untoward about that.

But some officials have been quoted anonymously as saying that Stephanopoulos and Ickes, in that same conversation, then asked Altman whether Jay Stephens, a prominent Republican hired by the RTC to shepherd civil claims against Madison Guaranty, could be dismissed. Stephens also was bitterly critical of Clinton

when the president fired all the U.S. attorneys, including Stephens, in the early days after he came into office. Stephanopoulos and Ickes have denied making such an inquiry of Altman. Altman says Stephanopoulos and Ickes never "did anything wrong."

Altman also sheds light on a second phone call. This one occurred the same day and took place between Stephanopoulos and Treasury Department Chief of Staff Joshua Steiner. Altman has knowledge of the conversation between Steiner and Stephanopoulos, even though he was not a direct party to it. The question about that call is whether Stephanopoulos merely, in his words, "blew off steam" about Stephens's hiring or whether he pressured Steiner to dismiss Stephens, a former GOP U.S. attorney and ongoing Clinton critic. In this conversation, too, Altman says "nothing improper occurred." Sources confirm a *New York Times* report that Steiner himself told Fiske's grand jury that he felt no pressure from Stephanopoulos to stymie Stephens's work.

Clearly, Altman's comments were designed to reduce the unhappiness with him inside the White House. In recent days, White House staffers have been furious at Altman, accusing him of being the source behind damaging stories about Stephanopoulos and Ickes in an effort to save his own hide. "I don't want to believe that he'd do that," says a Clinton insider who had touted Altman to be White House chief of staff one day—or the next Treasury secretary. Altman has steadfastly denied those whisperings. With his comments to *U.S. News*, Altman may have hoped to begin his own rehabilitation.

Altman's words not only help Ickes and Stephanopoulos but also boost the fortunes of Bernard Nussbaum, whose tenure as White House counsel ends this week. Some attorneys now involved in the Whitewater affair have been pointing fingers at Nussbaum, intimating that he tried to persuade Altman—a longtime friend of President Clinton's who is greatly admired for his political skills—not to recuse himself as head of the RTC. If Nussbaum had tried to keep a political crony of the president in charge of the RTC investigation in order to guide its outcome, it might conceivably be deemed "obstruction of justice." But Altman specifically denies that Nussbaum tried to prevent him

OBSTRUCTION OF JUSTICE

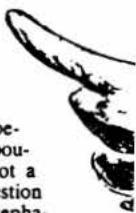
Finding criminal violations of law on this front is very daunting. Here's why:

UNITED STATES CODE TITLE 18, SECTION 1505

"Whoever corruptly, or by threats or force, or by any threatening letter . . . influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the . . . proper administration of the law [by an] . . . agency of the United States . . . shall be fined not more than \$5,000 or imprisoned not more than five years, or both."

■ Ex-U.S. Attorney Joseph DiGenova says the motivation and willful intent of suspects are essential to establishing an obstruction case. He notes that distinguishing poor political judgment from criminal intent will be the most difficult job for special counsel Robert Fiske.

sor, Rudolph Giuliani, now mayor of New York. Whereas Giuliani made it a point to arrest Wall Street criminals on the trading floor, Fiske's staffers joked that Fiske would be the type to send them engraved invitations.





from recusing himself. "Nobody ever asked me not to recuse myself, including Bernie Nussbaum," he says.

"Probably OK." Even without Altman's defense, it is hard to see how Fiske would be able to bring an obstruction of justice charge against Stephanopoulos or anyone else in the White House based on the evidence that has surfaced so far. The relevant statute in determining an obstruction of justice charge is the now famous Title 18, Section 1505 of the U.S. Code, which targets someone who "corruptly, or by threats or force ... endeavors to influence, obstruct or impede the due and proper administration of the law." Section 1505 doesn't mention the word "intent," but legal experts say that it is essential to prove that someone *intended* to obstruct justice to secure a conviction. "From what I can tell of [Stephanopoulos's calls]—and I don't know more about it than I've read—it's probably OK," says one former White House counsel.

U.S. News has also learned that the hiring of Stephens was not the work of GOP holdovers in the RTC as the president has implied. Sources familiar with the hiring say it was based largely on the work that Stephens's firm—San Francisco-based Pillsbury Madison & Suto—had done for the RTC in the past. It is also true, however, that the RTC reached out to Pillsbury because of Stephens himself, whose name was submitted on the law firm's bid for RTC business.

While upper-echelon administration figures seem to be digging their way out from under suspicions that they might have obstructed the RTC probe of Whitewater, other questions remain. Republican Rep. Jim Leach, for instance, has raised unresolved questions about whether investigators in the Kansas City office of the RTC were pressured by superiors to skew their inquiries. Beyond that, there are still many questions about the side of the story that relates to the Clintons' finances during their days as investors in Whitewater (box, Page 24). New allegations surfaced late last week when the *Wall Street Journal* reported that a 1992 audit of the Clintons' Whitewater dealings suggested that they might have overclaimed deductions on their income taxes for some interest payments.

In a long weeks, the fifth

RTC to press court to obtain Rose firm's full list of clients

By Jerry Seper
THE WASHINGTON TIMES

An attorney for the Resolution Trust Corp. (RTC), which is looking into accusations of conflict of interest and overbilling at Little Rock's Rose Law Firm, said yesterday the agency will ask a federal court to force the law firm to turn over its client list.

Patricia M. Black, general counsel for the RTC's Inspector General's Office, said the Rose firm failed to produce the list by a Wednesday deadline set in an April 18 subpoena. As a result, the government will ask the U.S. District Court in Little Rock to compel compliance.

The Rose firm, where first lady Hillary Rodham Clinton and for-

mer Associate Attorney General Webster L. Hubbell were senior partners, filed a lawsuit on Tuesday seeking a permanent injunction to avoid the subpoena. The firm said the government request was "grossly overbroad" and violated attorney-client privilege.

The government wants a list of clients dating back to Jan. 1, 1985.

Ms. Black said an RTC request to the court that the client list be released will be included in the government's response to the Rose firm lawsuit, although she said federal authorities had not yet been served.

The government does not consider the client list to be confidential or privileged, and is expected to argue that the federal subpoena is within its authority. Last year, a

law firm in Texas refused to comply with a similar subpoena but lost its bid to keep the list secret when the RTC took the matter to court.

"We will simply respond to the lawsuit and ask that the subpoena be enforced," Ms. Black said.

Ronald M. Clark, Rose managing partner, did not respond to telephone calls to his office this week for comment. He told the Associated Press, however, the firm did not believe the government was entitled to "a wholesale review of our records."

"We regret having to file suit but the RTC inspector general's overbroad subpoena seeks disclosure of information that our clients properly expect to be kept confidential," he said.

The RTC, along with the Federal Deposit Insurance Corp. (FDIC), is looking into accusations of billing improprieties by Rose lawyers and into separate concerns the firm had a conflict of interest in its 1989 representation of the FDIC in a lawsuit involving Little Rock-based Madison Guaranty Savings and Loan Association.

Federal law enforcement authorities said investigators want the client list to examine other billings made by the firm on government contracts and to scrutinize its dealings with clients tied to separate financial institutions.

The overbilling accusations center on Mr. Hubbell, who resigned his Justice Department post last month. Investigators are

looking into bills Mr. Hubbell signed for work he says he did on government contracts involving hundreds of thousands of dollars.

Investigators also are looking at a possible conflict of interest involving Mr. Hubbell and the late White House Deputy Counsel Vincent W. Foster Jr., another former Rose senior partner whose July 20 death has been ruled a suicide. Investigators have focused on whether Mr. Hubbell and Mr. Foster made false statements to regulators in an effort to gain government contracts.

The Rose firm was paid \$400,000 to represent the FDIC in 1989 in a case involving Madison, four years after Mrs. Clinton had represented the S&L before state

regulators who were trying to shut it down as insolvent.

Madison was owned at the time by James B. McDougal, who was a partner with Mrs. Clinton and Gov. Bill Clinton in a northern Arkansas real estate venture known as Whitewater Development Corp. The thrift was closed by federal regulators in 1989 at a cost to taxpayers of \$50 million.

The S&L is the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several Arkansas politicians, including Mr. Clinton.

Rose firm fights RTC subpoena for full list of clients

By Jerry Seper
THE WASHINGTON TIMES

A1

The Rose Law Firm, in the midst of a federal audit into conflict-of-interest accusations and questionable billing practices, is fighting federal regulators over a subpoena for its client list.

The Little Rock firm, where first lady Hillary Rodham Clinton and former Deputy Attorney General Webster L. Hubbell were senior partners, has told investigators from the Resolution Trust

Corp. (RTC) that it will not comply with a federal subpoena to hand over the confidential list.

The firm yesterday filed a lawsuit in U.S. District Court against the RTC to block the subpoena, saying investigators from the agency's inspector general's office had improperly sought the names of Rose firm clients dating back to 1985.

Ronald M. Clark, Rose managing partner, told the Associated Press that clients expect the names to be kept confidential.

"The fact that we have done work for the federal government does not entitle them to a wholesale review of our records unless they can prove that it's likely to produce relevant information," he said.

Patricia Black, counsel to the RTC inspector general, said that the RTC does not consider a list of clients privileged, and that the subpoena is within its authority.

The firm has until the end of business today to produce the records or face a civil enforcement proceeding in court.

"If they will supply us with a list of individuals they wish to know whether we performed legal services for, we will certainly answer their request," Mr. Clark said.

Two Rose lawyers said yesterday the partners believe the client list is privileged information and the subpoena is an effort to "coerce" the firm into turning it over.

The RTC, along with the Federal Deposit Insurance Corp. (FDIC), is looking into accusations of billing improprieties by Rose firm lawyers and into separate concerns that the firm had a conflict of interest in its 1989 representation of the FDIC in a case involving Madison Guaranty Savings and Loan Association.

An RTC official said the subpoena, issued April 18, properly sought records showing the names of "any individual, partnership, corporation, association or other person or entity to whom the Rose Law Firm ... provided legal ser-

see ROSE, page A14

ROSE

From page A1

vices."

The official said investigators wanted to see other billings made by the firm on government contracts and to examine its dealing with clients tied to separate financial institutions.

The subpoena seeks the names of Rose clients between Jan. 1, 1985, and April 15, 1994. It is similar to other subpoenas the RTC has served in separate cases, all of which resulted in the lists being made available.

The RTC, which oversees failed thrifts, and the FDIC, which monitors federal banking systems, have focused on accusations that Mr. Hubbell, who resigned his Justice Department position last month, and another Rose firm partner, Vincent W. Foster Jr., the White House deputy counsel who committed suicide July 20, made false statements to regulators in an effort to gain government contracts.

If the accusations are true, federal regulators said the firm could be banned from future government work.

The Rose firm was paid \$400,000 by the government in the Madison case, four years after Mrs. Clinton represented the thrift before state regulators who were trying to shut it down. Madison was owned at the time by James B. McDougal, who also was a partner with the Clintons in Whitewater Development Corp.

Investigators want to know if the Rose firm told regulators it represented Madison before taking the federal lawsuit in 1989 to recoup losses in the S&L's collapse, which cost taxpayers \$50 million.

Madison is the focus of an ongoing investigation by special counsel Robert B. Fiske Jr., who is looking into accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several Arkansas politicians, including Gov. Bill Clinton.

An RTC report on the charges, based on fee bills submitted by the Rose firm and other documents, made it clear earlier this year that a conflict of interest did exist, although the report, in accordance with RTC policy, made no recommendation and drew no conclusion.

A separate FDIC report — based on interviews with a number of those involved, but not a review of available records — said there was no conflict by the Rose firm and no reason to recommend sanctions against it.

That ruling was challenged by the Senate Banking Committee and a new review began.

Records show Mrs. Clinton represented Madison in 1985 when state regulators, who answered to her husband, threatened to close it because of insolvency. She was paid \$2,000 a month by Mr. McDougal over 15 months to offer a preferred stock plan as a means of reorganizing the thrift to keep it in business.

The plan, based on an audit by Frost & Co., a Little Rock accounting firm, was never put into operation. Madison was closed by federal regulators in 1989, the same year the Rose firm gained FDIC legal work targeting Frost.

Mr. Foster told the FDIC in a letter "the firm does not represent any savings and loan associations in state or federal regulatory matters."

The FDIC lawsuit aimed at the Frost audit was handled by Mr. Hubbell. The government charged that Frost submitted a faulty audit in support of arguments to keep Madison in business. It was the same audit the Rose firm had filed four years earlier in its defense of Madison before state regulators.

The lawsuit initially sought to recover \$10 million in damages on five counts. It was settled out of court in 1991 for \$1 million, less than the insurance coverage Frost held.

Accusations of overbilling also centered on Mr. Hubbell. Last month, investigators went to the Rose firm for an "entrance meeting" to set up procedures for a review of bills signed by Mr. Hubbell. Several hundred thousand dollars in bills he signed were to be reviewed by regulators.

A review by The Washington Times of some of Mr. Hubbell's bills in the Madison case showed that on at least two occasions he charged the government for a full day's work at \$125 an hour while he actually was playing golf at the Country Club of Little Rock.

Lawyers at the Rose firm have since filed a formal ethics complaint with Arkansas officials against Mr. Hubbell, whose Justice Department resignation followed reports of his billing practices.

LAW

Rose Sues RTC Over Client-List Request

By ELLEN JOAN POLLOCK
Staff Reporter of THE WALL STREET JOURNAL

The Rose Law Firm sued the Resolution Trust Corp. alleging that the agency is trying to coerce the firm into turning over a list of clients going back nine years.

The Little Rock, Ark., law firm, where Hillary Rodham Clinton was once a partner, filed its lawsuit after the agency issued a subpoena demanding a wide array of documents relating to the firm's work over the past nine years. The thrift agency has been looking into allegations that the firm had conflicts of interest when it represented regulators after the failure of Madison Guaranty Savings & Loan in 1989. The RTC is also auditing the firm's legal bills.

The Rose firm has been caught up in the Whitewater affair in part because Mrs. Clinton and another lawyer at the firm represented Madison, which was owned by

one of the Clintons' partners in the Whitewater real-estate investment. After Madison was taken over by thrift regulators, the firm represented regulators in a suit against Madison's auditors. The RTC and the Federal Deposit Insurance Corp. have been investigating whether Rose had a conflict of interest in that litigation.

In its subpoena issued April 18, the RTC asked for any "documents listing the names of any individual, partnership, corporation, association or other person or entity to whom the Rose Law Firm... provided legal services," according to the Rose complaint. According to Rose managing partner Ronald Clark, the subpoena gave Rose the option of supplying the agency with a list of its clients instead. The effect, he said, was to "coerce us into preparing a list" of clients between January 1, 1985, and April 15. The deadline for producing the documents is today, and the RTC had threatened to initiate a civil enforcement proceeding, according to Mr. Clark.

"We feel that the requirement is overbroad and irrelevant given the scope of the investigation that we feel is appropriate,"

Mr. Clark said. He said the list is confidential and that the firm feels the RTC won't "safeguard its confidentiality. They want to be able to take it outside our building and we feel that's unnecessary."

Mr. Clark said the FDIC also has requested information aimed at rooting out potential conflicts and that the firm is "comfortable with the procedures implemented by the FDIC, although they have not been finalized."

Patricia Black, counsel to the RTC's inspector general, said it is "clearly in our jurisdiction" to seek the names of Rose's clients. "In order to know whether there are conflicts it's mandatory to look at the clients. I don't know how else you do that." Ms. Black said the agency had sought and received lists of clients from other law firms. She said the RTC would ask "that the court order that they respond to our subpoena."

Ms. Black pointed out that providing a list of client names doesn't violate the attorney-client privilege. But in its lawsuit, filed in federal district court in Little Rock, the Rose firm suggests that turning over the list might only be the first step. To

ferret out any possible conflicts the agency will need "to know what Rose did for each of those clients," the Rose complaint notes. "At the same time, [the RTC] acknowledges the attorney-client privilege prevents Rose from producing much of that information."

Both the FDIC and the RTC previously have investigated whether Rose had certain conflicts of interest. The questions involved whether Rose adequately disclosed to thrift regulators that it had represented Madison before the Arkansas securities department and that the father-in-law of former partner Webster Hubbell was mired in litigation with Madison. In a report issued earlier this year, the FDIC found no evidence of a conflict and "no basis to recommend any sanctions against the firm."

The agencies reopened their investigations at the request of the Senate Banking Committee. According to the Rose firm's complaint, the firm has turned over more than 60,000 pages of documents to the RTC and an equal number to the FDIC. In addition, the firm has provided 62,000 pages of documents to Whitewater special counsel Robert Fiske. The Rose firm is also cooperating with a separate RTC investigation, conducted by a San Francisco law firm, of potential liability by Madison

officers and professionals.

Some Rose partners have bristled at some of the requests for documents. "They're asking for things that are totally irrelevant - privileged information that in our opinion has nothing to do with Whitewater or Madison," one lawyer said. Some lawyers at Rose also said that the requests, especially those of the RTC and FDIC, are duplicative. "We've asked that they coordinate their investigations, but that has not been possible so far," Mr. Clark said.

Ms. Black said the agencies are coordinating their efforts, but added, "We all have to meet our own audit standards. We all have to do our own work."

Grossman Wins Fee Fight

Los Angeles lawyer Marshall Grossman said an arbitration panel awarded him \$23.2 million in legal fees and interest after a dispute with his former clients, owners of the Guess Inc. jeans company.

The award, roughly two-thirds of what Mr. Grossman had sought, winds up an unusually contentious and protracted battle over attorney's fees. Under California law, as in many states, lawyers whose bills are challenged must offer their clients an opportunity to arbitrate the matter before proceeding to a courtroom. If clients choose binding arbitration, as they did

here, the award can't be overturned except in rare instances.

Arbitration, usually conducted by a panel of private judges paid by the parties, is generally quicker and cheaper than the state judicial process. But the Guess matter matched the messiest of public lawsuits. A series of witnesses testified in an office space arranged to resemble a courtroom, and nearly 13,000 pages of documents were produced over the course of the four-year case.

Mr. Grossman, of Alschuler, Grossman & Pines, said he doesn't know of "any other attorney-fee award in private-party litigation that's larger than this one." The award, first reported by the Los Angeles Times, included \$17 million in unpaid hourly legal fees and a bonus, plus interest. The arbitrators' 100-page opinion is confidential.

The fee disagreement centered on one piece of the patchwork legal past of Los Angeles-based Guess and the Marciano family, who had engaged in a six-year battle for control of the company with the rival Nakash family, owners of New York's Jordache Enterprises Inc. A jury gave the Marcianos a major victory in 1989, agreeing with Mr. Grossman that the Nakashes had fraudulently induced the Marcianos to sell them a half ownership in Guess six years earlier. In 1990, as a separate jury was deliberating about the amount of damages owed the Marcianos, the families settled for an undisclosed sum.

Mr. Grossman immediately filed a lien against the Marcianos' settlement proceeds, contending they owed him additional money under a written bonus agreement. The Marcianos declined, claiming that "the circumstances surrounding the entry into the bonus agreement were coercive," said their Los Angeles lawyer, Dale Kinsella. He declined to elaborate.

The arbitrators decided to enforce the written bonus agreement, which called for a \$10 million lump sum plus 20% of the damages, but declined to award Mr. Grossman additional premiums he requested.

—Amy Stevens contributed to this article.



Rose sues R'TC, hopes to block forced disclosure of clients

BY NOEL OMAN
Democrat-Gazette Capitol Bureau

Little Rock's Rose Law Firm, frustrated by overlapping federal investigations, fired back Tuesday.

The firm sued the Resolution Trust Corp. in an attempt to block the agency from enforcing a subpoena that would require Rose to disclose all clients since 1985.

The firm and its work for the RTC, which was formed in 1989 to dispose of the assets of failed savings and loans, are part of the wide-ranging investigation into the Whitewater Development Corp. controversy.

Rose also has had to withstand allegations that its employees shredded documents pertinent to the Whitewater investigation. Partners deny those allegations.

The firm, insisting it has cooperated with several federal



Ron Clark

investigations, noted in the lawsuit that it has produced more than 62,000 pages of documents for special counsel Robert Fiske Jr. and almost

that many documents for the RTC and the Federal Deposit Insurance Corp.

"Each of those three ... investigations almost entirely overlapped," the lawsuit stated.

The RTC is investigating potential conflicts of interest involving Rose and its work for the government. The subpoena issued April 18 marked the fifth subpoena Rose has received, according to the lawsuit.

The lawsuit also noted that the RTC and FDIC have completed separate conflict investigations that found no breach by the firm of federal rules.

"We regret having to file suit, but the RTC inspector general's overbroad subpoena seeks disclosure of information that our clients properly expect to be kept confidential," the firm's chief operating officer, Ron Clark, said Tuesday.

If the firm complied with the subpoena, Clark said, the "names of thousands of persons and companies would be revealed to the RTC when the RTC has no reasonable suspicion of any conflicts of interest involving those clients."

Clark called the broadness of the subpoena and the 10 days the RTC gave the firm to comply "unreasonable and grossly burdensome."

The RTC's deputy inspector general, Steve Switzer, said the agency was aware of the lawsuit.

"We can't determine if there are conflicts unless we know who its clients are," he said. "We have employed this type of information request at other law firms ... and have been successful."

"We're not doing this frivolously. We have a reason for what we're doing."

The lawsuit contended that

merely producing a list of clients would not reveal whether a conflict existed. The RTC would need to know what work the firm performed for each client, Rose argued. But the attorney-client privilege bars the firm from disclosing such work, the lawsuit said.

The firm also argued that federal investigations are not based on a "suspicion that Rose violated any ethical standards. Instead, they are a reaction to a hearing before the Senate Banking Committee on Feb. 24."

At that hearing, Republican senators pressed RTC officials to reopen the conflict-of-interest investigation.

Noting that the RTC and FDIC reports were "severely criticized" during the hearing,

the lawsuit said the inspectors general for both agencies were asked to analyze the procedures used during their investigations.

"Although Rose initially urged the federal agencies to consolidate their efforts in order to avoid unnecessary duplication, it complied with each investigation when the agencies insisted on proceeding separately," the lawsuit stated.

The 13-page lawsuit, filed in U.S. District Court at Little Rock, was assigned to U.S. District Judge Henry Woods. The lawsuit listed four members of the Houston law firm of Vinson & Elkins as attorneys for the Rose firm. Two of those attorneys work in the Washington office of Vinson & Elkins.

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(ATTN: Lifestyle editors) (Includes optional trims)

The Mystery Woman of Whitewater Case Emerges (Kansas City)

By James Risen= (c) 1994, Los Angeles Times=

KANSAS CITY, Mo. Somewhere safe, Laura Jean Lewis keeps her most valuable, and perhaps most volatile, possession. It is an audio cassette tape, a recording so important, so politically charged, that she is known to have played it for only one person.

Lewis, a lowly federal bureaucrat who has stumbled into the Whitewater scandal, guards the tape so fiercely because she believes it is her best defense against the mounting attacks on her reputation from Washington.

But the tape, which sources say is a recording of a private conversation between Lewis and April Breslaw, a senior government attorney who denies the conversation ever took place, is like everything else about Jean Lewis and her critical role in the Whitewater scandal: It remains shrouded in intrigue.

With congressional hearings into Whitewater looming as Washington's summertime spectacle, L. Jean Lewis is emerging, for better or for worse, as Whitewater's mystery woman. But when the hearings open on Capitol Hill, perhaps as early as next month, Lewis will tell her story a story that will include allegations of check kiting and other questionable dealings between Bill and Hillary Clinton and their Arkansas business partner, and, even more troubling, explosive allegations of a possible cover-up within the Clinton administration. All that figures to make her the star witness in what still seems likely to become the biggest Washington scandal since Iran-Contra.

Today, Jean Lewis is struggling to cope with her new-found status as presidential whistle-blower, but clearly life at Whitewater's vortex isn't easy.

"I'm just trying to maintain ... some days are better than others," says Lewis, in a soft Texas drawl. "I find myself in a very difficult situation. I don't want any publicity out of this, I really don't. Any quotes you may have seen from me in the press have all been surprise interviews, where reporters got me outside my house. I hope there comes a time where I can talk more freely, but right now. ..."

(Begin optional trim)

At first blush, Lewis seems an unlikely choice for such a controversial, high-profile role. A 40-year-old Houston native and the daughter of a retired U.S. Army major general, Lewis is a bureaucrat in the field office of an obscure federal regulatory agency here and has never met President Clinton or his wife, first lady Hillary Rodham Clinton.

Her \$54,000-a-year job at the Resolution Trust Corp., the federal government's S&L-cleanup agency, is unglamorous and filled with tedium.

What she does for a living is comb through the mountains of paperwork and documents and the eye-glazing computer files left behind by failed savings and loans after they are seized by federal regulators. As a senior criminal investigator at the RTC regional office here, her job is to search through the documents of dissolved thrifts to reconstruct questionable transactions and look for signs of criminal wrongdoing by S&L executives and their friends and business partners. If she finds something suspicious, she is supposed to send a recommendation for criminal action to the Justice Department.

(End optional trim)

Lewis joined the RTC in 1991 after a government investigator she had worked with at the Dallas S&L recommended her for an opening in the Tulsa, Okla., office. It was a good time for the move; childless, Lewis was going through a divorce in Dallas from her first husband (she has since remarried).

Soon, she was assigned to investigate the wreckage of Madison Guaranty

Savings and Loan, a Little Rock S&L owned by James McDougal the Clintons' partner in Whitewater, a failed land development project in the Ozark Mountains of northern Arkansas.

After an initial probe in 1991 that turned up little out of Madison's disastrously disorganized records, she and her colleagues set the case aside again. But then, a bombshell struck; in March 1992, in the midst of the presidential campaign, the New York Times first reported the existence of Whitewater and McDougal's business ties to the Clintons. That prompted Lewis and the RTC to reopen the case and to search for clues of links between Madison's failure and Whitewater.

Ultimately, she and other RTC staffers went back through the documents at Madison and pieced together enough evidence to submit a criminal referral in September 1992, to the Republican-appointed U.S. Attorney in Little Rock that, while it didn't accuse the Clintons of any crimes, named Whitewater and the Clintons as possible beneficiaries of criminal acts at Madison.

Then something happened that Lewis couldn't quite fathom; the criminal referral naming the next president of the United States was swallowed up by the federal bureaucracy.

An increasingly suspicious Lewis didn't receive final word until the fall that the new U.S. Attorney in Little Rock, Paula Casey, a former law student of Bill Clinton, had turned down her recommendation for criminal action.

In the meantime, Lewis and other investigators in Kansas City had begun work on a new round of criminal referrals in the Madison case. In October 1993, Lewis issued nine new referrals, including one naming President Clinton's 1984 gubernatorial campaign, which received campaign contributions from a McDougal fund-raiser, as a beneficiary of criminal acts at Madison. What's more, Lewis was prepared to show that Whitewater had become a funnel for siphoning money out of Madison; she claimed that as much as \$70,000 in Madison funds had gone through Whitewater in one six-month period alone. (The Clintons, to be sure, have denied any wrongdoing in Whitewater.)

This time, the referrals didn't get buried. In fact, they led quickly to a furious round of high-level meetings in Washington between Treasury and White House officials.

And Jean Lewis was pulled off the Madison case almost immediately. Mike Forshey, a Dallas attorney who now represents Lewis, says that her supervisor in Kansas City, Richard Iorio, was ordered to remove her from the Madison case by RTC attorneys soon after the Madison referrals were issued. Forshey says Iorio never told Lewis the reason she was being reassigned, "because Iorio was never given a reason."

But while the case was turned over to Michael Caron, a colleague in Kansas City, Lewis found it hard to simply drop the Madison file and forget about it. While others saw nothing more than typical bureaucratic incompetence behind the long delays and mishandling of the initial referral, Lewis seemed increasingly convinced that a cover-up was in the works.

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

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Clinton election committee probed

Fund-raiser linked to failed S&L

The Washington Post

WASHINGTON — Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings and Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 "criminal referrals" on Madison, which have been forwarded to special counsel Robert B. Fiske Jr., seeks further investigation into whether \$60,500 in Madison funds were diverted to the gubernatorial campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James McDougal at Clinton's re-

quest to help Clinton pay off a \$50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of \$10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater, and McDougal has said he paid Hillary Clinton's law firm \$2,000 a month to help him win state regulatory approval for a novel stock plan.

The Clintons repeatedly have said they did nothing wrong in connection with Madison.

The White House said Friday it

could not comment.

Betsy Wright, Clinton's former chief of staff and manager of the 1984 campaign, said Friday that she was unaware the campaign committee was named a suspect in the probe.

Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral that mentions the Clintons said that it appears Madison funds were diverted to the Whitewater Development Corp. and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner James McDougal and his former wife, Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates failed S&Ls for potential civil claims that could help recoup some of the taxpayer-funded cleanup cost.

McDougal has said he staged the April fund-raiser at Clinton's request to help pay off a \$50,000 loan Clinton took out for campaign purposes just before the 1984 election.

The loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

Some of the contributions questioned by RTC investigators were made from checks written on overdrawn accounts or from the proceeds of loans made for real estate or other purposes.

The referral, according to a source, said Madison covered overdrafts written on the account of Flowerwood Farms, a McDougal-owned company that sources said investigators describe as one of a dozen "shell corporations" believed to be used in a check-kiting scheme to funnel money out of Madison.

The RTC investigators cited

loans made to real estate ventures of Charles Peacock, a director and Madison borrower, as another possible source of money that ended up in the Clinton campaign.

The Washington Post reported in December that a handful of \$3,000 cashier's checks generated at that fund-raiser have been turned over by the RTC to prosecutors. One of those checks bears the name Ken Peacock, but Peacock, then a college student, has said he never contributed to Clinton and knew nothing about the check. His father, Charles Peacock, has said since that he made the contribution in his son's name.

Ken Peacock is among the witnesses listed on the referral, along with several other people whose names appear on \$3,000 cashier's checks. They include former Sen. J. William Fulbright, D-Ark., who is ill and has been unable to comment on the check.

Under 1985 Arkansas law, the maximum donation a candidate

could accept from each contributor was \$1,500 per election.

In addition, Fiske has been asked by the RTC to investigate checks written to the Clinton campaign in February 1985 and October 1985 that appear to have caused overdrafts in the Whitewater account at Madison and at Madison Marketing, another shell corporation owned by Susan McDougal. Those checks totaled \$10,500, according to a source.

The treasurer of the 1984 Clinton campaign, L.W. Clark, has been unavailable for comment on the campaign. Smith could not be reached Friday.

Clinton, like many politicians, used money he borrowed from banks to contribute to his various campaigns. Ironically, Clinton aides acknowledge that he didn't really need the \$50,000 loan that year to be re-elected. But he wanted to take no chances with a Ronald Reagan landslide expected to sweep the nation, one aide said. □

'84 Clinton Panel Named as a Suspect

RTC Asks Fiske to Probe Whether \$60,500 in S&L Funds Was Diverted

By Susan Schmidt
Washington Post Staff Writer

AT

Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings & Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

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The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James B. McDougal at Gov. Bill Clinton's request to help the governor pay off a \$50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of \$10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

The RTC referrals have been widely reported but their contents have not been known. The disclosure of the language used in describing the campaign's activities is the first indication yet of a specific allegation of possible wrongdoing involving the gubernatorial campaign.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater Development Corp., and McDougal has said he paid Hillary Clinton's law firm

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\$2,000 a month to help McDougal win state regulatory approval for a novel stock plan.

President Clinton and Hillary Clinton repeatedly have said they did nothing wrong in connection with Madison. They have described her legal work for the thrift as minimal, and former Clinton aides have said he had no involvement with handling the proceeds from the 1985 fund-raiser.

The White House said yesterday it could not comment. "The special counsel's looking into it," press secretary Dee Dee Myers said. "We don't know what's in the referral."

Betsy Wright, Clinton's former chief of staff and manager of the 1984 campaign, said yesterday that she was unaware the campaign committee was named a suspect in the probe. She declined to say whether she has received a subpoena from Fiske, but said she is furnishing cam-

paign records at his request. She declined to comment further.

Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral mentioning the Clintons said that it appears Madison funds were diverted to the Whitewater venture and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner McDougal and his then-wife Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates such threats for potential civil claims that could help recoup some of the taxpayer-funded cleanup costs. The agency also looks into suspected criminal wrongdoing and refers evidence it develops to the FBI and federal prosecutors. The referrals do not necessarily result in criminal charges.

McDougal has said he staged the April 1985 fund-raiser at Clinton's request to help him pay off a \$50,000 personal loan Clinton took out for campaign purposes just before the November 1984 election. He won reelection easily with 63 percent of the vote.

The loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

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Ken Peacock is among the witnesses listed on the referral, along with several other persons whose names appear on \$3,000 cashiers' checks. They include former senator J.W. Fulbright (D-Ark.), who is ill and has been unable to comment on the check, and Dene Landrum, who has since died.

Under 1985 Arkansas law, the maximum donation a candidate could accept from each contributor was \$1,500 per election.

Fiske has been asked by the RTC to further investigate checks written to the Clinton campaign in February and October 1985 that appear to have caused overdrafts in the Whitewater account at Madison and at Madison Marketing, another "shell" corporation owned by Susan McDougal. Those checks totaled \$10,500, according to a source familiar with the referral.

Those checks and checks generated at the fund-raiser were deposited at the Bank of Cherry Valley. Fiske has subpoenaed Cherry Valley bank records.

The treasurer of the 1984 Clinton campaign, L.W. "Bill" Clark, has been unavailable for comment on the campaign. Smith could not be reached yesterday.

Clinton, like many politicians, used money he borrowed from banks to contribute to his various campaigns. The \$50,000 borrowed in 1984 is listed as a personal contribution dated Oct. 29 on his campaign report.

State law requires that a campaign also report the name of the bank, the amount of the loan and the name of any guarantor for personal loans donated to a campaign. There is no such listing included in Clinton's 1984 campaign documents.

Rhonda Langster, director of elections in the Arkansas secretary of state's office, said yesterday that it is up to the individual candidate to volunteer that information. Otherwise state election officers assume the candidate used savings, not borrowed funds, to cover the donation.

State law also allows candidates to hold campaign events to raise funds to pay off bank loans as long as they file additional reports identifying the names of the donors.

Staff writer Charles R. Babcock contributed to this report.

regard to the resolution'' of the House Post Office investigation, the probe that involves Rostenkowski.

The issue will be whether or not the ultimate decision in this case is somehow unnecessarily impacted by political considerations,'' Stephens said.

Unknown to the White House, such comments had prompted the District of Columbia Bar Association's Board on Professional Responsibility to look into disciplining Stephens. One source familiar with the matter said the inquiry has since been closed, but a representative of the board declined to confirm or deny the action, saying all ethics matters are confidential unless they result in suspension or disbarment.

The story behind the Stephens affair is one of a collision between political appointees and career bureaucrats inside Washington.

RTC officials insist that although they hired Stephens and his law firm hurriedly, they followed proper procedures.

With the statute of limitations on the Madison case set to expire at the end of February and congressional interest in it growing, top RTC officials moved to reopen their long-closed civil investigation of Madison Guaranty Savings and Loan. The S&L had been seized by regulators in 1989, at a cost to taxpayers of \$47 million. RTC officials say they were satisfied with their original investigation of the firm for civil violations but were under pressure by Congress in the hothouse environment of the Whitewater scandal to reopen the case at a time when Fiske was conducting his criminal inquiry.

Top RTC officials told staffers to rush the case through the system so they would be prepared to take legal action in the case and to testify before Congress about the matter. Needing quick legal advice from an outside counsel already familiar with such investigations, the agency turned to Stephens, who was well known to the RTC's legal staff.

Meanwhile, other attorneys at his firm, Pillsbury, Madison and Sutro, were handling the RTC's high-profile case against a failed S&L in Arizona with links to the Republican governor of Arizona. Stephens, who was fired as U.S. attorney in March 1993, was hired by Pillsbury, Madison in January and almost immediately began work on a Virginia thrift case for the RTC. Overall, Pillsbury, an old-line San Francisco firm, was already doing about \$2 million in annual billings with the RTC.

When news of Stephens' early February hiring reached the White House, the reaction was fierce and immediate. ''This was a 'wow, can you believe that!'' said one administration official. And so on Feb. 25th, sources say, senior presidential aide George Stephanopoulos and Harold Ickes, deputy White House chief of staff, expressed their concerns during a telephone call to deputy Treasury Secretary Roger Altman, then acting head of the RTC.

Stephanopoulos denies that he raised the issue with Altman, but acknowledges that later that day, he called his close friend, Treasury Chief of Staff Joshua Steiner, and asked whether Stephens' hiring could be reversed. Both Altman and Steiner rebuffed Stephanopoulos, Treasury officials say.

A Treasury spokesman stressed that ''neither Mr. Altman nor Mr. Steiner made any attempt to contact or influence the RTC'' about Stephens' hiring. On Thursday, Steiner testified in Washington before a grand jury hearing evidence in Fiske's Whitewater investigation. One of a dozen Clinton administration officials subpoenaed by Fiske, Steiner declined to comment to reporters as he entered the courthouse.

But Steiner kept a diary that included notes about his phone conversation, and those notes have now been turned over to Fiske, sources say.

The notes, according to unconfirmed media reports, indicate that Stephanopoulos started by saying ''this conversation never happened.''

A former U.S. attorney who declined to be identified, said that if the Whitewater grand jury determines that Stephanopoulos actually attempted to intervene in the matter, the actions could amount to a technical violation of 1505, ''the U.S. criminal code section that outlaws obstruction of federal agency proceedings.

But Robert Bennett, a prominent Washington defense attorney who represents Rostenkowski and now White House deputy chief of staff Ickes, dismisses the suggestion that Stephanopoulos could be prosecuted. And Bennett argues that the White House's sharp reaction to the hiring of Stephens was justified. The selection of Stephens ''was outrageous,'' he noted in an interview. The question of civil liability involving Madison ''is too sensitive to give to someone so outspoken a partisan and so critical of the president.''

Senators Complained About RTC

2 From Arkansas Sought Review in Madison S&L Case

By Susan Schmidt
Washington Post Staff Writer

A1

Arkansas' Democratic senators complained to top Clinton administration officials last year about the government's handling of legal claims against Seth Ward, a former Madison Guaranty Savings & Loan employee and father-in-law of former associate attorney general Webster L. Hubbell.

Sen. Dale Bumpers (D), who once called Ward a "good supporter," sent a May 26, 1993, letter about Ward's treatment by the Resolution Trust Corp. to White House counsel Bernard Nussbaum and Deputy Treasury Secretary Roger C. Altman, a political appointee serving as interim chief of the RTC. Bumpers also sent copies of the letter to three Arkansas working in the White House—chief of staff Thomas F. "Mac" McLarty and William

Kennedy III and the late Vincent Foster of the counsel's office.

Sen. David Pryor (D) lodged his complaint with Altman and top Treasury aide Joshua Steiner in July about the "appalling" waste of money and "abuse of power" by government attorneys in their attempt to recover Madison funds from Ward, a wealthy Arkansas businessman. Like Bumpers, Pryor asked Altman to review the RTC's settlement with Ward, which required him to return \$340,000 in Madison funds to the RTC.

It does not appear the letters from Bumpers and Pryor, made available by the RTC under the Freedom of Information Act, resulted in any change in the RTC's treatment of Ward. Ward referred calls to his attorney, Alston Jennings, who declined to comment on the congressional correspondence.

See WHITEWATER, A12, Col. 1

Senators Complained of Treatment Of Constituent in RTC Settlement

WHITEWATER, From A1

McLarty said yesterday he did not remember receiving the letter but was "confident we didn't take any action on it."

A White House official said Nussbaum wrote to Bumpers in July acknowledging receipt of the letter but took no further action.

The letters from Bumpers and Pryor, which mentioned Ward as part of a broader attack on RTC litigation procedures, are the first indications members of Congress contacted political appointees on behalf of a prominent constituent who has come under federal scrutiny in the Madison affair.

Altman has been under political fire and subpoenaed by a grand jury about contacts he had with White House officials on matters related to Madison while serving as head of the independent regulatory agency. Steiner testified before a grand jury in Washington yesterday and was expected to be asked about a complaint made by Clinton adviser George Stephanopoulos about the RTC's hiring of former Republican federal prosecutor Jay B. Stephens to handle some Madison civil cases.

In Congress, Republicans have seized on contacts between White House and RTC officials as evidence of political interference in the Madison probe.

One RTC investigator who worked on the case has gone to Congress to complain she felt pressured by her superiors.

President Clinton, Hillary Rodham Clinton and the Clinton gubernatorial campaign have been cited as possible beneficiaries of alleged illegal activities at Madison, which was owned in the mid-1980s by James B. McDougal, the Clintons' partner in the White-water land venture.

Howard Schloss, a spokesman for Altman and Steiner, said neither had had any contact with White House officials regarding the letters and that the letters had been handled routinely. A letter from Altman to Pryor dated Aug. 20, 1993, states he had asked

the RTC's acting general counsel to find out about the Ward matter.

Another correspondence, dated Nov. 9, is a letter from RTC congressional affairs director Peter Knight sent to Pryor and Bumpers. Knight's letter said Ward's assertions of mistreatment were "erroneous" and that he "participated in a series of transactions involving Madison and [its real estate subsidiary] which enabled those entities to circumvent federal laws and regulations . . . [and] led to the insolvency and failure of Madison Guaranty in 1989."

Madison transactions involving Ward are under investigation by special counsel Robert B. Fiske Jr. Ward's son-in-law, Hubbell, was a senior partner in the Rose Law Firm with Foster, Kennedy and Hillary Clinton before the four came to Washington.

Hubbell recently resigned from the Justice Department in the wake of reports he was under scrutiny by the firm for possibly overbilling clients.

The Rose firm also has complained. Hubbell charged nearly \$500,000 in consulting fees and legal expenses to the firm that should have been paid by a company owned by the Ward family, P.O.M. Inc., a major Rose client.

Pryor and Bumpers said the letters sent last year were their only contacts with Clinton administration officials on the Ward case.

Pryor said he did not know Ward. His letter, he said, was simply representing a constituent interest and venting his belief RTC lawyers go overboard in pursuing S&L officials.

Bumpers' letter to Altman and White House officials also complained the RTC has been too aggressive in its pursuit of damages from directors and officers of failed S&Ls, and he urged a review of RTC policies on lawsuits.

Bumpers said he directed his letter to White House officials because of the larger policy issue, not the Ward case in particular. "I wasn't trying to get the White House involved in it," said Bumpers.

As an independent agency, the

RTC makes decisions on lawsuits based on standards set out in the 1989 federal law that created the agency.

Altman last May told Congress the Clinton administration did not share the prevailing Democratic sentiment favoring extension of the legal deadline in S&L cases. Congress extended the deadline anyway, and voted to extend it a second time in February when it appeared the deadline was about to lapse for cases involving Madison.

During Hubbell's confirmation hearing as associate attorney general last year, Bumpers described Ward as "a good supporter." Ward, who is a pilot, "used to fly me around on my campaigns," Bumpers told the Senate Judiciary Committee.

This week Bumpers said he had not seen Ward "in 10 or 15 years. . . . As far as I know, he's a Republican."

Ward was hired by Madison's real estate subsidiary in 1985 to help find big real estate deals for the thrift. In a side deal never approved by Madison's board, McDougal agreed to pay Ward \$400,000 in commissions from land sales federal bank examiners later described as "sham" transactions that showered insiders with fees and commissions and cost the S&L \$1.8 million.

Ward complained to the House last May when, after years of legal wrangling, he was forced to return funds to the RTC.

Ward's legal problems with the RTC also became an issue with Hubbell, who helped the Rose firm secure S&L work from the RTC and Federal Deposit Insurance Corp. Agency documents show some officials were concerned about Hubbell's work for the government while it was pursuing litigation against his father-in-law.

But officials concluded the family relationship did not constitute a conflict of interest that would disqualify Hubbell from securing the government work.

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(ATTN: National editors) (Includes optional trims)

RTC Documents Show Bentsen Made Whitewater Inquiry (Washn)

By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON Treasury Secretary Lloyd Bentsen, while a senator from Texas, made inquiries with federal regulators at the Resolution Trust Corp. about the agency's handling of a real estate venture owned in part by Madison Guaranty Savings & Loan, the failed Arkansas thrift linked to the Whitewater controversy, newly released documents show.

The documents, released by the RTC, show that Bentsen contacted the agency in 1991 on behalf of an Austin, Texas, real estate agent angered by the way the agency was disposing of real estate held by Madison at the time it was seized by federal regulators. Bentsen sought and won high-level attention within the RTC for the complaint, although it is unclear what action ultimately was taken by the agency.

The letters connected to Bentsen's inquiry in the case were among 8,000 papers released by the RTC in response to Whitewater-based requests from the media under the Freedom of Information Act.

There is no evidence that Bentsen's contact with the agency went beyond the normal actions of a member of Congress on behalf of a constituent. However, members of his senior staff at the Treasury Department, including his chief of staff, have come under fire for their actions in overseeing the RTC since late last year.

Those aides, including deputy Treasury Secretary Roger Altman and chief of staff Joshua Steiner, are now under scrutiny by Whitewater special counsel Robert B. Fisk Jr. for their contacts with White House political aides about the RTC's investigation of Madison.

(Optional add end)

Bentsen is chairman of the RTC's Oversight Board, which helps set broad policy direction for the agency. Treasury spokesman Howard Schloss said Tuesday that Bentsen has never considered recusing himself from his involvement with the RTC because of his earlier contact with the agency on the Madison case.

"These were normal constituency referrals" to an agency from a member of Congress, Schloss noted. "The issue of recusal was never considered."

Schloss added that Bentsen has not been involved with the Madison case since he joined the Clinton administration, either in his role as Treasury secretary or as chairman of the RTC board. The oversight board does not get involved in the agency's handling of individual institutions.

**** filed by:LAWP(--) on 04/06/94 at 02:24EST ****

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Rose lawyer on RTC detail once worked for Madison ✓

ASSOCIATED PRESS

A lawyer at Hillary Rodham Clinton's former Arkansas law firm, who is doing government savings and loan cleanup work, was employed previously by the failed Arkansas S&L now at the center of the Whitewater-Madison controversy.

According to a federal official familiar with the case, Patricia J. Heritage, now with the Rose Law Firm in Little Rock, prepared records of board meetings at a subsidiary of Madison Guaranty Savings and Loan Association.

Ms. Heritage said in an interview Monday with the Associated Press that she had prepared the minutes of board meetings for Madison Financial Corp., the real estate subsidiary of Madison, under the guidance of John Latham, a top official at the S&L.

Federal regulators have questioned whether those minutes may have been falsified, noting that other S&L documents appear to contradict the official version in the minutes.

"All I was told to do was to memorialize the meetings that took place between Jim [McDougal] and John Latham," Ms. Heritage said. "I did that, checking accounting records and land purchases, and I recorded them as needed."

Ms. Heritage, who has not been accused of any wrongdoing, also said she has cooperated with U.S. special counsel Robert B. Fiske Jr. Mr. Fiske is probing the failure of Madison and whether depositor funds were diverted to the Whitewater Development Corp., a real estate venture in which President and Mrs. Clinton, along with Mr. McDougal, the S&L's owner, were partners.

Ms. Heritage also said she left Madison in 1987 after serving as an administrative assistant to S&L officials. Investigators did not begin poring over the records prepared by Ms. Heritage until after Madison's 1989 failure.

In the interim, Ms. Heritage went to law school and subsequently was hired by the Rose firm, where Mrs. Clinton was a partner.

Pre-takeover trades draw probe ✓

ASSOCIATED PRESS

Stock market regulators are investigating suspicious trading activity in two companies that Tyson Foods Inc. of Springdale, Ark., has proposed to acquire, a source said yesterday.

The inquiry focuses on trading in shares of two companies prior to Tyson takeover offers — Arctic Alaska Fisheries Corp. and WLR Foods Inc. — said the source, who spoke on condition of anonymity.

As part of the Arctic Alaska inquiry, Securities and Exchange Commission investigators have contacted William H. Kennedy III, associate White House counsel, the Wall Street Journal reported in yesterday's editions.

Mr. Kennedy's uncle is one of the investors who purchased shares in Arctic Alaska before Tyson's takeover offer in June 1992, said the report, which cited unidentified people familiar with the inquiries.

White House spokesman Mark Gearan said yesterday that Mr. Kennedy had agreed to cooperate with the SEC. Mr. Kennedy is a former partner at the Rose Law Firm, which worked on the Arctic Alaska

Fisheries deal, the report said.

Mr. Kennedy said he didn't work on the deal and wasn't aware of his uncle's trading, the report said.

In the WLR Foods inquiry, WLR spokeswoman Gail Price said officials from the National Association of Securities Dealers provided the company a list of people who regulators said traded in the company's shares prior to Tyson's \$329 million hostile takeover bid on Jan. 24.

It is a violation of federal securities laws to trade in a company's securities based on confidential information about takeovers and other major corporate events.

The NASD regulators asked WLR officials if any of the people named on the list had relationships with the company, she said. WLR Foods Inc., based in Broadway, Va., is a poultry processor with annual sales of about \$700 million.

A NASD spokesman said he could neither confirm nor deny existence of an investigation and an SEC spokesman had no immediate comment. A telephone call placed to Tyson headquarters was not immediately returned.

In her current job, Ms. Heritage does S&L cleanup work at Rose on behalf of the Resolution Trust Corp., the federal S&L cleanup agency.

The RTC on Monday released more than 7,800 pages of documents relating to the failure of Madison, which closed in 1989 at a cost to taxpayers of \$50 million.

The papers do not focus on the Clintons or on Whitewater. However, they do offer a glimpse into Madison's failing fiscal health, much of which occurred under the stewardship of Mr. McDougal.

The documents, including records of delinquent loans, minutes of board meetings and details on investment strategies, were re-

leased under Freedom of Information Act requests by the Associated Press and other news organizations.

Asked for comment Monday, Mr. McDougal dismissed the RTC as "an arm of the Republican National Committee."

Mr. McDougal, who was acquitted of bank fraud in a 1990 trial, is seeking the Democratic nomination for a congressional seat from Arkansas.

The newly released documents leave unanswered some key questions — such as who got which loans — since the names of individual recipients were stricken from the documents.

McDougal's asset was 'down home' charm

By Jerry Seper
THE WASHINGTON TIMES

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LITTLE ROCK, Ark. — James B. McDougal, the longtime friend and business partner of President and Mrs. Clinton's who has emerged as a key figure in the ongoing Whitewater-Madison affair, has described himself as a country boy just trying to do good.

A high school math wizard, U.S. senatorial aide, would-be politician and wheeler-dealer savings and loan owner during the go-go ethos of the 1980s, Mr. McDougal befuddled both his enemies and his friends with his "down-home act," while turning a

sleepy rural S&L into a financial behemoth.

In just three years, beginning in 1982, Mr. McDougal's Madison Guaranty Savings and Loan Association — now at the hub of a multispecked criminal investigation by Whitewater-Madison special counsel Robert B. Fiske Jr. — exploded from \$6 million in deposits to more than \$123 million.

Madison loans made directly to its officers and directors, including Mr. McDougal himself, grew at an equally astonishing rate — from \$500,000 to \$17 million in 1985, most of which were never repaid. By 1985, Mr. McDougal's net worth was estimated at \$18 million.

"Jim McDougal is like the local used-car salesman," said Roy P. Drew, Little Rock stockbroker and financial consultant. "He can dazzle you with style and never give one thought to substance."

"He had a gift for gab, made numerous political contacts, didn't mind using them and wasn't averse to cutting corners," Mr. Drew said. "It was a down-home act that many people bought."

Rep. Jim Leach, ranking GOP member of the House Banking Committee who has been the point man on Capitol Hill in the Whitewater-Madison probe, has

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RTC

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loans, most of which were never repaid.

The bonus payments, pay raises, loans and health-club memberships are described in more than 7,800 pages of documents released yesterday by the Resolution Trust Corp. (RTC) under the federal Freedom of Information Act. The RTC, which oversees failed S&Ls, took over Madison following its collapse.

The documents include minutes of Madison board meetings, court records on litigation involving the S&L, letters from members of Congress concerning the thrift's operation, mortgage and loan agreements, partnership papers, audits and other Madison business records. The documents were heavily redacted, with major portions of some of them missing.

The health club memberships are discussed during a Feb. 20, 1986, board meeting. John Latham, board chairman at the time, said there was a "need" for Madison's officers and executives "to remain in good physical and mental state of health."

Mr. Latham's suggestion that the memberships be paid by Madison was approved unanimously "for all executive officers."

Mr. McDougal had resigned as board chairman in October 1984 after a critical Federal Home Loan Bank Board audit, but remained as the S&L's owner.

He is currently the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that funds were illegally diverted from Madison to several Arkansas politicians, including then-Gov. Bill Clinton.

The Fiske inquiry also is aimed at determining whether Madison funds were transferred to Whitewater Development Corp., a northern Arkansas real estate partnership jointly owned by the Clintons, Mr. McDougal and his then-wife, Susan, and whether S&L money was used to pay off Clinton campaign debts.

The documents, released in two boxes, also show that Madison was looking to merge its operation with Madison Bank and Trust of Kingston, Ark., a rural bank also owned by Mr. McDougal. The proposed merger — never approved — would have allowed the S&L to tap a new source of revenue, using a revised recapitalization plan to bolster its failing assets.

"Chairman Latham informed the board that the law firm of Mitchell, Selig and Tucker had been contacted to handle the merger application involving Madison Bank and Trust of Kingston and the savings and loan," according to minutes of a Sept. 19, 1985, board meeting.

The Madison board voted unanimously to seek the merger, but the law firm withdrew. It said one of its partners, Jim Guy Tucker, now Arkansas governor, had borrowed hundreds of thousands of dollars from the S&L. The Tucker-Madison connection, cited as a potential conflict of interest, was listed by the firm as a reason for disqualifying itself.

Mr. Fiske has subpoenaed records from Mr. Tucker, including those showing his involvement with Madison.

The proposed merger came at the same time Little Rock's Rose Law Firm — where Mrs. Clinton was a senior partner — presented a preferred stock plan to state banking regulators in an effort to keep Madison in business. The proposal came in letters to the State Securities Department. At least two of the letters mentioned Mrs. Clinton as the Rose contact.

State Securities Commissioner Beverly Bassett Schaffer, who headed the department, was appointed by Mr. Clinton. Her decision to accept the stock plan, keeping Madison afloat, was addressed to "Dear Hillary." Mrs. Schaffer, a lawyer, had worked at Mitchell Selig and Tucker before her appointment and had been involved in Madison's representation.

The RTC-released records also show that Madison, under Mr. McDougal's direction, had undertaken a number of risky loans, many of which lacked the necessary collateral to justify their issuance.

although the redacted lists showed there were more than 200 delinquent loans totalling more than \$15 million.

Many of the RTC documents related to protracted legal battles between the RTC, Madison and Seth Ward, an officer of a Madison subsidiary and a major borrower at the S&L.

Mr. Ward, father-in-law of former Associate Attorney General Webster L. Hubbell, a former Rose partner of Mrs. Clinton's who resigned March 14 amid accusations of overbilling clients, sued Madison in 1987 for back commissions and was awarded \$353,000 before Madison's collapse.

Clinton campaign hid Whitewater files in '92

By Jerry Seper
THE WASHINGTON TIMES

AI

The 1992 Clinton presidential campaign secretly documented but hid from public exposure "hundreds of thousands of dollars" in transfers of funds between a failed Little Rock-based thrift and a northern Arkansas real estate partnership involving the Clintons, The Washington Times has learned.

The undisclosed records show substantial sums passing back and forth between Madison Guaranty Savings and Loan Association and Whitewater Development Corp. — both now under federal investigation — and run contrary to the explanations given by the president and the first lady both then and now.

The White House describes Mr. Clinton and Hillary Rodham Clinton as "passive shareholders" in Whitewater and insists they had no information or knowledge about the financial manipulations of the troubled real estate venture, Madison S&L, or its owner, James B. McDougal.

But two former Clinton campaign workers, who asked not to be identified, say efforts were made to collect, copy and categorize Whitewater-Madison documents after a story describing the Whitewater venture for the first time appeared in the New York Times on March 8, 1992.

They said campaign officials sought to link Whitewater-Madison deals solely to Mr. McDougal, a partner with the Clintons in the Whitewater project, but later decided not to make the documents public.

A third former Clinton campaign official, who also requested anonymity, said there was considerable concern within the campaign high command about media interest in Whitewater. Mrs. Clinton was said to be particularly concerned.

"The fear generated by Whitewater inquiries during the campaign ... suggests there is far more than meets the eye," the official said.

Once reviewed, the documents were moved from the Arkansas governor's mansion to Clinton campaign headquarters in Little Rock and then, the official said, "to destinations unknown."

According to federal law enforcement sources and others, campaign officials quietly gathered records detailing at least \$600,000 in transfers between the S&L and the real estate project from 1979 through 1985, including information that:

- While Whitewater Development Corp. had no formal agreements with Madison, the S&L routinely routed money to the partnership — either directly or through subsidiaries — to pay off loans and to account for other cash transactions. On occasion, the S&L used Whitewater to absorb costs of other Madison projects.

- Checks written on the Whitewater account by officials at Madison or its subsidiaries were used to pay off loans, most of them going directly to other financial institutions. The checks totaled "hundreds of thousands of dollars."

- Several companies, partnerships, banks and Madison-funded developments and subsidiaries forwarded or received cash from Whitewater. The sources said the documents show that in some cases active check-kiting schemes involving the S&L, its subsidiaries and Whitewater were under way.

Many of the developments, partnerships, subsidiaries and banks listed in documents gathered by the campaign also were mentioned in a Resolution Trust Corp. (RTC) report describing the agency's Whitewater-Madison inquiry. The RTC said "numerous checks" payable to Madison-related entities had been routed through Whitewater — "all of which were signed by James or Susan McDougal [the S&L owner's wife at the time and the fourth Whitewater partner]."

RTC investigator Jean Lewis, who has declined comment on the agency's investigation, said in a February report that a review of six months of Whitewater-Madison records had found that a "majority of the checks" were used to pay off loans. She said a complete review of all available documents could prove the "entire scam" amounted to "hundreds of thousands of dollars in what were essentially unauthorized loans."

White House senior adviser Bruce Lindsay, the administration's spokesman on Whitewater-Madison questions, did not return several telephone calls seeking comment.

Whitewater-Madison ties documented by Clinton campaign officials involve at least a dozen private companies, partnerships, banks and Madison-funded developments and subsidiaries. They include:

- Flowerwood Farms, Maple Creek Farms, Pembroke Manor Inc. and Rolling Manor Inc. — all Madison-funded developments — along with two of the S&L's subsidiaries, Madison Marketing and McDougal & Associates.

- Great Southern Land Co., a firm wholly owned by Mr. and Mrs. McDougal; Tucker-Smith-McDougal, a partnership of Mr. McDougal, former Clinton aide Stephen A. Smith and Jim Guy Tucker, who is now the governor of Arkansas; and Capital-Management Services Inc., a Small Business Administration-backed lending agency owned by David L. Hale.

- Citizens Bank and Trust of Flippin, Ark.; the Bank of Cherry Valley, Ark.; and Madison Bank & Trust, owned by Mr. McDougal. All three made loans to Mr. Clinton that were repaid by Whitewater or Madison.

Records showing the Whitewater-Madison ties were discovered by campaign officials in a Little Rock warehouse, where they had been taken in 1989 after the S&L was shut down by federal regulators at a cost to taxpayers of \$50 million.

The records had been moved to the warehouse by Central Bank & Trust, a Little Rock firm named receiver after Madison was closed. The records had never been inventoried by Madison or Central Trust, the RTC said in the February report.

RTC investigators, who initiated an investigation of Madison S&L after the March 1992 story in the New York Times and were the first to review the documents at the warehouse, said they found them in "very poor condition ... dumped and/or crammed into the warehouse space."

A few months later, the RTC said, investigators revisited the site and discovered the records had been "re-organized" and "a number of boxes had been cleared out."

It could not be determined whether these documents were among 10 boxes of Whitewater material turned over by the White House in January, under grand jury seal, to Whitewater-Madison Special Counsel Robert B. Fiske Jr. An inspection of financial links between Madison and Whitewater is a crucial part of the Fiske investigation.

The Washington Times WEDNESDAY, APRIL 13, 1994

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Bar trip leaves reporter a little rocky

LITTLE ROCK, Ark. (AP) — A reporter who suggested he was knocked unconscious in his hotel room while researching a Whitewater story actually spent the evening knocking down martinis in the hotel bar, two employees say.

Legacy Hotel General Manager John P. Aulgur and former bartender Van Alexander took issue with the account given by free-lance writer L.J. Davis of Brooklyn, N.Y.

Mr. Davis, in turn, disputed their version.

Mr. Davis has said he turned the key to his room at the Legacy about 6:30 p.m. on Feb. 14, then awoke four hours later on the floor inside the room, with a bump above his left ear.

At the time, Mr. Davis was in Little Rock researching a story about the Rose Law Firm for the April 4 issue of the New Republic. He did not report the incident to police or in his article, but told others, who reported it.

He said in a March 23 interview he concluded the blow to his head was "expertly delivered."

But Mr. Alexander, 26, said Mr. Davis was not in his room at the time he contends he was unconscious, but instead was at the hotel bar having four or five martinis between 7 and 10 p.m.

The bar tab, made available by Mr. Aulgur, said Mr. Davis had six drinks. It did not list the

time.

In an interview yesterday, Mr. Davis acknowledged he drank about six martinis at the hotel bar, but said it was earlier — between 5:15 and 6:30 p.m.

He said he was not drunk and does not believe his injury was related to the drinks. "That amount of liquor generally renders me somewhat charming, but it sure doesn't put me under the table," Mr. Davis said.

Mr. Davis also said the news media and conservative groups, not he, have insinuated that he thought someone attacked him because of the story he was researching.

"I wish this thing had never gotten out," he said.

Mr. Aulgur, 50, who was a consultant to the hotel at the time of the incident, said the hotel first kept silent, hoping the story would fade. "But Mr. Davis has kept bringing it up. This bad publicity sure wasn't doing us any good," he said.

Mr. Aulgur said his motive was "to set the record straight for the sake of the hotel."

Both Mr. Aulgur and Mr. Alexander, who has since stopped working at the hotel because of an injury, were interviewed last week.

Mr. Davis did not report the incident to the hotel or to the police and did not go to a hospital.

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It also is not clear whether these records were among those removed from White House Deputy Counsel Vincent W. Foster Jr.'s office after his death on July 20. Whitewater-related papers were secretly taken from the office shortly after Mr. Foster's body was found in a Virginia park in what authorities said was a suicide.

In addition to his White House duties, Mr. Foster was the Clintons' personal lawyer and had handled their Whitewater dealings.

During the 1992 campaign, Mr. McDougal said he and his wife turned over all the Whitewater records to the Clintons in 1987, delivering them in person to the governor's mansion at Mrs. Clinton's request. The Clintons said in 1992 they had been unable to find the records.

Law enforcement sources have said Whitewater-related documents were removed from Mr. Foster's White House office during two searches after his death — one search made by aides close to Mr. and Mrs. Clinton less than three hours after his body was found.

Both searches were conducted by White House Counsel Bernard W. Nussbaum, to whom Mr. Foster

reported. During the initial search, however, Mr. Nussbaum, who has since resigned, was accompanied by Patsy L. Thomas, a former Arkansas Democratic Party official who is now a special assistant to the president, and Margaret A. "Maggie" Williams, who is Mrs. Clinton's chief of staff.

The records taken from the Foster office were finally turned over to David E. Kendall, the Clintons' current attorney. Other documents, said to be the personal property of Mr. Foster, were given to James Hamilton, a lawyer who was retained by Mr. Foster only days before his death.

It was Mr. Foster — Mrs. Clinton's partner at Little Rock's Rose Law Firm — who handled the November 1992 sale of the Clintons' half share in Whitewater Development Co. to Mr. McDougal, and attended to Whitewater corporate tax problems in December 1992.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater. The Clintons have said they were "passive shareholders" in the venture, although the White House

confirmed this year that in November 1988 Mrs. Clinton sought power-of-attorney to control the Whitewater venture. The McDougals never agreed to the request.

The Clintons also said they lost \$46,635 during the 14-year existence of Whitewater. The losses, according to Mr. Clinton, came from interest payments the Clintons made in Whitewater's 1978 purchase of 230 acres along the White River in the Arkansas Ozarks.

Their 1978 income tax returns, released last month, show they paid \$10,131 in interest to Great Southern — one of the companies linked to the Whitewater-Madison transfers.

The White House said the Clintons made the payment to Mr. McDougal, and that while they knew he owned Great Southern, they did not know why the payment was not made directly to Whitewater.

Administration officials said the Clintons, both of whom are lawyers, never asked about the unusual arrangement.

Mr. McDougal, indicted in 1989 for fraud in connection with Madison and acquitted, has also denied any wrongdoing. He told reporters in Little Rock yesterday he was "ready" for congressional hearings in the matter. Republicans and some Democrats have pushed for hearings on Whitewater-Madison.

"I urge them to do it immediately. I've been maligned; the president's been maligned; ... the people of Arkansas have been maligned by these Republican bums, and I'm ready to face them," he said. "They talk a good game, but the subpoena never comes in the mail."

Hale, indicted in September 1993 on unrelated SBA fraud charges, has since pleaded guilty and agreed to testify for the government in the Whitewater-Madison affair. Mr. Fiske has said Hale's testimony is "fundamental" to his investigation, although it is not known what he may tell a grand jury.

A former municipal county judge, Hale has said Mr. Clinton and Mr. McDougal pressured him in a March 1986 meeting for a \$300,000 loan, to be guaranteed by the Small Business Administration, to Mrs. McDougal. The loan, which was never repaid, went to Madison and later was transferred to Whitewater.

Mr. Clinton has said he did not recall meeting with Hale about the loan. Hale described the meeting in some detail.

The Fiske investigation has focused on accusations that Mr. McDougal, who bought Madison in 1982, illegally diverted depositor funds from the S&L to Mr. Clinton, using overdrawn accounts and Madison-approved loans.

Perks were flowing while Madison S&L was dying

At a time Madison Guaranty Savings and Loan Association faced insolvency from what federal regulators said in 1984 were "unsound lending practices," the Little Rock-based S&L's board of directors was voting itself bonuses, pay raises, unsecured loans and health club memberships, federal records show.

The directors also approved Christmas bonus checks for themselves and other Madison employees during a December 1984 board meeting — 11 months after a critical federal audit said the S&L was on the verge of insolvency. The bonuses ranged as high as \$5,000 after board members predicted "1985 will be a very profitable year for the association."

Christmas bonuses were approved — and paid — in 1985 and again in 1986, although by that time the federal government had issued a cease and desist order for the S&L to halt operations.

By mid-1986, the S&L — owned by James B. McDougal, a longtime friend and business partner of President Clinton and Hillary Rodham Clinton's — had become a target of federal and state banking regulators looking to shut it down.

Federal regulators would finally close Madison in 1989, at a cost to taxpayers of \$50 million. At the time of its closure, Madison officers and executives had received \$17 million in unsecured loans described by Mr. McDougal as a "one-time high roller."

The Iowa Republican has accused the former S&L owner of using Madison "as a personal piggy bank" and said the Whitewater-Madison affair "is about the arrogance of power — political conflicts of interest that are self-evidently unseemly."

Whatever the act, it proved successful — at least for a while. With the help of others, Mr. McDougal effectively controlled Madison's far-flung affairs and those of several wholly-owned subsidiaries, including a financial firm, real estate company, marketing and advertising outlet, and construction firm.

Suspected shell game

A review of federal and state records and interviews with former business associates found that Mr. McDougal:

- Diverted substantial amounts of money from Madison projects to himself and others, including family members, employees and friends. This was accomplished, according to federal regulators, through his total control of the S&L, enabling him to "structure the development and financing... so that substantial cash payments could be diverted to himself."

- Used corporate resources, all federally insured, to propose and build several large land developments throughout Arkansas and elsewhere, although many were described by the Federal Home Loan Bank Board (FHLBB) as being of "questionable economic worth."

- Booked Madison profits in a way to increase the S&L's net

worth, allowing him to make additional investments and, according to the FHLBB, "direct cash to himself and other insiders."

- Funneled payments on development projects through business entities owned or controlled by Mr. McDougal, his then-wife, Susan, other Madison employees, relatives and "close friends."

The Fiske inquiry, now in its third month, is looking into similar accusations regarding Madison's ties to Whitewater Development Corp. and several powerful Arkansas politicians. Mr. McDougal is suspected of illegally diverting loans through Madison and improperly routing other monies to outside interests, including funds that were used to pay the political and personal debts of Mr. Clinton.

Examining alleged "shell corporations" set up by Mr. McDougal and probing suspected check-kiting and account overdrafts authorized by the S&L owner. Documents collected by investigators so far, according to federal authorities, show that Mr. Clinton and others, including Arkansas Gov. Jim Guy Tucker, may have benefited from the schemes.

Mr. McDougal was not available for comment. His attorney, Sam Heuer, did not return calls to his office.

Federal interest in Madison arose as early as 1984, when the FHLBB first reported on the S&L's financial shortfalls. By 1986, regulators had determined that the S&L's management and its board of directors, both headed by Mr. McDougal, had "failed to operate Madison Guaranty in a safe and sound manner."

In an 85-page report, the FHLBB concluded on March 4, 1986, that Madison's insolvency was inevitable and issued a federal cease and desist order, looking to close the operation down.

Madison eventually failed, but not until 1989, when federal regulators formally shut it down at a cost to taxpayers of \$50 million.

Holding on to Madison

While banking regulators, both at the state and federal levels, were probing the S&L's deteriorating financial condition, Mr. McDougal was not similarly disposed. Records show he acted immediately to head off regulators, reaching out to old and new friends for help.

"When things began to close in, he wasn't a bit shy about trying to do something about it," said a longtime McDougal friend, a Little Rock banker. "He has said, and I think he continues to believe, that given enough time, he could have pulled Madison out of the fire."

That the S&L eventually failed was not due to a lack of effort by Mr. McDougal.

One of his first undertakings was to hire the FHLBB examiner who had authored the 1984 report. Sarah J. Worsham, who found that Madison had engaged in "unsound lending practices" and stood on the verge of insolvency, was hired as a senior vice president at \$65,000 a year.

Ms. Worsham was listed in Madison corporate documents during the follow-up 1986 FHLBB inquiry as Sarah J. Hawkins, but is identified in Madison loan documents as Sarah Worsham Hawkins, one of several officers at the S&L who obtained unsecured loans — in her case, \$5,000.

She was a Madison senior vice president, on the S&L's board of directors and a member of Madison's management committee, which oversaw loans. Her compensation, according to federal regulators, included a \$500-a-month expense allowance, yearly bonuses of \$2,000 and a \$35,000 Bentley.

With state and federal regulators closing in on Madison in 1984, the S&L then proposed a unique refinancing plan, based on the sale of \$3 million in preferred stock. The plan, aimed at satisfying the capital requirements of the FHLBB, had not been suggested before in Arkansas for an S&L and, as a result, needed to be approved by the Arkansas Securities Commission.

That approval came in a May 1985 ruling by Securities Commissioner Beverly Bassett Schaffer, appointed to her post just four months earlier by then-Gov. Bill Clinton.

Mr. McDougal, 53, who announced his candidacy last month for Congress in Arkansas' 4th District, has said Mr. Clinton appointed Mrs. Schaffer, then 31, to head the commission as a "personal favor" to him — a claim she and Mr. Clinton have denied.

Mrs. Schaffer is the sister of Woody Bassett, a Clinton campaign contributor and one of the governor's 1984 re-election campaign managers. She also is the wife of Archie Schaffer, an executive of Tyson Foods Inc. of Springdale, Ark., the nation's largest producer of broilers.

She formerly worked for a Little Rock law firm that also represented Madison. At one point, she wrote a legal opinion defending the S&L's participation in a questionable \$3.73 million Canadian real estate project. That project, known as Campobello, also eventually failed.

In reaching a decision that Madison's preferred stock plan was illegal, Mrs. Schaffer turned down a suggestion by her staff that she get an opinion from the state Attorney General's Office as to whether Arkansas law authorized the proposal.

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Mrs. Schaffer said the Madison plan — allowing the S&L to sell preferred stock and to form a brokerage service subsidiary — was "acceptable and in accordance with state law." She also said she personally agreed with the proposal.

With the former FHLBB examiner now on his staff and the matter before a securities commissioner he has said was handpicked by Mr. Clinton, Mr. McDougal's efforts to stay in business began to take shape.

The controversial plan was outlined to the State Securities Commission by two Rose Law Firm lawyers, Mrs. Clinton and Richard N. Massey, then a first-year associate at the firm. The inclusion of Mrs. Clinton's name in the matter was not missed by state officials; the favorable ruling later was announced in a "Dear Hillary" letter from Mrs. Schaffer.

The Rose firm, in its effort to convince regulators to keep Madison open, cited an audit by a Little Rock accounting firm — Frost & Co. — saying the preferred stock plan would result in an infusion of money to keep the S&L afloat. Frost said Madison had \$109 million in assets, including \$86 million in loans receivable.

The audit was written by Frost official James Alford, who had two outstanding Madison loans at the time. It was later found by federal regulators to contain numerous misrepresentations.

Also, at the time of the ruling, Mrs. Clinton was being paid a \$2,000-a-month retainer by Mr. McDougal. The Clintons and the McDougals also were partners in Whitewater, a 230-acre real estate project in the Arkansas Ozarks begun in 1978.

The monthly retainer was personally sought by Mr. Clinton during a summer 1984 meeting, Mr. McDougal has said. The fees continued for at least 15 months — totaling \$30,000 — while the Madison case was pending before state regulators, all of whom had been appointed by and were answerable to Gov. Clinton.

Mr. McDougal, who now says he has no assets, lives with friends and exists on a Social Security disability pension, said the fee arrangement was made after Mr. Clinton told him during a meeting at Mr. McDougal's Little Rock office that he and his wife needed cash.

In separate statements released during the 1992 presidential race, campaign officials said Mrs. Clinton had not given the S&L legal advice concerning its dealings with state officials, that she did not "intervene or attempt to influence" the state concerning Madison, that she had not been paid for legal advice and that she was not of record in the case.

On March 18, 1992, campaign stop in Chicago, Mrs. Clinton added that she had done legal work for Madison, but it did not involve the S&L's dealings with state regulators. "I suppose I could have stayed home and baked cookies and had teas," she said at a breakfast rally, adding that "you can't be a lawyer if you don't represent banks."

JAMES B. MCDUGAL

Former owner of Madison Guaranty Savings and Loan Association

Age: 53

Home: Now living in trailer in a Arkadelphia, Ark.

Family: Divorced. Ex-wife, Susan Henley McDougal, now in Tennessee and facing unrelated fraud charges in Los Angeles.

Career highlights: Financial adviser to Gov. Bill Clinton in Arkansas; owner of the Bank of Kingston in Kingston, Ark.; owner of Madison Guaranty Savings and Loan Association and a partner in Whitewater Development Corp.

Politics: Announced his candidacy for Congress in Arkansas' 4th District.

The Washington Times

Contradicts White House

The White House, which has since acknowledged the \$2,000-a-month payments, has said Mrs. Clinton's involvement with Madison and state regulators was minimal.

Mrs. Clinton, in a statement released during the 1992 campaign, confirmed that she talked personally with Mr. McDougal in April 1985 "concerning the retention of the firm by Madison Guaranty." The statement said, however, she met only that one time with the S&L owner about the case.

But in a July 11, 1985, memo, Mr. McDougal wrote to John Latham, Madison's chief executive officer, that he needed to know "everything you have pending before the Securities Commission as I intend to get with Hillary Clinton within the next few days."

The White House did not respond to inquiries concerning the apparent discrepancy.

Despite concerns by regulators as early as 1984 over Madison's solvency, records show the Securities Department took no action to close the failing S&L until federal bank examiners determined in a 1987 audit that it was insolvent. When federal authorities formally closed Madison in 1989, the cost to taxpayers was listed at \$50 million.

In the handling of the Madison matter by the Rose firm, Mrs. Clinton's name was mentioned in at least two letters sent to the Securities Department. Both said the state's return correspondence should be directed to Mrs. Clinton.

One Rose firm letter, dated April 30, 1985, and addressed to Charles F. Handley, a Securities Department financial supervisor, was signed by the firm. The letter said, however, "Further information on this matter should be obtained from 'Hillary Rodham Clinton or Richard Massey of this firm.'"

In a follow-up letter, Mr. Massey suggested in a second letter that state officials call "Hillary Rodham Clinton or me" with any questions on the preferred stock proposal.

The stock plan was never put into operation, a victim of Madison's rapidly deteriorating financial condition.

Before her appointment, Mrs. Schaffer was a lawyer with Mitchell Williams Selig Jackson & Tucker, a Little Rock law firm whose partners include Mr. Tucker, now Arkansas' governor. Mr. Tucker had hundreds of thousands of dollars in loans from Madison and his firm represented the S&L.

In her job as commissioner.

With the help of others, Mr. McDougal effectively controlled Madison's far-flung affairs and those of several wholly-owned subsidiaries.

Mrs. Schaffer oversaw the state's S&Ls and reported to a six-person state board. On that board was Latham, a college classmate of Mr. Massey's. Latham attended a series of meetings with regulators on Madison's behalf to negotiate details of the stock proposal.

Latham, appointed to the board by Mr. Clinton in March 1985, eventually became chairman. In a guilty plea in 1989 to falsifying Madison records, Latham later turned government witness in a federal bank fraud case against Mr. McDougal, who was acquitted in 1990.

Attracting the RTC

A Jan. 7, 1985, memo to Mr. Clinton, Mr. McDougal recommended Latham's appointment to the board, saying he was a "major contributor to your campaign" in addition to being a certified public accountant and lawyer. "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," Mr. McDougal wrote.

Mrs. Schaffer has denied that anyone from the Rose firm influenced her handling of the Madison case. She quit as commissioner in 1991 to return to Fayetteville, Ark., to practice law.

Last month, she told the Los Angeles Times: "I don't know why she [Mrs. Clinton] hasn't been more open about explaining" her role in the Madison affair. "I don't understand why they [the Clintons] were in business with someone like McDougal."

Mr. McDougal, who served as a financial adviser to Mr. Clinton in 1979-80, bought Madison in late 1984.

partnership.

Federal law enforcement sources and others believe it was Madison's public effort to stay afloat in 1985 and its visible ties to the Clintons that attracted the attention of the Resolution Trust Corp., which oversees failed S&Ls.

An RTC investigation was aimed at determining if Madison received favorable treatment from state regulators, allowing it to remain open and increase its eventual losses. The agency eventually made 10 criminal referrals

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8A • FRIDAY, APRIL 22, 1994 • •

Washington

Phalanx of federal investigators invades Rose firm

BY DAN SEWELL
Associated Press Writer

Federal investigators have swarmed into Little Rock's Rose Law Firm, poring over documents that fill almost 10 offices, the firm's managing partner said this week.

Under siege in the Whitewater Development Corp. affair, Rose's Ron Clark said his firm has cut off contacts with former partner Hillary Rodham Clinton to avoid any appearance of impropriety.

"We don't want to be accused of sharing information, conspiring to destroy documents, that sort of thing, so we've intentionally not communicated with Hillary," Clark said.



Clark

Sixteen of the firm's employees already have been questioned in the investigation by Robert Fiske Jr., the Whitewater special counsel, according to a source familiar with the proceedings.

Meanwhile, two federal agencies conducting their own investigations have sent eight to 10 people to the Rose firm daily for the past three weeks to review records relating to Madison Guaranty Savings & Loan

Association, Clark said.

"We don't think we have anything to hide or anything to be ashamed of," he said.

But that hasn't eased the intense scrutiny of the 174-year-old firm, which sent four partners to Washington with President Clinton, only to see them engulfed by controversy.

The first lady has been dogged by questions involving Whitewater, the 230-acre Marion County land development the Clintons owned with James and Susan McDougal from 1978-92.

Former Rose partner, deputy White House counsel Vincent Foster, committed suicide July 20.

A third former partner, Webb Hubbell, resigned his job as the

No. 3 Department of Justice official last month after the firm questioned him about alleged overbilling of clients.

Former partner William Kennedy lost some of his duties as associate White House counsel after revelations that he had failed to pay Social Security taxes for a family nanny.

The firm itself came under investigation after two couriers alleged they were directed to shred documents in folders bearing Foster's initials shortly after Fiske was appointed by Attorney General Janet Reno in January. The allegation became an early focal point of Fiske's investigation.

Rose employees questioned

by the special counsel have been asked mainly the shredding, according to source familiar with the investigation, who spoke on condition of anonymity.

Investigators from the Lullion Trust Corp. and the Federal Deposit Insurance are studying firm records held to Madison, which was by James McDougal. Madison failed in 1989 at a cost payers of at least \$47 million.

Rose lawyers, including Hillary Clinton, did work for Madison in the mid-1980s subsequently representing the government in a lawsuit involving the S&L after it failed. Clark declined to comment.

Arkansas Democrat & Gazette

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than to say "we're going to co-
operate fully."

As for the shredding allega-
tions, Clark called them a "to-
tally fallacious issue."

"We have no information
whatsoever that any documents
belonging to Vince Foster were
destroyed," Clark said, insisting
the firm has been collecting and
saving documents that might be
related to Whitewater.

He said some documents ex-
amined by investigators go back
more than 10 years. About 10
rooms of the 120 rooms in the
firm's downtown Little Rock of-
fices have been taken up by in-
vestigators and documents, he
said.

riding around in a Mustang while the lead story is the Serbs wiping out Gorazde. ... It looks frivolous."

Zbig's view

"This is the most disengaged president of my lifetime, and that could lead to disaster geopolitically," Zbigniew Brzezinski, national security adviser in the last Democratic administration and a 1992 supporter of President Clinton's, told columnist Albert R. Hunt of the Wall Street Journal.

Getting attention

Canadians aren't amused at a North Dakota senator's suggestion that the way to settle a trade dispute over wheat is aiming some nuclear missiles in his state across the border.

"We've got 300 Minutemen IIIs in North Dakota that we're ready to re-target, and maybe that will get their attention," Democratic Sen. Kent Conrad said during a Senate Agriculture Committee hearing.

The missiles are buried in silos underneath farms all over the state. Mr. Conrad's joke got wide play in the Canadian media. "Senator's Nuke 'Em Quip Bombs in North Dakota, Manitoba" was the headline in yesterday's Winnipeg Free Press.

"It was said in jest. If you were at the hearing, it was taken in jest," Conrad spokesman Scott Sloat said. "If anyone took it any other way than the way it was intended, the senator is sorry."

Economic growth

The withdrawal of the nomination of Zoe Baird for attorney general because she failed to pay Social Security taxes for a Peruvian couple who cared for her child prompted Washingtonians to seek Baird-proof solutions.

The New York Times reported that au pair programs are one of the hot solutions to this deeply felt dilemma. The Western European youths are legal and documented, offer no bureaucratic headaches, and do not require a cent in taxes.

"This Zoe Baird thing contributed enormously to our growth," Celia Gaston, executive director of Eurapair, an agency based in Laguna Beach, Calif., told the Times. "Especially in the Washington area. The growth trend there has been spectacular."

Domenici fuss

Ticking off some GOP colleagues, Sen. Pete V. Domenici of New Mexico said he will oppose additional cuts in discretionary spending and will back the outlines of President Clinton's budget, the Wall Street Journal said.

The Journal's John Harwood said Sen. Charles E. Grassley blasted Mr. Domenici's abandon-

WHITEWATER POLLS

The Los Angeles Times polled 1,682 adults April 16-19; the margin of error is plus or minus 3 percent.

The government Whitewater probe ...

Is adequate **37%**
Is going too far **33%**
Isn't going far enough **25%**
Don't know **5%**

Are the Clintons cooperating adequately? ■ Now □ January

Adequately **47%**
Inadequately **29%**
Don't know **27%**

Did the Clintons engage in wrongdoing? ■ Now □ January

Yes **13%**
No **15%**
Don't know **72%**

Has Whitewater changed your feelings on the Clintons?

More favorable **6%** ■ Bill □ Hillary
Less favorable **25%**
No effect **69%**

CNN-USA Today-Gallup polled 1,002 adults April 16-18; the margin of error is plus or minus 3 percent.

Is Clinton hiding something?

Yes **51%**
No **43%**

Were Hillary Clinton's cattle future gains...

Illegal **13%**
Unethical **40%**
Not seriously wrong **37%**

The Clintons' \$14,000 in back taxes on Hillary Clinton's gains in the '80s resulted from...

Trying to hide income **45%**
Honest mistake **49%**

The Washington Times

ment of \$26 billion in additional cuts over five years sought by deficit-attacking lawmakers. The Iowa Republican said it was "the most devastating move by our party's leadership since George Bush moved his lips."

"What a crock," Mr. Domenici said. His move came at the start of House-Senate negotiations over differences in budget resolutions passed by the chambers. He fears further discretionary cuts will hit defense.

California and Clinton

The White House is determined to stroke California voters as often and as vigorously as possible to win their allegiance in the 1996 presidential election, Richard L. Berke of the New York Times reported.

The state is widely viewed as the cornerstone of President Clinton's re-election hopes, and the race for governor this year will be considered a harbinger for 1996, the Times said.

Consequently, the state Democratic Party convention last weekend was loaded with White House officials. "They are doing a good job," delegate Michael Sedberry told the Times. "But they could have sent Hillary."

California debate

California Treasurer Kathleen Brown, the Democratic front-runner for governor, who was increasingly criticized for ducking debates, has agreed to participate in three before the June 7 primary, the San Francisco Examiner said.

The debates will give Democratic voters their first opportunity to watch her square off against her party opponents, Insurance Commissioner John Garamendi and state Sen. Tom Hayden.

Recovering in Texas

In Texas, Republican George W. Bush's campaign hit Democratic Gov. Ann Richards for hiring a felon to head a state drug and alcohol abuse agency; her aides said the attack showed insensitivity to recovering alcoholics.

With Mrs. Richard's approval, the Texas Commission on Alcohol and Drug Abuse hired Benjamin Bynum as executive director. He is a recovering alcoholic and substance abuse counselor, according to the Houston Chronicle.

As Potter County judge in 1984, he was convicted of misusing about \$2,000 in checks belonging to a committee seeking voter approval of an \$8.9 million bond issue for a court building. He was placed on probation.

Bush spokeswoman Deborah Burstn-Wade asked, "How in the world would she put a convicted felon in charge as executive director of a major state agency where he'll oversee taxpayer moneys?"

Richards spokeswoman Cindy Rugeley said: "George W. Bush should be ashamed. This is a man who has shown you can conquer your problems and contribute to society."

Mrs. Richards is also a "recovering alcoholic."

Actuaries forecast higher cost for health

By Karen Riley
THE WASHINGTON TIMES

The Clinton administration may have understated the cost of insurance premiums under its health care reform plan by as much as 20 percent, a group of actuaries said yesterday.

The difference could cost taxpayers billions of dollars because the government would have to pay more in subsidies to small businesses and low-income employees to support the higher premiums, according to the study by the nonpartisan American Academy of Actuaries.

But the actuaries said that, depending on various factors, the cost of premiums could be slightly less than the administration's figures. The range of the actuaries' estimate is 98 percent to 120 percent of the administration's forecast.

A 15 percent increase in insurance premiums would add about \$100 billion to the federal budget from 1996 through 2000, the group said; a 20 percent increase would raise the budget by \$125 billion for the five years.

In that case, the White House would have to propose additional taxes or reduce the scope of the plan's benefits.

The administration estimates that the average premium per family would be \$3,087 and that the average premium for an individual would be \$1,932. Based on the actuaries' findings, the average premium could be \$3,704 for families and \$2,318 for individuals.

Businesses would have to pay 80 percent of their workers' premiums.

The group said it took into account the administration's proposal to put a cap on premium increases. Without that constraint, the premiums could be 8 percent to 54 percent higher than the administration's predictions, the group said.

The report laid the discrepancies to the administration's use of survey data from the Health Care Financing Administration, which some critics say undercounts health care spending. The actuaries had access to a big database on health plans in the private sector.

Yesterday's report reinforces recent findings by the Congressional Budget Office and private consultants.

The CBO and the private consulting firm Lewin-VHI Inc. of Fairfax have estimated that the average health insurance premium under the president's plan would be about 15 percent higher than the administration's estimate. Hewitt Associates, an employee benefits consultant, has said the White House understated the premium cost by as much as 28 percent.

James J. Murphy, executive vice president of the actuarial group, said the findings underscore the dearth of reliable information on health insurance. "Nobody has good data. It's one of the frustrations."

In light of this uncertainty, any massive plan to restructure the nation's health care financing system must include an adequate transition period, he said.

The actuaries have assigned 17 work

Federal probers crowd Rose Law Firm offices

LITTLE ROCK, Ark. (AP) — Federal investigators have swarmed into the Rose Law Firm, poring over Whitewater-related documents that fill nearly 10 offices, the firm's managing partner said in a rare interview.

Under siege in the Whitewater affair, Ronald M. Clark also said his firm has cut off contacts with former partner Hillary Rodham Clinton to avoid any appearance of impropriety.

"We don't want to be accused of sharing information, conspiring to destroy documents, that sort of thing, so we've intentionally not communicated with Hillary," Mr. Clark said.

Sixteen of the firm's employees already have been questioned in connection with Whitewater special prosecutor Robert B. Fiske Jr.'s investigation, according to one person familiar with the proceedings.

Meanwhile, two federal banking agencies conducting their own investigations have sent eight to 10 persons to the Rose firm daily for the past three weeks to review records relating to a failed Arkansas savings and loan, Mr. Clark said.

Mr. Clark, who has rarely spoken publicly since the Whitewater affair arose last fall, discussed the investigations during a two-hour interview Wednesday at the firm, which calls itself the nation's oldest west of the Mississippi.

"We don't think we have anything to hide or anything to be ashamed of," he said.

But that hasn't eased the intense scrutiny of the 174-year-old firm, which sent four partners to Washington with President Clinton only to see them surrounded by controversy.

The first lady has been dogged by questions involving the Whitewater land venture she and her husband co-owned. Another Rose partner, deputy White House

As for the shredding allegations, Mr. Clark called them a "totally fallacious issue."

counsel Vincent W. Foster Jr., who as the Clintons' personal lawyer handled their Whitewater dealings, was found dead in a park last summer in what police have ruled a suicide.

A third former partner, Webster L. Hubbell, resigned his job as the No. 3 Justice Department official this winter after the firm questioned him about alleged overbilling of clients. Rose has since filed an ethics complaint against him.

Former partner William H. Kennedy III lost some of his duties as a White House lawyer after revelations that he bungled the handling of White House security passes and failed to pay Social Security taxes for a family nanny.

The firm itself came under investigation after The Washington Times quoted sources inside the firm saying that Whitewater-related documents had been shredded. The allegation has become an early focal point of Mr. Fiske's investigation.

Rose employees questioned by the special prosecutor so far have been asked mainly about the shredding, according to a person familiar with the investigation who spoke on the condition of anonymity.

Meanwhile, investigators from the Resolution Trust Corp. and the Federal Deposit Insurance Corp. are studying all firm records related to Madison Guaranty Savings and Loan Association, a failed S&L run by President and Mrs. Clinton's Whitewater real estate partner.

Rose lawyers, including Mrs.

Clinton, did work for the S&L in the mid-1980s and subsequently represented the government in a lawsuit involving the thrift after it failed.

The regulatory investigators are focusing on such issues as whether Rose had any conflicts that should have disqualified it for the government work.

Mr. Fiske also will have an interest in those documents as he investigates whether depositor funds at the S&L were used illegally to benefit the Clintons or Whitewater.

Mr. Clark declined to comment on Mr. Fiske's investigation, other than to say "we're going to cooperate fully."

As for the shredding allegations, Mr. Clark called them a "totally fallacious issue."

"We have no information whatsoever that any documents belonging to Vince Foster were destroyed," he said, insisting the firm has been collecting and saving any documents that might be related to Whitewater.

Some documents looked at by investigators go back more than 10 years, Mr. Clark said, adding that 10 rooms, in a firm with 120, have been taken up by investigators and documents.

As for the firm's ethics complaint against Mr. Hubbell, which goes before a state Supreme Court committee for investigation, Mr. Clark said he considers the allegations "very serious."

The complaint against Mr. Hubbell may be the first time the Rose firm has ever made a formal referral against a partner, Mr. Clark said.

Mr. Clark declined to describe the allegations except to say they did not involve Whitewater or the Clintons.

Mr. Hubbell, who in the past has denied any wrongdoing, didn't immediately return a call yesterday to his Washington home. His attorney, John Nields, declined comment.

The Washington Times FRIDAY, APRIL 22, 1994

groups to advise the CBO and congressional staffers.

Meanwhile, a House subcommittee yesterday started work on an expanded bill designed to keep Mr. Clinton's plan alive in Congress. It is sponsored by Rep. Pat Williams, Montana Democrat and chairman of the House Education and Labor labor-management relations subcommittee.

The panel expects to pass both the Clinton-style bill and a single-payer bill calling for a Canadian-style national health plan. The single-payer plan is favored by more than 90 House members, and committee members want to ensure it gets a serious hearing before being dismissed as a political pipe dream.

PM-Whitewater-Rose, Ark Bjt,570

Regulators Intensify Investigation of Mrs. Clinton's Former Firm

AP Photo LR014 of April 21

By DAN SEWELL= Associated Press Writer=

LITTLE ROCK, Ark. (AP) Federal officials have intensified their investigation of the Rose Law Firm in the last three weeks, according to a spokesman for the firm.

Ronald M. Clark, the managing partner, said eight to 10 investigators from two federal banking agencies have come daily to the downtown Little Rock firm where Hillary Rodham Clinton was a partner until her husband became president.

The investigators from two federal banking agencies and 10 years of documents they are collecting related to Madison Guaranty Savings and Loan and other work that Rose performed now take up 10 offices, Clark said.

The Resolution Trust Corp. and the Federal Deposit Insurance Corp. are studying all of the law firm's records related to Madison Guaranty Savings and Loan, a failed savings and loan that was run by President and Mrs. Clinton's Whitewater real estate partner.

They also are examining the records of other legal work the Rose firm did for the two agencies under contract. Clark said the investigators and the records they have collected covering the past decade now take up 10 of the 120 offices in the firm.

The RTC and FDIC investigations are in addition to a broader probe being conducted by special counsel Robert Fiske out of a separate Little Rock office he opened three months ago.

Clark said the firm's only comment on Fiske's investigation is that "we're going to cooperate fully."

"We don't think we have anything to hide or anything to be ashamed of," he added in a rare interview.

To avoid any appearance of impropriety, Clark said, the firm has cut off contacts with Mrs. Clinton.

"We don't want to be accused of sharing information, conspiring to destroy documents, that sort of thing, so we've intentionally not communicated with Hillary," Clark said.

The first lady has been dogged by questions involving the Whitewater land venture she and her husband co-owned. Another Rose partner, deputy White House counsel Vincent Foster, was found dead in a park last summer in what police have ruled a suicide.

A third former partner, Webster Hubbell, resigned his job as the No. 3 Justice Department official this winter after the firm questioned him about alleged overbilling of clients. Rose has since filed an ethics complaint against Hubbell.

Clark declined to describe the firm's allegations against Hubbell, except to say they did not involve Whitewater or the Clintons. Hubbell, who in the past has denied any wrongdoing, didn't immediately return a call Thursday to his Washington home.

The Rose firm itself came under investigation after two couriers alleged they were directed to shred documents in folders bearing Foster's initials shortly after Fiske was appointed.

Sixteen of the firm's employees already have been questioned in connection with Fiske's investigation, according to one person familiar with the proceedings.

Clark called the shredding allegations a "totally fallacious issue."

"We have no information whatsoever that any documents belonging to Vince Foster were destroyed," he said, insisting the firm has been collecting and saving any documents that might be related to Whitewater.

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**** printed by:WHPR(JEL) on 04/22/94 at 08:04EST ****

Compassion in the Whitewater tide

Evangelist Billy Graham has become the latest prominent figure to defend President Clinton in the Whitewater affair. He follows Barry Goldwater, who told the press and his fellow Republicans to lay off the president. Next came Garrison Keillor, who said much the same thing at a Radio and Television Correspondents Association dinner.

The American Society of Newspapers Editors (ASNE) tossed mostly softball questions at the president following a luncheon speech last week. One member recalled, "My father ran one of your campaigns."

Mr. Clinton beamed. In the hallways and in other meetings, the editors debated whether they were being "fair" or might they have been "too tough" on the president?

Billy Graham cautiously defended the president, noting his "good memory" of Watergate and the disappointment he felt after hearing the Nixon tapes of "my old friend." Mr. Graham told the ASNE gathering the press has gone too far in its examination of Mr. Clinton's private life. "None of us is perfect," he said, adding that Bosnia, Rwanda and the nuclear threat in North Korea are more important. He called for a "wall of prayer around Bill Clinton."

Mr. Graham is correct to call for prayer for the president. That is a scriptural command no person of faith is allowed to ignore. But on the matter of the press going easy on Mr. Clinton, it is good that he recalled his experience with Richard Nixon, because that president's character was at the heart of the Watergate cover-up, which brought him to impeachment's door and resignation. It is the job of the press to pursue the facts without fear or favor and to get the story right — not worrying whether a president or public is pleased with the information.

Nixon defenders slammed the press for its Watergate reporting. William Martin has written in his book, "A Prophet With Honor: The Billy Graham Story," that Mr. Graham came to Mr. Nixon's aid during the 1972 presidential campaign after George McGovern depicted Watergate as an example of the ethical poverty of the Nixon administration. Mr. Graham characterized the criticism by the Methodist McGovern of the Quaker Nixon as a "desperate" move, a sign that he knew he could not defeat Mr. Nixon on the "more important" issues. In a note to Nixon aide Bob Halde- man, Mr. Graham wrote, "It is amazing to me that people who made a hero of [Daniel] Ellsberg for stealing the Pentagon Papers are so deeply concerned about the alleged escapade at Watergate."

Five months later, federal Judge John Sirica ordered seven defendants in the Watergate affair to appear before a grand jury to be questioned about possible high-level involvement in the break-in. One of the defendants, James McCord Jr., had told a closed Senate hearing that former Attorney General John Mitchell, who at the time headed the Committee to Re-elect the President, had known of plans for the break-in before it occurred.

Mr. Graham wrote Mr. Nixon a letter of encouragement: "I have marveled at your restraint as the rumors fly about Watergate." He then quoted some Bible verses pertaining to King David, who at least had repented following the prophet Nathan's denunciation of his adulterous affair with Bathsheba and sending her husband Uriah to the front lines where he

was killed in battle. Mr. Graham also quoted a paraphrase of Proverbs 19:20, "If you profit from constructive criticism, you will be elected to the wise men's hall of fame."

On one of his own radio broadcasts, Mr. Graham expressed certainty that Mr. Nixon's "moral and ethical principles wouldn't allow him to do anything illegal like that." As the heat became more intense, according to Mr. Martin, Mr. Graham began giving political advice to Mr. Nixon. Mr. Martin writes that Mr. Graham called Nixon aide Larry Higby and suggested: "Whenever possible we create picture situations such as the one yesterday with you and Willy Brandt. This causes public focus on the fact that the president is not bogged down on one issue, but is working in other areas. [Graham] feels that the more of this type of thing we can do, the better. The American people need to be diverted from Watergate. . . ."

The character of Billy Graham is beyond reproach. He took a big hit in his defense of Richard Nixon, which he admitted to the ASNE. He risks taking another hit on President Clinton. Perhaps he thinks that charity is a greater character trait than discernment. He could be right.

But like Watergate, Whitewater is about the character of a man who is president. The character question touches on everything from legislation to cattle futures and Whitewater. That should be relevant to the press and the public. If it isn't, it says something about the character of press and public. If we truly don't care about such things, we are undicted co-conspirators in the general cultural decline.

Cal Thomas is a nationally syndicated columnist.

Agnew Card Bids To Finesse Whitewater Woes

By ROBERT L. BARTLEY
DES MOINES—"Nattering nabobs of negativism" Spiro Agnew called them—or, come to think of it, us. The now-defrocked vice president pioneered what is by now a standard political card: In a corner, blame your troubles on the press.

The alliteration leaps to mind because the Clinton administration is playing the Agnew card to finesse its Whitewater woes. The president lectures the American Society of Newspaper Editors that the press is detracting from more important issues with preoccupation over twists and turns of his finances. He then proceeds to drop a few bombs in Bosnia, hold lots of public meetings to deny that his health plan is price control, motor in his old Mustang and spend 90 minutes fielding teenage questions at an MTV youth forum. Meanwhile his subordinates complain about the "frenzy" of press coverage of Whitewater.

And here in an unseasonably summery Iowa, Clinton house philosopher James Carville bragged Tuesday that he's not running away from the Whitewater story, but traveled 1,500 miles to confront it with Rush Limbaugh and some bigfoot editors on Ted Koppel's ABC "Nightline." He then of course proceeded to run away from it with nearly every word, along the way spewing a lot of disinformation—for example retreating to the "inoperative" story that Mrs. Clinton had only one commodity trade after Chelsea's birth. The latest records disgorged by the White House list nine.

There's recently been a frenzy in the press, much of it was caused by James Carville, simply because he's so good at what he's paid to do. It's true of course that in the last presidential campaign he played against the second team, the Bush presidency being unable to sustain the enthusiasm of the likes of Roger Ailes and Peggy Noonan. And that in New Jersey's gubernatorial race he blew a big lead even to Ed Rollins. Still, the "ragin' Cajun" spun the 1992 campaign masterfully, not least in suppressing scrutiny of his candidate and his background.

As a result, Mr. Clinton repeatedly got free rides. There was no big fuss, for example, about his claiming "privacy" in refusing to release his 1978 and 1979 tax returns, even though he was elected governor in 1978. There was no "frenzy" over Gennifer Flowers, the press deciding that if she took money from the sleazy Star she must be lying. And when Jeff Gerth of the New York Times raised Whitewater Development Corp., the story died with the Lyons report, supposedly a complete accounting.

Nothing quite makes a frenzy, we've learned since mid-December, like a whole flock of chickens coming home to roost. The Lyons report, under scrutiny by our Bruce Ingersoll and others, turned out to be a study in fragmentary disclosure. And it turned out the 1978-79 tax returns were withheld for good reason, which is to say bad reason. The privacy protected Mrs. Clinton's flaming cattle trades, which may not be criminal but certainly would have made hash of campaign rhetoric about 1980s greed and might very well have lost Mr. Clinton the election.

With curiosity reawakened, we've also learned that Whitewater papers were taken from Vincent Foster's office after his suicide. That Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater partner James McDougal, was referred for possible criminal prosecution. That when the Justice Department fired all U.S. attorneys, a Clinton crony was put in charge in Little Rock, only belatedly recusing herself from Whitewater. We saw Webster Hubbell resign from Justice, and William Kennedy demoted at the counsel's office. White House officials admitted they talked to regulators about the Whitewater investigation. The only trouble here, the Clintons have it, is heavy breathing by the press.

The mainstream American press remains uncommonly gentlemanly, indeed, about one strain of the story, namely sex. It was leery of the four Arkansas state troopers, even though their stories and Miss Flowers's corroborated one another. There has been no frenzy about Sally Perdue, who says she was threatened into silence about her affair with Gov. Clinton. Paula Jones, who says he subjected her to a gross sexual advance and offers affidavits from two other women she confided in at the time, is so invisible that conservative media policegroup Accuracy in Media has been taking out ads asking what ever happened to her.

There is a respectable argument that such anecdotes are not front-page news, of course. But it's hard to say they are being judged by the standards applied to the reporting about Anita Hill or Sen. Bob Packwood.

The Agnew card may be trump, but the Clinton camp has already drawn the suit twice. In the campaign, Mr. Carville frightened both the press and his opposition by waving the Willie Horton symbol; it's a dirty trick, the notion went, to publicize a candidate's faults, or even his record. The second press assault also succeeded, silencing questions about Vincent Foster's death. The third has produced a lull in Whitewater coverage.

If you can't draw the final trump, though, you can find yourself doubled and vulnerable. In Des Moines, Times Executive Editor Max Frankel described Whitewater as "unfinished business" from the 1992 campaign; we await Mr. Gerth's next story. For my part, I can testify that getting tagged with blame for the Foster suicide powerfully focused my own attention on Whitewater. This third time around, I doubt that the press will be cowed for long.

Recent history suggests, indeed, that press-bashing is a sign of desperation. In the end, after all, Spiro Agnew went out with a plea of *nolo contendere*.

Mr. Bartley is editor of the Journal.

Formula for Creating Economic Depression

Robert Genetski has learned the wrong lesson from history. In his March 23 article "Off the Money: Presidents and Interest Rates," he worries that the Clinton administration is repeating Jimmy Carter's and Lyndon Johnson's purported error of having assumed that "current inflation [was] a guide to future inflation." According to Mr. Genetski, their shortsightedness led to inflation.

This is a misreading of history. The inflation that afflicted the last years of both the Johnson and Carter presidencies was not driven by domestic economic recoveries that overheated. In the first case, the cause was the escalation of the Vietnam War. In the second, it was the sudden jump in world oil and food prices. In fact, the reports of the Councils of Economic Advisers that Mr. Genetski cites reflected accurately the inflationary potential of the domestic economies at that time. Both may have involved policy mistakes, but expansionary monetary policy prior to the price shocks was not one of them.

By Mr. Genetski's logic, we must constantly pursue deflationary monetary policy in anticipation of some possible surprise. This is a formula for creating economic depression. The only basis we ever have for making such policy decisions is what we know. Today we know that there is plenty of idle capacity to accommodate the current rate of economic growth. There is, therefore, no justification for tightening the monetary noose.

Unfortunately, Mr. Genetski is also wrong in claiming that the administration is in opposition to the Fed's recent moves. The White House has been more than willing to indulge Alan Greenspan's inflation fantasies. That, if anything, is the policy mistake in the making.

JEFF FAUX
President
Economic Policy Institute

Washington

Whitewater Repossession Is

Sales Practice Benefited Clintons, Partners

By Howard Schneider
and Susan Schmidt
Washington Post Staff Writers

For three years Clyde Soapes Jr., a Texas grain elevator operator, regularly mailed monthly payments to the Whitewater Development Corp. for a lot along Arkansas' White River where he planned to build a fishing cottage.

In 1987 he became critically ill with diabetes and stopped sending checks. By then he had made 35 installment payments of \$244.69 to the corporation part-owned by then-Gov. Bill Clinton and his wife, Hillary. Along with his earlier \$3,000 down payment, Soapes had paid for much of his \$14,000 lot.

Whitewater, employing a sales

method that left lot buyers virtually powerless in such circumstances, took the property back and later resold it without court proceedings or compensation to Soapes for the thousands of dollars in principal and interest payments he had made. When the subsequent buyer defaulted as well, Whitewater again took back the lot and sold it a third time.

Today, there is no trace of Soapes' transaction in the land records of Marion County. Under the terms of Whitewater's typical sales contract, which was described by real estate experts as commonly used and completely legal in Arkansas and some other states, if a buyer defaulted, it is as if the transaction never occurred.

See WHITEWATER, A9, Col. 1

WHITEWATER, From A1

"That is clearly . . . not a very consumer-oriented method of selling [land] at all," said Bruce May, an Arizona real estate lawyer and chairman of an American Bar Association committee on land sale regulation.

Like others who bought lots in the remote Ozarks development, Soapes, who died in 1990 at age 59, had acquired his property under a "purchase agreement" in which the buyer received no deed and had few rights until the final monthly payment was made. The sellers, in this case the Whitewater Development Corp. jointly owned by the Clintons and James and Susan McDougal, retained broad powers to repossess and resell the land—even in cases in which the purchasers had paid off much of what they owed.

"Poor man's real estate financing" is how Arkansas real estate lawyer Hal Kemp referred to the contracts. In return for loose approval terms—no credit checks or appraisals and low down payments—such contracts often deal severely with anyone who defaults. Typically, he said, the contract says that if a person skips payments, all previous payments are considered "rent," and any equity in the land is lost.

"He just got to where he could not pay for it and he let it go," Clyde Soapes Sr., 80, said of his son.

Soapes was hardly alone. More than half of the people who bought lots from Whitewater apparently lost their land back to the company, according to an analysis of Whitewater corporate records that were released last week by McDougal. Sixteen individuals made payments—totaling more than \$50,000—but never received property deeds, records show.

Many of the lots repossessed by Whitewater were sold in the corporation's early years, shortly after Clinton, in his successful run for governor, had billed himself as a consumer advocate during his years as attorney general.

A source associated with the Clintons stressed that the use of escrow sales at Whitewater "enabled people to purchase who otherwise might not have been able to." In addition, she said that most purchasers were buying vacation lots, and some simply "walked away" from their properties after holding them only briefly.

An investigation by special counsel Robert B. Fiske Jr. is focusing on the financial ties between Whitewater

and McDougal's failed Madison Guaranty Savings & Loan, where Whitewater maintained a checking account.

The 2,300 pages of records released last week by McDougal provide new details of how the land venture operated. Most of the records—payment receipts, bank notices and lot closing statements—came from the Citizens Bank and Trust of Flippin, Ark., where Whitewater deposited money from its land sales.

Far from being moribund, the records show the company was able to sell some lots numerous times. Soapes' lot, for example, was resold in early 1990 to a Nevada couple for \$16,500, then taken back again after just a few payments before it was bought by a couple that finished paying for it and received a deed.

Whitewater collected perhaps as much as \$300,000 from lot buyers between its inception in 1979 and August 1990, according to the McDougal records. Since 1990, Whitewater has continued to collect money it was owed by lot purchasers, and also provided tax benefits along the way to the Clintons and McDougals. Though the Clintons and McDougals have characterized Whitewater as a money loser, McDougal said in an interview earlier this spring that he has never fully analyzed the company's financial history.

Trying to capitalize on the demand for remote rural property among retirement-age Arkansans and back-to-nature enthusiasts, Whitewater advertised in Mother Earth News and offered easy credit. The remote development is miles from a large town, and jobs are scarce in the area.

Today there are few houses at Whitewater. Some of those who bought lots erected small cabins or pitched tents. Others lived out of trailers or vans, according to local residents.

For some, the purchase arrangement offered an easy way to buy land in a favored vacation spot. M.D. Blair, of Arkansas, said he fished every year on the White River, and snapped up a \$14,000 lot as a mobile home site when he saw engineers beginning to survey the area during one of his trips. Blair received a deed after making monthly payments to the Bank of Flippin for seven years.

In most land sales financed either by sellers or financial institutions, the sale is recorded in the courts. Buyers have certain due-process rights before foreclosure can be initiated.

May said that while many states allow so-called "escrow," or contract sales, they also have laws that protect the buyer. In Arizona, for example, the more payments a person makes under a land sale contract, the harder it becomes for the seller to repossess it.

McDougal has said in interviews that repossession was an unfortunate part of the resort land business, because there was a lot of "impulse buying" by people who did not have the financial means or desire to meet the terms of the sale. McDougal had used the same sales method at other projects.

Land purchase agreements of the sort used by Whitewater have been consistently upheld by the Arkansas courts, said Kemp, and are used often there to market undeveloped land to people who could not qualify for conventional bank loans.

"It is not an advantage to the buyer at all," said Barbara Bonds, chairman of the Arkansas Bar Association Real Estate Committee.

Benny Kass, a Washington area real estate lawyer, said land contracts are common but that some states require that such sales be recorded as a protection to buyers. He said he sometimes recommends such sales even to low-income buyers "if they feel confident they [can] make the payments."

The terms were clear in the contract signed by Bill and Hillary Clinton when they sold a Whitewater lot, held by them personally, to a Mississippi man.

"In the event the default continues for 30 days then . . . payments made by the purchaser shall be considered as rent for the use of the premises," said the contract.

The purchaser, Hilman Logan, later defaulted, and died shortly after filing for bankruptcy. In letters written on the Clintons' behalf in 1988, one of Hillary Clinton's colleagues at the Rose Law Firm first suggested to the lawyer handling Logan's estate, which was tied up in bankruptcy, that he "consider abandoning" the approximately \$8,000 in equity Logan had acquired in the lot.

Two months later, in a move that the lawyer for Logan's estate said he was at a loss to explain, she reversed course and paid Logan's estate \$8,000 in exchange for the land, even though it was clear that was not required under the contract. White House aides have said she paid the estate to safeguard her interests in the property.

The records released by McDougal reflect no other such payments to lot buyers who defaulted. Several had made only a few payments; others had paid for months or years and may have had substantial equity.

were ordered without
yesterday after being arraigned in
Brooklyn Criminal Court.
Relatives struggled to see the teens
as they stood with their heads bowed
before Judge Laura Jacobson.
"All five of these defendants have
admitted to being at the scene,"

about the face and body.
Robert Smith, 17, Kareem
Grant, 16, admitted raping the
woman in videotaped statements,
while 14-year-old Larry Harris ad-
mitted holding the victim down dur-
ing the attack, law enforcement
sources said.

Lamont C. y. 15, George
Reeder, 17, have admitted to ap-
proaching the woman, being present
during the attack, and leaving the
scene with the three other defend-
ants, sources said.

Terror the
boardwalk / Editorial
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Whitewater won't stall health plan, says Hillary

By ANGELA C. ALLEN

Hillary Rodham Clinton
yesterday firmly dismissed
any chance of Whitewater
backlash derailing health
care reform and pledged to
get it done "this year."

The First Lady flew into
town with Rep. Charles Ran-
gel (D-Manhattan) yester-
day for a tour of Harlem's
North General Hospital in a
bid to get the spotlight back
on health care.

She met with several chil-
dren and their parents in the
pediatric ward, talked to
staff and conferred behind
closed doors with doctors.

In the pediatric ward
Daisy Francois told the First
Lady she hesitated to bring
her daughter, Kimberly, 7, to
the hospital for treatment of
tonsillitis because she doesn't
have health insurance.



New York Post David Reutter

HEALTHY HELLO: Charles Rangel and First Lady
Hillary Clinton at Harlem's North General Hospital.

"When she got sick I got
really worried about the
health care," she said, noting,
"I'm working, but I have no
health insurance."

Later, talking to a group of
nurses, Mrs. Clinton noted,
"Once we have everyone in-
sured ... we'll be able to help
manage the care of every-
one, particularly children."

"The emergency room is
then left for the emergencies."

When asked if the growing
Whitewater scandal could

hurt her health care battle in
Congress, the First Lady
predicted it would do "just
the opposite."

"People can try to divert
attention or distract us from
the real business of the coun-
try, but when you look at
these children or talk to a
mother who gets up every-
day and goes to work, what
she's interested in is a Con-
gress and a president work-
ing together to solve her
problems."

American Dream about to go bust

By JONATHAN KARL

Dire economic prospects
threaten to destroy the
American Dream for an
entire generation, a new
study says.

"Our evidence indicates
that the American Dream
is becoming just that — a
dream," said economists
Alan Auerbach and Law-
rence Kotlikoff, who
crafted the study for Mer-
rill Lynch.

The report, "Saving the
American Dream" paints a
dismal picture of the fu-
ture: soaring taxes, mount-
ing government debt, low
individual savings and a
falling standard of living.

And it shows that the
Baby Boom generation —
those Americans born be-
tween 1944 and 1964 —
fears for its future.

Among the findings:

■ Baby Boomers are sav-
ing at one-third the rate
needed to maintain their
current standard of living
after they retire.

■ The U.S. savings rate is
less than one-quarter of
what it was in the 1950s &
1960s.

■ 61 percent of Baby
Boomers fear that they will
not have enough money to
retire on.

■ 61 percent believe the
next generation will have it
even worse.

"It's the most pessimistic
inter-generational outlook in
decades," said Frank Lantz,
who conducted a poll of
Baby Boomers.

"If the deficit con- to
grow, we might end up like
Russia," one Baby Boomer
told Lantz.

The Merrill Lynch report
comes on the heels of the the
latest bad news from the So-
cial Security Administra-
tion.

On Monday, the SSA an-
nounced that Social rity
— the primary source of re-
tirement income for the
majority of Americans — is
projected to go bankrupt by
the year 2029.

N.Y. Post. Apr. 15 —

The neighbor, Deborah Kryz, said she and the Gotilla family are "in

"They don't have any pity for him," she said.

Kryz said Gotilla lived doors away at 121 Sunrise Lane with his mother, an adult sister and two younger siblings on a "hand-and-go" basis.

She said Gotilla's family pleaded with him in vain after the funeral to move out of the house because they knew he was into drugs.

Gotilla and Coppola, who had a history of drug abuse arrests for prostitution, each other for about a month, police said.

On April 1 or 2, Gotilla brought Coppola to his Levittown home, the spokesman said.

"We believe the murder was committed in his car," he said.

The body of Coppola, who lived on Ridgewood Ave. in the Cypress Hills section of Brooklyn, was discovered behind 131 Sunrise Lane. She was found face up and partially covered by leaves between a garage and a fence, by two Cablevision employees.

Fourteen years ago, Dale Richman, 26, was found beaten to death in her home at 125 Sunrise Lane, across the street from the current murder site.

Neighbor Brian Wendel was convicted of killing Richman during a burglary, and is serving a 25-years-to-life term.

INIF

By Frank J. Murray
THE WASHINGTON TIMES

Curt Bradbury, the chairman, president and chief operating officer of Little Rock's Worthen Bank, was invited up to President Clinton's skybox at Charlotte to watch a little of the Arkansas-Duke final of the national collegiate basketball tournament.

According to someone who overheard the conversation, Mr. Bradbury went straight to the point of what was on his mind: "Let me tell you something, pard," he told the president. "We for our part are not playing rope-a-dope anymore."

Little Rock tired of being bashed

The president, who had earlier told Mr. Bradbury that he was "sorry" for the pain his administration had caused the folks in Arkansas, replied: "It ain't right. It ain't right."

Arkansas whipped Duke for the national championship, but a lot of people in Little Rock think that's the only good thing that's happened to Arkansas in years. Four days before the game, a group of the movers and shakers in Little

Rock — "the big mules," in the Southern vernacular — sat down to talk about what they can do about the bashing that the state's good name has taken in the wake of the Whitewater-Madison sensations.

The Little Rock power structure is acutely sensitive to outside criticism, the more so since the school desegregation struggle in 1957-59 when President Eisenhower ordered the 101st Airborne Division

to Little Rock Central High School to keep order.

Little Rock sentiment now, as then, seems aimed mostly at the media, often with little awareness that the Clinton White House invoked "Arkansas-bashing" by subtly encouraging reporters and columnists to soften criticism of the president because, as one official put it months ago, "that's the way we've always done it in Arkansas."

The bashing this time, some

stock analysts say, has driven down the prices of shares in Arkansas companies by a total of \$11 billion since the presidential transition, a period in which the market rose 10 percent.

Mr. Bradbury refuses to discuss his April 4 conversation in the North Carolina skybox. But he has emerged as the most aggressive actor among 18 leaders who had cobbled the tight-back strategy over lunch on March 31 at the ex-

clusive Little Rock Club atop the First Commercial Bank building downtown.

He arrives in Washington today for a round of meetings with writers and editors from publications that include the Wall Street Journal, The Washington Times and the New Republic magazine, whose devastating recent article — "The Name of Rose," an examination of the way the Little Rock power structure works — was the last straw in Arkansas.

"They felt they ought not to accept having their community portrayed as a moral and ethical back-see CLINTON, page A10

CLINTON

From page A1

water," Mr. Bradbury says in a telephone interview from Little Rock. "They ought not to play rope-a-dope. They ought to respond."

He dismisses suggestions from Arkansas colleagues that he might be too ambitious in going to the nation's editors in person.

"I don't believe in bunkering up," Mr. Bradbury says.

Others among the business, cultural and religious leaders who met March 31 include the host, Drake Keith, the president of Arkansas Power & Light Co., which has been a major power in Arkansas politics and commerce for most of the century; Bill Bowen, a director of First Commercial Bank and a Clinton loyalist who once was rumored to be in line for the chairmanship of the Federal Deposit Insurance Corp.; Rabbi Eugene Levy of B'nai Israel congregation, representing the clergy; Shelby Woods, an advertising executive; Ron Russell, executive director of the state Chamber of Commerce; and Paul Harvell, executive director of the Chamber of Commerce of Greater Little Rock.

The only person who declined an invitation was the Rev. Rex Horne, pastor of Immanuel Baptist Church, the state's largest congregation, where Mr. Clinton is still a member.

"Those are all good guys," Mr. Horne says in an interview. "They're mainstream fellows. They are the kind of people who have made Little Rock great, and I'm sure something good will come out of whatever they do."

Rabbi Levy seemed a bit puzzled, and doesn't think the Whitewater sensations have had much impact. "Most of the clergy and the rabbinate still support Clinton," he says.

The first tangible result of the meeting, Mr. Bowen says, was persuading the manager of the Legacy Hotel to go public when L. Davis, a visiting journalist, said he was knocked unconscious in his room at the Legacy while he was in Little Rock working on his story for the New Republic. The hotel manager said on the day of the reported incident Mr. Davis was in the hotel bar, consuming six martinis. The bartender was not sure whether it was four martinis or six.

"This one was crying out for exposure," Mr. Bowen says. "That was just an example of a positive response to a negative story. We encouraged him. He didn't need too much stimulation."

Mr. Davis has acknowledged that he drank about six martinis but says he was not drunk. He also does not believe his head injury, which his doctor said was caused by a blow with a blunt instrument, was related to the drinks.

Mr. Russell, for his part, followed up the March 31 meeting with a letter asking 1,800 businesses affiliated with the state Chamber to promote Arkansas in letters to suppliers and customers, in op-ed page articles and their regular ad campaigns.

"Much of that attention has cast some aspects of our state in a less than favorable light. In the process, we believe Arkansas has unjustly suffered," Mr. Russell says in the letter mailed Monday and made available to The Times.

The war council at the Little Rock Club, an exclusive luncheon club not to be confused with the Country Club of Little Rock, produced a vague strategy to deal with distress over reports stemming from inquiries by the Justice Department, press and political opponents into finances of the president and Hillary Rodham Clinton.

"Number one was our attitude that it is harmful and hurtful to Arkansas, its people and its professions. Two — to the extent that it was wrong and provably wrong — that a response should be generated," says Mr. Bowen, who served in 1991 and 1992 as chief of staff to Gov. Clinton.

"There has been very little if any talk about defending the president. It has been about defending Arkansas and its people," Mr. Russell says.

A few members of the Chamber of Commerce complained their organization was becoming too political by involving itself in the effort.

"That wasn't the point at all. It's not that I wouldn't want to support the Clintons on my own, but this was a business-climate issue. I didn't want this to get into a Democrat versus Republican thing. It's

The Washington Times

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ON A SLOW SLIDE THROUGH ARKANSAS

Key Arkansas-related stocks during the Clinton administration transition, immediately before the latest wave of Whitewater stories and at Friday's closing. The most common stock market barometer is up 9.7 percent during the same period.

Stock exchange	Alltel	American Freightways	Arkansas Best	Arkansas Louisiana Gas	Beverly Enterprises	Dillard Dept. Stores	First Commercial	Hudson Foods	J.B. Hunt	Murphy Oil	TCBY	Tyson Foods	Wal-Mart	Worthington Banking Corp.
Price 12/31/90	Nasdaq 23.875	Nasdaq 11.625	Nasdaq 16.125	Nasdaq 8.500	NYSE 13.000	NYSE 49.750	Nasdaq 22.000	NYSE 13.325	Nasdaq 23.250	NYSE 35.500	NYSE 5.750	Nasdaq 24.250	NYSE 32.000	NYSE 25.875
Price 8/20/93	30.500	17.500	11.000	8.750	10.375	36.000	22.000	10.750	22.875	47.325	5.325	21.325	24.625	25.500
Price 4/15/94	24.500	20.500	12.000	6.500	12.875	34.250	20.000	14.000	20.375	44.250	5.250	19.750	24.625	21.500
Percent change	-27.2%	-26.34%	-20.66%	-23.53%	-0.96%	-31.16%	-9.09%	5.07%	-12.37%	24.65%	-8.70%	-18.56%	-23.05%	-16.91%

The Washington Times

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an Arkansas thing," Mr. Keith says.

Mr. Harvell says the chamber would increase the \$600,000 a year it spends to recruit new jobs to the area.

"Our response to anything negative that might have happened in Little Rock or Arkansas is just to keep doing the positive things we've been doing."

These and others at the meeting represent a key part of the community Mr. Horne says has remained surprisingly silent. They're proud that an Arkansas man is president but stunned and puzzled that his election brought "a white-hot light" that reflects badly on their state and its culture.

Except for Mr. Keith, who declined to disclose the complete list of participants, each of seven participants who spoke to The Times says there were people they did not know at the luncheon. However, Mr. Harvell says no one was present from the Rose Law Firm, Tyson Foods Inc. or Stephens Inc. companies, which have a 27 percent holding in Worthen.

In an interview with The Times, Warren Stephens, president and chief operating officer of Stephens, says he had not known of the meeting but thought its organizers were on the right track.

"Whether I like it or whether I don't like it, Curt's going to do what's in the best interests of the bank. And it so happens I think he's right about this," Mr. Stephens said.

Mr. Stephens says the portrayal of Arkansas is unfair and inaccurate but concedes that the Clintons brought much of the trouble on themselves.

The link between Whitewater and stock prices was drawn April 11 in a New York market analysis of the \$3.6 billion bank that is Arkansas' largest.

"Worthen's stock has been very weak over the last six months," wrote analyst Joseph Morford of Keefe, Bruyette & Woods, which specializes in banking stocks. "Much of that can be attributed to media distractions surrounding Bill Clinton and the Stephens family's ownership."

Frank Anderson, who follows Worthen for Stephens Inc. but is barred by his firm from making outside trading recommendations, says, "We're all concerned about the negative press on Stephens and the impact it might have on doing deals. I honestly think that if you had the choice you'd as soon not have the adverse publicity from what's happening in Washington."

A review of stock prices for 13 major public companies based in Arkansas, plus Arkansas Louisiana Gas Co., whose headquarters has moved to Houston, showed a 21.7 percent loss in value since the apogee of transition euphoria on

Dec. 31, 1992. When the market opened yesterday that translated to a loss of more than \$11.2 billion in those stocks.

The key stock barometer, the daily Dow Jones industrial average, has risen 9.7 percent in that same period.

Business executives and analysts interviewed by The Times say many other factors peculiar to a company or industry could affect its price but most conceded an investor with equal choices might consider the anti-Arkansas climate added risk.

"Maybe people are just avoiding Arkansas stocks, or something," says Mr. Morford, the research analyst who tracks Worthen, whose stock dropped 14 percent since Whitewater re-emerged as a big story in October, and First Commercial, whose stock was steady until Sept. 30 but then dropped 9.1 percent.

Tyson Foods, the nation's largest poultry producer, whose executives are close to the Clintons and linked with the first lady's commodity trading, is down 18.6 percent or \$623 million in stock value since he became president while the price of shares in competitor Hudson Foods has gone up.

"I just think it would be simplistic to lay the decrease in a stock price at the feet of Arkansas-bashing," says researcher John Bierbusse, who follows Tyson Foods from St. Louis for A.G. Edwards Co., a national stock brokerage firm.

"You really never know why somebody doesn't buy," says Mr. Stephens. "I think it [Whitewater publicity] has a role, but I just don't know how big a role."

Less certain is John Barnes, a broker with Smith Barney in Little Rock and business commentator for the city's ABC television affiliate, KATV (Channel 7).

"I don't want to make the broad-based statement that there is no national prejudice, but each of these has a reason. It's a sad case if somebody is being prejudiced against a good company just because it's based in Arkansas," he says.

"Most Arkansans understand what's going on here, that suddenly somebody's turned on the white hot light and everything's being microanalyzed."

Mr. Morford says the 20 Keefe, Bruyette brokers who met with Mr. Bradbury in New York two weeks ago were impressed by his approach.

"I was impressed by the way he told the story and defended Arkansas," Mr. Morford says. "He kind of took it on. He said, 'You probably think this is the picture. That is not the case. Could we have gotten that successful if we were sleazeballs or whatever?'"

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to the Justice Department, suggesting that Mr. McDougal may have manipulated \$250,000 in loans through the S&L and diverted other monies to the campaigns of several Arkansas politicians, including Mr. Clinton.

The RTC suspected that Mr. McDougal diverted depositor funds from Madison to Mr. Clinton using overdrawn accounts and Madison-approved loans. The agency also recommended a possible prosecution into reports that Madison funds had been illegally diverted to Whitewater.

Mr. McDougal, who has long since traded in his posh Little Rock home for a trailer in Arkadelphia, has denied any wrongdoing. His lawyer, Mr. Heuer, said he expects his client to be indicted in the Whitewater-Madison probe.

Mr. Fiske, appointed special counsel on Jan. 20 by Attorney General Janet Reno, has said he expects to take testimony from Mr. McDougal, Mr. Clinton and Mrs. Clinton under oath.

Under guidelines established by Miss Reno, Mr. Fiske has the authority to investigate whether "any individuals or entities committed violations of federal law," including Mr. and Mrs. Clinton and others involved with the couple through Madison and Whitewater.

The guidelines also give Mr. Fiske the authority to look into Capital-Management Services Inc., a Little Rock lending agency that gave a \$300,000 Small Business Administration (SBA)-guaranteed loan to Mrs. McDougal.

Capital-Management's president, David L. Hale, a former Little Rock municipal judge who pleaded guilty last month to unrelated SBA fraud charges, has said Mr. Clinton pressured him for the loan. About \$110,000 of it eventually found its way into the Whitewater account.

Mr. Fiske, according to the guidelines, also has the authority to investigate "other allegations or evidence of violation of any federal criminal law by any person or entity" that might surface during his investigation.

February 7, 1985

TO: Governor Bill Clinton

FROM: Jim McDougal

Kathy called yesterday to ask for my recommendations 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. Mr. Latham is a CPA and a licensed attorney. 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. Dr. Kendall is a popular figure at Camden. His wife, Nancy from Magnolia, is widely and favorably known. Their complete support of your administration is a certainty.

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.

JRM/ss

July 11, 1985

TO: John Latham

FROM: Jim McDougal

1. This is probably a good time to take in some 5-year money cheap. Let's discuss rates.

2. 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.

JRM/ss

Memos by James B. McDougal show he was involved with then-Gov. Bill Clinton and Hillary Rodham Clinton in anticipation of their 1992 campaign. The documents, obtained by the Securities Department, show McDougal's involvement in the Clinton family's financial affairs.

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McDougal's asset was 'down home' charm

By Jerry Seper
THE WASHINGTON TIMES

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LITTLE ROCK, Ark. — James B. McDougal, the longtime friend and business partner of President and Mrs. Clinton's who has emerged as a key figure in the ongoing Whitewater-Madison affair, has described himself as a country boy just trying to do good.

A high school math wizard, U.S. senatorial aide, would-be politician and wheeler-dealer, savings and loan owner during the go-go ethos of the 1980s, Mr. McDougal befuddled both his enemies and his friends with his "down-home act," while turning a

sleepy rural S&L into a financial behemoth.

In just three years, beginning in 1982, Mr. McDougal's Madison Guaranty Savings and Loan Association — now at the hub of a multispoked criminal investigation by Whitewater-Madison special counsel Robert B. Fiske Jr. — exploded from \$6 million in deposits to more than \$123 million.

Madison loans made directly to its officers and directors, including Mr. McDougal himself, grew at an equally astonishing rate — from \$500,000 to \$17 million in 1985, most of which were never repaid. By 1985, Mr. McDougal's net worth was estimated at \$18 million.

"Jim McDougal is like the local used-car salesman," said Roy P. Drew, Little Rock stockbroker and financial consultant. "He can dazzle you with style and never give one thought to substance."

"He had a gift for gab, made numerous political contacts, didn't mind using them and wasn't averse to cutting corners," Mr. Drew said. "It was a down-home act that many people bought."

Rep. Jim Leach, ranking GOP member of the House Banking Committee who has been the point man on Capitol Hill in the Whitewater-Madison probe, has

see MADISON, page A8

RTC

From page A1

loans, most of which were never repaid.

The bonus payments, pay raises, loans and health-club memberships are described in more than 7,800 pages of documents released yesterday by the Resolution Trust Corp. (RTC) under the federal Freedom of Information Act. The RTC, which oversees failed S&Ls, took over Madison following its collapse.

The documents include minutes of Madison board meetings, court records on litigation involving the S&L, letters from members of Congress concerning the thrift's operation, mortgage and loan agreements, partnership papers, audits and other Madison business records. The documents were heavily redacted, with major portions of some of them missing.

The health club memberships are discussed during a Feb. 20, 1986, board meeting. John Latham, board chairman at the time, said there was a "need" for Madison's officers and executives "to remain in good physical and mental state of health."

Mr. Latham's suggestion that the memberships be paid by Madison was approved unanimously "for all executive officers."

Mr. McDougal had resigned as board chairman in October 1984 after a critical Federal Home Loan Bank Board audit, but remained as the S&L's owner.

He is currently the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that funds were illegally diverted from Madison to several Arkansas politicians, including then-Gov. Bill Clinton.

The Fiske inquiry also is aimed at determining whether Madison funds were

referred to Whitewater Development Corp., a northern Arkansas real estate partnership jointly owned by the Clintons, Mr. McDougal and his then-wife, Susan, and whether S&L money was used to pay off Clinton campaign debts.

The documents, released in two boxes, also show that Madison was looking to merge its operation with Madison Bank and Trust of Kingston, Ark., a rural bank also owned by Mr. McDougal. The proposed merger — never approved — would have allowed the S&L to tap a new source of revenue, using a revised recapitalization plan to bolster its failing assets.

"Chairman Latham informed the board that the law firm of Mitchell, Selig and Tucker had been contacted to handle the merger application involving Madison Bank and Trust of Kingston and the savings and loan," according to minutes of a Sept. 19, 1985, board meeting.

The Madison board voted unanimously to seek the merger, but the law firm withdrew. It said one of its partners, Jim Guy Tucker, now Arkansas governor, had borrowed hundreds of thousands of dollars from the S&L. The Tucker-Madison connection, cited as a potential conflict of interest, was listed by the firm as a reason for disqualifying itself.

Mr. Fiske has subpoenaed records from Mr. Tucker, including those showing his involvement with Madison.

The proposed merger came at the same time Little Rock's Rose Law Firm — where Mrs. Clinton was a senior partner — presented a preferred stock plan to state banking regulators in an effort to keep Madison in business. The proposal came in letters to the State Securities Department. At least two of the letters mentioned Mrs. Clinton as the Rose contact.

State Securities Commissioner Beverly Bassett Schaffer, who headed the department, was appointed by Mr. Clinton. Her decision to accept the stock plan, keeping Madison afloat, was addressed to "Dear Hillary." Mrs. Schaffer, a lawyer, had worked at Mitchell Selig and Tucker before her appointment and had been involved in Madison's representation.

The RTC-released records also show that Madison, under Mr. McDougal's direction, had undertaken a number of risky loans, many of which lacked the necessary collateral to justify their issuance.

although the redacted lists showed there were more than 200 delinquent loans totalling more than \$15 million.

Many of the RTC documents related to protracted legal battles between the RTC, Madison and Seth Ward, an officer of a Madison subsidiary and a major borrower at the S&L.

Mr. Ward, father-in-law of former Associate Attorney General Webster L. Hubbell, a former Rose partner of Mrs. Clinton's who resigned March 14 amid accusations of overbilling clients, sued Madison in 1987 for back commissions and was awarded \$353,000 before Madison's collapse.

Rose lawyer on RTC detail once worked for Madison

ASSOCIATED PRESS

A lawyer at Hillary Rodham Clinton's former Arkansas law firm, who is doing government savings and loan cleanup work, was employed previously by the failed Arkansas S&L now at the center of the Whitewater-Madison controversy.

According to a federal official familiar with the case, Patricia J. Heritage, now with the Rose Law Firm in Little Rock, prepared records of board meetings at a subsidiary of Madison Guaranty Savings and Loan Association.

Ms. Heritage said in an interview Monday with the Associated Press that she had prepared the minutes of board meetings for Madison Financial Corp., the real estate subsidiary of Madison, under the guidance of John Latham, a top official at the S&L.

Federal regulators have questioned whether those minutes may have been falsified, noting that other S&L documents appear to contradict the official version in the minutes.

"All I was told to do was to memorialize the meetings that took place between Jim [McDougal] and John Latham," Ms. Heritage said. "I did that, checking accounting records and land purchases, and I recorded them as needed."

Ms. Heritage, who has not been accused of any wrongdoing, also said she has cooperated with U.S. special counsel Robert B. Fiske Jr. Mr. Fiske is probing the failure of Madison and whether depositor funds were diverted to the Whitewater Development Corp., a real estate venture in which President and Mrs. Clinton, along with Mr. McDougal, the S&L's owner, were partners.

Ms. Heritage also said she left Madison in 1987 after serving as an administrative assistant to S&L officials. Investigators did not begin poring over the records prepared by Ms. Heritage until after Madison's 1989 failure.

In the interim, Ms. Heritage went to law school and subsequently was hired by the Rose firm, where Mrs. Clinton was a partner.

Pre-takeover trades draw probe

ASSOCIATED PRESS

Stock market regulators are investigating suspicious trading activity in two companies that Tyson Foods Inc. of Springdale, Ark., has proposed to acquire, a source said yesterday.

The inquiry focuses on trading in shares of two companies prior to Tyson takeover offers — Arctic Alaska Fisheries Corp. and WLR Foods Inc. — said the source, who spoke on condition of anonymity.

As part of the Arctic Alaska inquiry, Securities and Exchange Commission investigators have contacted William H. Kennedy III, associate White House counsel, the Wall Street Journal reported in yesterday's editions.

Mr. Kennedy's uncle is one of the investors who purchased shares in Arctic Alaska before Tyson's takeover offer in June 1992, said the report, which cited unidentified people familiar with the inquiries.

White House spokesman Mark Gearan said yesterday that Mr. Kennedy had agreed to cooperate with the SEC. Mr. Kennedy is a former partner at the Rose Law Firm, which worked on the Arctic Alaska

Fisheries deal, the report said.

Mr. Kennedy said he didn't work on the deal and wasn't aware of his uncle's trading, the report said.

In the WLR Foods inquiry, WLR spokeswoman Gail Price said officials from the National Association of Securities Dealers provided the company a list of people who regulators said traded in the company's shares prior to Tyson's \$329 million hostile takeover bid on Jan. 24.

It is a violation of federal securities laws to trade in a company's securities based on confidential information about takeovers and other major corporate events.

The NASD regulators asked WLR officials if any of the people named on the list had relationships with the company, she said. WLR Foods Inc., based in Broadway, Va., is a poultry processor with annual sales of about \$700 million.

A NASD spokesman said he could neither confirm nor deny existence of an investigation and an SEC spokesman had no immediate comment. A telephone call placed to Tyson headquarters was not immediately returned.

In her current job, Ms. Heritage does S&L cleanup work at Rose on behalf of the Resolution Trust Corp., the federal S&L cleanup agency.

The RTC on Monday released more than 7,800 pages of documents relating to the failure of Madison, which closed in 1989 at a cost to taxpayers of \$50 million.

The papers do not focus on the Clintons or on Whitewater. However, they do offer a glimpse into Madison's failing fiscal health, much of which occurred under the stewardship of Mr. McDougal.

The documents, including records of delinquent loans, minutes of board meetings and details on investment strategies, were re-

leased under Freedom of Information Act requests by the Associated Press and other news organizations.

Asked for comment Monday, Mr. McDougal dismissed the RTC as "an arm of the Republican National Committee."

Mr. McDougal, who was acquitted of bank fraud in a 1990 trial, is seeking the Democratic nomination for a congressional seat from Arkansas.

The newly released documents leave unanswered some key questions — such as who got which loans — since the names of individual recipients were stricken from the documents.

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bc-whitewater - a1838

(ATTN: National editors) (Includes optional trims)
RTC Documents Show Bentsen Made Whitewater Inquiry (Washn)
By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON Treasury Secretary Lloyd Bentsen, while a senator from Texas, made inquiries with federal regulators at the Resolution Trust Corp. about the agency's handling of a real estate venture owned in part by Madison Guaranty Savings & Loan, the failed Arkansas thrift linked to the Whitewater controversy, newly released documents show.

The documents, released by the RTC, show that Bentsen contacted the agency in 1991 on behalf of an Austin, Texas, real estate agent angered by the way the agency was disposing of real estate held by Madison at the time it was seized by federal regulators. Bentsen sought and won high-level attention within the RTC for the complaint, although it is unclear what action ultimately was taken by the agency.

The letters connected to Bentsen's inquiry in the case were among 8,000 papers released by the RTC in response to Whitewater-based requests from the media under the Freedom of Information Act.

There is no evidence that Bentsen's contact with the agency went beyond the normal actions of a member of Congress on behalf of a constituent. However, members of his senior staff at the Treasury Department, including his chief of staff, have come under fire for their actions in overseeing the RTC since late last year.

Those aides, including deputy Treasury Secretary Roger Altman and chief of staff Joshua Steiner, are now under scrutiny by Whitewater special counsel Robert B. Fisk Jr. for their contacts with White House political aides about the RTC's investigation of Madison.

(Optional add end)

Bentsen is chairman of the RTC's Oversight Board, which helps set broad policy direction for the agency. Treasury spokesman Howard Schloss said Tuesday that Bentsen has never considered recusing himself from his involvement with the RTC because of his earlier contact with the agency on the Madison case.

"These were normal constituency referrals" to an agency from a member of Congress, Schloss noted. "The issue of recusal was never considered."

Schloss added that Bentsen has not been involved with the Madison case since he joined the Clinton administration, either in his role as Treasury secretary or as chairman of the RTC board. The oversight board does not get involved in the agency's handling of individual institutions.

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The avenging angel Fiske

As administration officials start clearing one another, the prosecutor sifts the evidence

Robert Fiske, the special counsel investigating the Whitewater affair, has always been liked wherever he worked. In fact, lawyers who served under him when he ran the U.S. attorney's office in New York in the 1970s still gather for reunions at which they pay tribute to their former boss. At one, they jokingly compared the mild-mannered Fiske with his flamboyant suc-

cessor. There's no way to know whether Fiske will leave behind such good feelings when he finally finishes his work on Whitewater. But last week, the heat diminished for some top White House aides under the special counsel's scrutiny. Roger Altman, the deputy secretary of the Treasury Department, broke his silence on just what happened when White House officials called over to the Treasury Department about the Whitewater affair. Altman told *U.S. News* columnist Gloria Borger that none of his White House colleagues ever tried to impede the Resolution Trust Corp.'s investigation into Madison Guaranty Savings & Loan—the Arkansas thrift that is at the heart of the Whitewater scandal ("On Politics," Page 26).

Clearing the air. Altman clarified questions surrounding two controversial phone calls from the White House to the Treasury Department. In the first call, placed on February 25, top Clinton aides George Stephanopoulos and Harold Ickes chided Altman—who doubled as acting head of the RTC—for recusing himself from oversight of the RTC probe of Madison without first informing the White House. There is nothing illegal or untoward about that. But some officials have been quoted anonymously as saying that Stephanopoulos and Ickes, in that same conversation, then asked Altman whether Jay Stephens, a prominent Republican hired by the RTC to shepherd civil claims against Madison Guaranty, could be dismissed. Stephens also was bitterly critical of Clinton

when the president fired all the U.S. attorneys, including Stephens, in the early days after he came into office. Stephanopoulos and Ickes have denied making such an inquiry of Altman. Altman says Stephanopoulos and Ickes never "did anything wrong."

Altman also sheds light on a second phone call. This one occurred the same day and took place between Stephanopoulos and Treasury Department Chief of Staff Joshua Steiner. Altman has knowledge of the conversation between Steiner and Stephanopoulos, even though he was not a direct party to it. The question about that call is whether Stephanopoulos merely, in his words, "blew off steam" about Stephens's hiring or whether he pressured Steiner to dismiss Stephens, a former GOP U.S. attorney and ongoing Clinton critic. In this conversation, too, Altman says "nothing improper occurred." Sources confirm a *New York Times* report that Steiner himself told Fiske's grand jury that he felt no pressure from Stephanopoulos to stymie Stephens's work.

Clearly, Altman's comments were designed to reduce the unhappiness with him inside the White House. In recent days, White House staffers have been furious at Altman, accusing him of being the source behind damaging stories about Stephanopoulos and Ickes in an effort to save his own hide. "I don't want to believe that he'd do that," says a Clinton insider who had touted Altman to be White House chief of staff one day—or the next Treasury secretary. Altman has steadfastly denied those whisperings. With his comments to *U.S. News*, Altman may have hoped to begin his own rehabilitation.

Altman's words not only help Ickes and Stephanopoulos but also boost the fortunes of Bernard Nussbaum, whose tenure as White House counsel ends this week. Some attorneys now involved in the Whitewater affair have been pointing fingers at Nussbaum, intimating that he tried to persuade Altman—a longtime friend of President Clinton's who is greatly admired for his political skills—not to recuse himself as head of the RTC. If Nussbaum had tried to keep a political crony of the president in charge of the RTC investigation in order to guide its outcome, it might conceivably be deemed "obstruction of justice." But Altman specifically denies that Nussbaum tried to prevent him

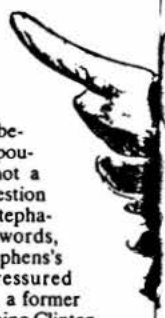
OBSTRUCTION OF JUSTICE
Finding criminal violations of law on this front is very daunting. Here's why:

**UNITED STATES CODE
TITLE 18, SECTION 1505**

"Whoever corruptly, or by threats or force, or by any threatening letter . . . influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the . . . proper administration of the law [by an] . . . agency of the United States . . . shall be fined not more than \$5,000 or imprisoned not more than five years, or both."

■ Ex-U.S. Attorney Joseph DiGenova says the motivation and willful intent of suspects are essential to establishing an obstruction case. He notes that distinguishing poor political judgment from criminal intent will be the most difficult job for special counsel Robert Fiske.

sor, Rudolph Giuliani, now mayor of New York. Whereas Giuliani made it a point to arrest Wall Street criminals on the trading floor, Fiske's staffers joked that Fiske would be the type to send them engraved invitations.





from recusing himself. "Nobody ever asked me not to recuse myself, including Bernie Nussbaum," he says.

"Probably OK." Even without Altman's defense, it is hard to see how Fiske would be able to bring an obstruction of justice charge against Stephanopoulos or anyone else in the White House based on the evidence that has surfaced so far. The relevant statute in determining an obstruction of justice charge is the now famous Title 18, Section 1505 of the U.S. Code, which targets someone who "corruptly, or by threats or force ... endeavors to influence, obstruct or impede the due and proper administration of the law." Section 1505 doesn't mention the word "intent," but legal experts say that it is essential to prove that someone *intended* to obstruct justice to secure a conviction. "From what I can tell of [Stephanopoulos's calls]—and I don't know more about it than I've read—it's probably OK," says one former White House counsel.

U.S. News has also learned that the hiring of Stephens was not the work of GOP holdovers in the RTC as the president has implied. Sources familiar with the hiring say it was based largely on the work that Stephens's firm—San Francisco-based Pillsbury Madison & Suto—had done for the RTC in the past. It is also true, however, that the RTC reached out to Pillsbury because of Stephens himself, whose name was submitted on the law firm's bid for RTC business.

While upper-echelon administration figures seem to be digging their way out from under suspicions that they might have obstructed the RTC probe of Whitewater, other questions remain. Republican Rep. Jim Leach, for instance, has raised unresolved questions about whether investigators in the Kansas City office of the RTC were pressured by superiors to skew their inquiries. Beyond that, there are still many questions about the side of the story that relates to the Clintons' finances during their days as investors in Whitewater (box, Page 24). New allegations surfaced late last week when the *Wall Street Journal* reported that a 1992 audit of the Clintons' Whitewater dealings suggested that they might have overclaimed deductions on their income taxes for some interest payments.

In coming weeks, one of the

U.S. NEWS

key questions regarding Whitewater will be whether Fiske is the right man to sort through these questions or whether the White House—and the country—now finds much of its political life being driven by someone who isn't up to the job. So far, Fiske has been criticized for everything from interviewing witnesses too quickly—and without taking enough time to prepare—to being too vocal in insisting that Congress abandon or at least delay Whitewater hearings. (Lawmakers will probably start thumping the gavel at Whitewater hearings sometime next month.) Still, an examination of Fiske's legal career and style suggest that he's likely to do a commendable job, albeit one that could go on for some time because of his penchant for thoroughness and running cases himself.

Fiske harks back to a more genteel age in American law. At 63, he has—with time off for stints in the Justice Department—been associated with just one law firm: New York's Davis, Polk & Wardwell. It is among the most blue-blooded of the city's firms, and Fiske's expertise is in one of the firm's specialties—white-collar crime. Fiske himself has a decidedly preppy pedigree—the private Pomfret School, Yale, a penchant for sailing. Lawyers who have worked with him, though, are quick to

note that he's a "regular guy" who is very approachable. Still, when they tipped their hat to Fiske at a gathering of his attorneys some years back they gently teased him about his Connecticut WASPishness with a takeoff on Edgar Allan Poe's "The Raven":

*As my friends are all Aryan
And settled into Darien
I know only finest peerage
And no peasants out of steerage.*

If there is an organizing principle that defines Fiske as an attorney it is an almost passionate calm. Former federal Judge Harold Tyler calls him "a judge's lawyer" because Fiske's style is short on flamboyant gestures like preachy sermons or fancy legal maneuvers that can annoy judges. Instead, he relies on a steady onslaught of facts. It's a substance-over-style philosophy that Fiske learned from his mentor, Hazard Gillespie, a major litigator at Davis, Polk when Fiske was an up-and-coming lawyer.

Straight arrow. That ethos was on display in 1991 and 1992, when Fiske defended David Brown, a land developer in Miami tried on accusations of

real estate fraud. Fiske and his team of lawyers holed up in their hotel for nine months, doing their own laundry down the hall, and poring over details. During that time, Fiske became an authority on the trial's growing transcript,



TRADING PLACES

Accounting for a \$100K score

The morning after Hillary Rodham Clinton disclosed that she made \$100,000 in less than a year on a \$1,000 commodities investment, her aides were worried about public outrage. But no one called the White House switchboard to complain. Instead, there was a surge of phone calls expressing concern about an entirely different matter: People noticed that Mrs. Clinton had failed to wear a safety helmet while bicycling during her family's California vacation last week. The first lady got the word and began wearing a multicolored hard hat while pedaling around San Diego. But aides saw a larger point. The public cares very little about Whitewater and other quasi-

scandals surrounding Bill and Hillary Clinton.

That conclusion may be overly optimistic because questions remain about Mrs. Clinton's 16-year-old commodities transactions. Among them:

■ Were the investments a form of cronyism not available to everyday folks? White House officials admit that Arkansas lawyer James Blair, who represented Tyson Foods, advised Mrs. Clinton in 1978 on the transactions. At the time, Bill Clinton was attorney general and the favorite in that fall's gubernatorial election, which he won. Tyson subsequently benefited from decisions by Clinton's state government, and Blair and the Clintons remain close friends.

Still, the White House says it was not a sweetheart deal because Mrs. Clinton conducted her own trades and was exposed to considerable risk of losses if her investments bombed.

■ Was Mrs. Clinton aware that her main broker, Robert "Red" Bone of Refco Inc., had been penalized for his business practices? Bone and Tyson Foods (where Bone was vice president) had been accused in 1970 of trying to rig the price of eggs. Under a legal settlement reached in August 1977—a year before Mrs. Clinton's commodities venture began—Bone was barred from fu-

Catching up. The Clintons seek R&R and start planning ways to dig out of their mess.





Clearing up. Deputy Treasury Secretary Roger Altman (far left) says he was not subject to improper interference by departing White House counsel Bernard Nussbaum (upper left) and top aides George Stephanopoulos and Harold Ickes.

which eventually swelled to 26,000 pages.

Carey Dunne, who worked on the case, recalls that toward the end of the trial, disputes about long-ago testimony would arise in court: "Inevitably, Bob would stand up in April and say, 'Most respectfully, your honor, witness so and so said X back in October.' If Bob remembered it, it was accurate." While Fiske and his young associates waited for the verdict, they shot pool one

night until 3 a.m. Brown was exonerated on 39 of the 40 counts against him, and the remaining charge is being appealed.

In other cases as well, Fiske had an uncanny capacity to immerse himself in technical detail. Among his biggest triumphs was successfully defending the manufacturing giant of Babcock & Wilcox, the company whose machinery was blamed for having caused the Three Mile Island nuclear disaster in 1979.

"Bob had to become a nuclear engineer for all practical purposes," says Henry King, managing partner of Davis, Polk.

One interesting thing to watch in coming months is Fiske's demand for secrecy. Back in the 1970s, he made the lawyers in the U.S. attorney's office dealing with one sensitive case sign affidavits that they had not leaked information. And when news reports recently suggested that leaks were coming out of his Little Rock operation, Fiske gave an angry defense of his team, and most doubted that the disclosures were coming from anyone working for him.

More important will be clues about when and where Fiske pursues indictments. He is not likely to do so unless he thinks he can win. As U.S. attorney in New York, Fiske often displayed a good intuitive sense of which convictions would hold up and which wouldn't. He was also fearless about going after tough cases that other prosecutors had found hard to crack.

Years from now, will Fiske's Whitewater staff gather for reunions to talk about the convictions of White House staffers in obstructing justice? With Roger Altman lifting the pall over his colleagues, that seems increasingly doubtful.

BY MATTHEW COOPER AND DAVID BOWERMASTER WITH GLORIA BORGER AND GREG FERGUSON



tures trading for 30 days. Later, Bone was accused by regulators of mingling his accounts and allocating profits to favored clients and was subsequently fined for "serious and repeated violations of record-keeping functions, order entry procedures, margin requirements, and hedge procedures." But the White House says Mrs. Clinton knew nothing of the problems and informed industry sources say there is little chance there is a paper trail that could tie her to any questionable trading.

■ Were the Clintons political hypocrites? During the presidential campaign, they attacked the "greed" of the 1980s and portrayed themselves as public servants who were not interested in money. Yet Mrs. Clinton plunged into what might be seen as a get-rich-quick scheme.

Mrs. Clinton also brought substantial business to Arkan-

sas's Rose Law Firm, where she was a partner while her husband was governor. For example, *U.S. News* has learned that the Rose firm was paid \$101,630 by the Washington-based National Center on Education and the Economy in 1991 for an eight-month stint by Mrs. Clinton during which she helped direct an education-reform program. Mrs. Clinton was also a member of the center's board of trustees, which endorsed the contract. She resigned the day before Bill Clinton announced his presidential candidacy. A spokesman for the center had high praise for Mrs. Clinton's work. Acting White House legal counsel Lloyd Cutler told *U.S. News* it was a "quite conventional" arrangement for any law firm.

To counteract her image problems, Mrs. Clinton has been taking more interest in damage control on her behalf.

Administration sources say she was pleased when White House Chief of Staff Mack McLarty put Whitewater strategy under the talented White House staff secretary, John Podesta. Mrs. Clinton also wanted Cutler, a widely respected figure in Washington, to take a high-visibility role in defending the Clintons, which he has done.

Perhaps the biggest lesson Mrs. Clinton has learned from Whitewater, aides say, is that she must be more open about the issue. President Clinton's recent press conference on Whitewater increased his job-approval rating by 10 percentage points. "What we've learned, and what Mrs. Clinton has learned, is that disclosure isn't the worst thing in the world," says a senior administration official.

BY KENNETH T. WALSH WITH GREG FERGUSON

Hill Democrats anti Stephens, too ✓

By Steve Langdon
CONGRESSIONAL QUARTERS

White House aide George Stephanopoulos isn't the only one to "blow off steam" because of the decision of the Resolution Trust Corp. to hire former federal prosecutor Jay Stephens to work on Whitewater-Madison related investigations.

Congressional Democrats are crying foul, too. But like Mr. Stephanopoulos, they can't do anything about it.

Mr. Stephanopoulos, one of President Clinton's closest advisers, got in hot water after he telephoned Joshua Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, on Feb. 25 to complain about the RTC's hiring of Mr. Stephens.

Both Mr. Steiner and Mr. Stephanopoulos were summoned before a federal grand jury investigating the Whitewater-Madison affair to testify about the conversation. There is no evidence that either Mr. Steiner or his boss took any action in response to the Stephanopoulos call.

The RTC is an independent federal agency formed in 1989 to shut

Kennedy demands investigation

down failed savings and loans, sell off their assets and pay off depositors.

The RTC this year retained Mr. Stephens' law firm — Pillsbury, Madison & Sutro — to work on civil claims against the failed Madison Guaranty Savings and Loan Association. Madison was owned by James B. McDougal, Bill and Hillary Rodham Clinton's partner in Whitewater Development Corp. Investigators are examining whether Madison funds were improperly funneled into Whitewater, thus contributing to the S&L's collapse.

Mr. Stephens served as U.S. attorney for the District of Columbia until Mr. Clinton essentially fired him, along with the 93 other Republican-appointed U.S. attorneys, early last year. Most went quietly, but Mr. Stephens complained loudly, charging the "unprecedented" move could, "by design or default," disrupt sensitive investigations.

At the time, Mr. Stephens was heading a very sensitive investigation into reported financial mis-

conduct by House Ways and Means Chairman Dan Rostenkowski, Illinois Democrat. Some saw the Stephens protest as a thinly veiled allegation that Mr. Clinton was trying to protect a crucial administration ally from indictment.

Rep. Stephen Neal, North Carolina Democrat and a senior member of the House Banking Committee, said the RTC's decision to hire someone with Mr. Stephens' background is "outrageous, almost unbelievable."

Rep. Bruce Vento, Minnesota Democrat and another Banking Committee member, said it is "a political conflict — a pretty obvious one. It's a real blunder by the firm and the RTC."

Several Democrats believe Mr. Stephens has "a political ax to grind" with Mr. Clinton, according to Mr. Vento. "He was the only one that actually resisted" Mr. Clinton's request for the U.S. attorneys' resignations, he said.

But Rep. Toby Roth, Wisconsin Republican and ranking minority member on the Banking Committee, disagreed. "We need more

people like Stephens [working for the RTC] to provide some balance," he said.

Mr. Stephens is prohibited from commenting on RTC work but said in an interview, "Whatever legal matters I am working on would be done with integrity and independence in a highly professional manner."

The RTC would only say, "We are not aware of any conflict in what he is working on for the RTC."

Despite their ire over Mr. Stephens' Whitewater-Madison role, most Democrats aren't about to call for his ouster.

But at least one Democrat wants an investigation into Mr. Stephens' hiring. "It reeks of Republican cronyism. I think the committee should investigate how Jay Stephens got the job," said Rep. Joseph Kennedy, Massachusetts Democrat and Banking Committee member.

The bright side for Democrats: Mr. Stephens' hiring helps "puncture the argument that we're trying to cover something up," said Rep. Barney Frank, Massachusetts Democrat, who also serves on the Banking Committee.

Arkansas capitalism

A Justice Department official recently took it upon himself to read Labor Secretary Robert Reich's 1991 book, "The Work of Nations: Preparing Ourselves for 21st Century Capitalism."

"There is one passage," the official writes Inside the Beltway, "that I am having some difficulty with in the chapter 'The Problem Restated' on page 244:

"... And leaders of Eastern Europe, China, and Arkansas, among many other places, are adapting to the ineluctable fact that capitalists will come to their jurisdictions not on an eleemosynary impulse but only out of greed; thus are officials in all such locations seeking to make their environs as hospitably remunerative as possible."

"At first," says the official, "I was taken aback by the combination of half a continent, and a country with what seems like half the people in the world, and an American state that is none of those. ... Did Reich perhaps confuse some of the local greedy 'capitalists' in Arkansas with the outsiders?"

"Frankly, I'm left at the dock but curious how Reich knew this in 1991?"

What's the rush?

Was that Webster Hubbell, who resigned his post as associate attorney general in mid-March, climbing out of a chauffeur-driven sedan Friday afternoon outside the Metropolitan Club?

Yes, says our source, who added, "I thought that fellow had gone."

It's doubtful the 46-year-old Mr. Hubbell is in a hurry to go anywhere, especially back to Little Rock, where investigators are poring over his old Rose Law Firm files to determine if the former Rose partner did, as the firm claims, overbill clients by hun-



Labor Secretary Robert Reich's 1991 book offers a futuristic view of Arkansas-style greed.

was issued to forest supervisors throughout the country, "requiring a review of the RSNOD coding of all permanent employees," to be completed no later than April 2.

"If an employee is coded as being of one particular race, yet you believe them to be of different race, the Forest Civil Rights Officer ... is to personally contact the employee and inform them, confidentially, that there appears to be an error in the coding of their race," directs the order signed by Leon Bennett, director of personnel management, and Anne M. Boeder, director of civil rights.

"The same procedure is to be used for questionable disability and sex codes," the order states, adding that "since compliance with any request to change the RSNOD data is strictly voluntary on the part of the employee, we can never be assured of 100 percent accuracy."

The unusual order warns each supervisor that the written report they submit "for this project is to be shredded as soon as the review is completed."

Don't ask us

"Dear Inside the Beltway," writes Ken Bashford of Springfield.

"Spiro Agnew, Richard Nixon, Richard Allen, Anne Burford, Earl Butz, James Watt, Ed Meese, Ollie North, Ronald Reagan, Nancy Reagan, Robert Bork, John Tower, George Bush, Neil Bush, Clarence Thomas

"Now all of a sudden in 1994 we are seeing an unprecedented outbreak of journalistic soul searching and self-flagellation in response to the reporting of the Whitewater story. Why is this?"

Era or error?

At noon today on the University of Maryland campus, a panel discussion will examine the current and controversial "Political Correctness (PC) Phenomenon."

The agenda includes: "What exactly is this thing we call PC? Does it represent a new epoch of tolerance or does it pose a threat to freedom of speech and expression? Is PC a passing fad or does it represent a fundamental long-term change in our society and culture?"

The panel discussion, we're told, is sponsored by the university's Diversity Initiative, a year-long series of activities "exploring and celebrating diversity and multiculturalism" at Maryland.

Sounds to us like a PC initiative.

Too much to count

So you thought the national debt totaled only \$4.9 trillion? Think again, says National Taxpayers Union Foundation director Sid Taylor.

"Today, hardly anyone in Washington," says the senior official of the Treasury, "knows our real total national debt," Mr. Taylor tells us.

Mr. Taylor's own research, on the other hand, uncovers nearly \$17 trillion in the debt ceiling, long-term commitments, fiscal liabilities and contingencies of the federal government.

Not on your life

Asked whether she favors placing a so-called "Twinkie tax" on junk food to help pay for universal health care, Health and Human Services Secretary Donna Shalala quipped, "Not with this president."

Clinton campaign hid Whitewater files in '92

By Jerry Seper
THE WASHINGTON TIMES

A1

The 1992 Clinton presidential campaign secretly documented but hid from public exposure "hundreds of thousands of dollars" in transfers of funds between a failed Little Rock-based thrift and a northern Arkansas real estate partnership involving the Clintons, The Washington Times has learned.

The undisclosed records show substantial sums passing back and forth between Madison Guaranty Savings and Loan Association and Whitewater Development Corp. — both now under federal investigation — and run contrary to the explanations given by the president and the first lady both then and now.

The White House describes Mr. Clinton and Hillary Rodham Clinton as "passive shareholders" in Whitewater and insists they had no information or knowledge about the financial manipulations of the troubled real estate venture, Madison S&L, or its owner, James B. McDougal.

But two former Clinton campaign workers, who asked not to be identified, say efforts were made to collect, copy and categorize Whitewater-Madison documents after a story describing the Whitewater venture for the first time appeared in the New York Times on March 8, 1992.

They said campaign officials sought to link Whitewater-Madison deals solely to Mr. McDougal, a partner with the Clintons in the Whitewater project, but later decided not to make the documents public.

A third former Clinton campaign official, who also requested anonymity, said there was considerable concern within the campaign high command about media interest in Whitewater. Mrs. Clinton was said to be particularly concerned.

"The fear generated by Whitewater inquiries during the campaign ... suggests there is far more than meets the eye," the official said.

Once reviewed, the documents were moved from the Arkansas governor's mansion to Clinton campaign headquarters in Little Rock and then, the official said, "to destinations unknown."

According to federal law enforcement sources and others, campaign officials quietly gathered records detailing at least \$600,000 in transfers between the S&L and the real estate project from 1979 through 1985, including information that:

- While Whitewater Development Corp. had no formal agreements with Madison, the S&L routinely routed money to the partnership — either directly or through subsidiaries — to pay off loans and to account for other cash transactions. On occasion, the S&L used Whitewater to absorb costs of other Madison projects.

- Checks written on the Whitewater account by officials at Madison or its subsidiaries were used to pay off loans, most of them going directly to other financial institutions. The checks totaled "hundreds of thousands of dollars."

- Several companies, partnerships, banks and Madison-funded developments and subsidiaries forwarded or received cash from Whitewater. The sources said the documents show that in some cases active check-kiting schemes involving the S&L, its subsidiaries and Whitewater were under way.

Many of the developments, partnerships, subsidiaries and banks listed in documents gathered by the campaign also were mentioned in a Resolution Trust Corp. (RTC) report describing the agency's Whitewater-Madison inquiry. The RTC said "numerous checks" payable to Madison-related entities had been routed through Whitewater — "all of which were signed by James or Susan McDougal [the S&L owner's wife at the time and the fourth Whitewater partner]."

RTC investigator Jean Lewis, who has declined comment on the agency's investigation, said in a February report that a review of six months of Whitewater-Madison records had found that a "majority of the checks" were used to pay off loans. She said a complete review of all available documents could prove the "entire scam" amounted to "hundreds of thousands of dollars in what were essentially unauthorized loans."

White House senior adviser Bruce Lindsay, the administration's spokesman on Whitewater-Madison questions, did not return several telephone calls seeking comment.

Whitewater-Madison ties documented by Clinton campaign officials involve at least a dozen private companies, partnerships, banks and Madison-funded developments and subsidiaries. They include:

- Flowerwood Farms, Maple Creek Farms, Pembroke Manor Inc. and Rolling Manor Inc. — all Madison-funded developments — along with two of the S&L's subsidiaries, Madison Marketing and McDougal & Associates.

- Great Southern Land Co., a firm wholly owned by Mr. and Mrs. McDougal; Tucker-Smith-McDougal, a partnership of Mr. McDougal, former Clinton aide Stephen A. Smith and Jim Guy Tucker, who is now the governor of Arkansas; and Capital-Management Services Inc., a Small Business Administration-backed lending agency owned by David L. Hale.

- Citizens Bank and Trust of Flippin, Ark.; the Bank of Cherry Valley, Ark.; and Madison Bank & Trust, owned by Mr. McDougal. All three made loans to Mr. Clinton that were repaid by Whitewater or Madison.

Records showing the Whitewater-Madison ties were discovered by campaign officials in a Little Rock warehouse, where they had been taken in 1989 after the S&L was shut down by federal regulators at a cost to taxpayers of \$50 million.

The records had been moved to the warehouse by Central Bank & Trust, a Little Rock firm named receiver after Madison was closed. The records had never been inventoried by Madison or Central Trust, the RTC said in the February report.

RTC investigators, who initiated an investigation of Madison S&L after the March 1992 story in the New York Times and were the first to review the documents at the warehouse, said they found them in "very poor condition ... dumped and/or crammed into the warehouse space."

A few months later, the RTC said, investigators revisited the site and discovered the records had been "re-organized" and "a number of boxes had been cleared out."

It could not be determined whether these documents were among 10 boxes of Whitewater material turned over by the White House in January, under grand jury seal, to Whitewater-Madison Special Counsel Robert B. Fiske Jr. An inspection of financial links between Madison and Whitewater is a crucial part of the Fiske investigation.

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Bar trip leaves reporter a little rocky

LITTLE ROCK, Ark. (AP) — A reporter who suggested he was knocked unconscious in his hotel room while researching a Whitewater story actually spent the evening knocking down martinis in the hotel bar, two employees say.

Legacy Hotel General Manager John P. Aulgur and former bartender Van Alexander took issue with the account given by free-lance writer L.J. Davis of Brooklyn, N.Y.

Mr. Davis, in turn, disputed their version.

Mr. Davis has said he turned the key to his room at the Legacy about 6:30 p.m. on Feb. 14, then awoke four hours later on the floor inside the room, with a bump above his left ear.

At the time, Mr. Davis was in Little Rock researching a story about the Rose Law Firm for the April 4 issue of the New Republic. He did not report the incident to police or in his article, but told others, who reported it.

He said in a March 23 interview he concluded the blow to his head was "expertly delivered."

But Mr. Alexander, 26, said Mr. Davis was not in his room at the time he contends he was unconscious, but instead was at the hotel bar having four or five martinis between 7 and 10 p.m.

The bar tab, made available by Mr. Aulgur, said Mr. Davis had six drinks. It did not list the

time.

In an interview yesterday, Mr. Davis acknowledged he drank about six martinis at the hotel bar, but said it was earlier — between 5:15 and 6:30 p.m.

He said he was not drunk and does not believe his injury was related to the drinks. "That amount of liquor generally renders me somewhat charming, but it sure doesn't put me under the table," Mr. Davis said.

Mr. Davis also said the news media and conservative groups, not he, have insinuated that he thought someone attacked him because of the story he was researching.

"I wish this thing had never gotten out," he said.

Mr. Aulgur, 50, who was a consultant to the hotel at the time of the incident, said the hotel first kept silent, hoping the story would fade. "But Mr. Davis has kept bringing it up. This bad publicity sure wasn't doing us any good," he said.

Mr. Aulgur said his motive was "to set the record straight for the sake of the hotel."

Both Mr. Aulgur and Mr. Alexander, who has since stopped working at the hotel because of an injury, were interviewed last week.

Mr. Davis did not report the incident to the hotel or to the police and did not go to a hospital.

reported. During the initial search, however, Mr. Nussbaum, who has since resigned, was accompanied by Patsy L. Thomasson, a former Arkansas Democratic Party official who is now a special assistant to the president, and Margaret A. "Maggie" Williams, who is Mrs. Clinton's chief of staff.

The records taken from the Foster office were finally turned over to David E. Kendall, the Clintons' current attorney. Other documents, said to be the personal property of Mr. Foster, were given to James Hamilton, a lawyer who was retained by Mr. Foster only days before his death.

It was Mr. Foster — Mrs. Clinton's partner at Little Rock's Rose Law Firm — who handled the November 1992 sale of the Clintons' half share in Whitewater Development Co. to Mr. McDougal, and attended to Whitewater corporate tax problems in December 1992.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater. The Clintons have said they were "passive shareholders" in the venture, although the White House

confirmed this year that in November 1988 Mrs. Clinton sought power-of-attorney to control the Whitewater venture. The McDougals never agreed to the request.

The Clintons also said they lost \$46,635 during the 14-year existence of Whitewater. The losses, according to Mr. Clinton, came from interest payments the Clintons made in Whitewater's 1978 purchase of 230 acres along the White River in the Arkansas Ozarks.

Their 1978 income tax returns, released last month, show they paid \$10,131 in interest to Great Southern — one of the companies linked to the Whitewater-Madison transfers.

The White House said the Clintons made the payment to Mr. McDougal, and that while they knew he owned Great Southern, they did not know why the payment was not made directly to Whitewater.

Administration officials said the Clintons, both of whom are lawyers, never asked about the unusual arrangement.

Mr. McDougal, indicted in 1989 for fraud in connection with Madison and acquitted, has also denied any wrongdoing. He told reporters in Little Rock yesterday he was "ready" for congressional hearings in the matter. Republicans and some Democrats have pushed for hearings on Whitewater-Madison.

"I urge them to do it immediately. I've been maligned; the president's been maligned; ... the people of Arkansas have been maligned by these Republican bums, and I'm ready to face them," he said. "They talk a good game, but the subpoena never comes in the mail."

Hale, indicted in September 1993 on unrelated SBA fraud charges, has since pleaded guilty and agreed to testify for the government in the Whitewater-Madison affair. Mr. Fiske has said Hale's testimony is "fundamental" to his investigation, although it is not known what he may tell a grand jury.

A former municipal county judge, Hale has said Mr. Clinton and Mr. McDougal pressured him in a March 1986 meeting for a \$300,000 loan, to be guaranteed by the Small Business Administration, to Mrs. McDougal. The loan, which was never repaid, went to Madison and later was transferred to Whitewater.

Mr. Clinton has said he did not recall meeting with Hale about the loan. Hale described the meeting in some detail.

The Fiske investigation has focused on accusations that Mr. McDougal, who bought Madison in 1982, illegally diverted depositor funds from the S&L to Mr. Clinton, using overdrawn accounts and Madison-approved loans.

LAW

Rose Sues RTC Over Client-List Request

By ELLEN JOAN POLLOCK

Staff Reporter of THE WALL STREET JOURNAL

The Rose Law Firm sued the Resolution Trust Corp. alleging that the agency is trying to coerce the firm into turning over a list of clients going back nine years.

The Little Rock, Ark., law firm, where Hillary Rodham Clinton was once a partner, filed its lawsuit after the agency issued a subpoena demanding a wide array of documents relating to the firm's work over the past nine years. The

thrift agency has been looking into allegations that the firm had conflicts of interest when it represented regulators after the failure of Madison Guaranty Savings & Loan in 1989. The RTC is also auditing the firm's legal bills.

The Rose firm has been caught up in the Whitewater affair in part because Mrs. Clinton and another lawyer at the firm represented Madison, which was owned by

one of the Clintons' partners in the Whitewater real-estate investment. After Madison was taken over by thrift regulators, the firm represented regulators in a suit against Madison's auditors. The RTC and the Federal Deposit Insurance Corp. have been investigating whether Rose had a conflict of interest in that litigation.

In its subpoena issued April 18, the RTC asked for any "documents listing the names of any individual, partnership, corporation, association or other person or entity to whom the Rose Law Firm... provided legal services," according to the Rose complaint. According to Rose managing partner Ronald Clark, the subpoena gave Rose the option of supplying the agency with a list of its clients instead. The effect, he said, was to "coerce us into preparing a list" of clients between January 1, 1985, and April 15. The deadline for producing the documents is today, and the RTC had threatened to initiate a civil enforcement proceeding, according to Mr. Clark.

"We feel that the requirement is overbroad and irrelevant given the scope of the investigation that we feel is appropriate,"

Mr. Clark said. He said the list is confidential and that the firm feels the RTC won't "safeguard its confidentiality. They want to be able to take it outside our building and we feel that's unnecessary."

Mr. Clark said the FDIC also has requested information aimed at rooting out potential conflicts and that the firm is "comfortable with the procedures implemented by the FDIC, although they have not been finalized."

Patricia Black, counsel to the RTC's inspector general, said it is "clearly in our jurisdiction" to seek the names of Rose's clients. "In order to know whether there are conflicts it's mandatory to look at the clients. I don't know how else you do that." Ms. Black said the agency had sought and received lists of clients from other law firms. She said the RTC would ask "that the court order that they respond to our subpoena."

Ms. Black pointed out that providing a list of client names doesn't violate the attorney-client privilege. But in its lawsuit, filed in federal district court in Little Rock, the Rose firm suggests that turning over the list might only be the first step. To

ferret out any possible conflicts the agency will need "to know what Rose did for each of those clients," the Rose complaint notes. "At the same time, [the RTC] acknowledges the attorney-client privilege prevents Rose from producing much of that information."

Both the FDIC and the RTC previously have investigated whether Rose had certain conflicts of interest. The questions involved whether Rose adequately disclosed to thrift regulators that it had represented Madison before the Arkansas securities department and that the father-in-law of former partner Webster Hubbell was mired in litigation with Madison. In a report issued earlier this year, the FDIC found no evidence of a conflict and "no basis to recommend any sanctions against the firm."

The agencies reopened their investigations at the request of the Senate Banking Committee. According to the Rose firm's complaint, the firm has turned over more than 60,000 pages of documents to the RTC and an equal number to the FDIC. In addition, the firm has provided 62,000 pages of documents to Whitewater special counsel Robert Fiske. The Rose firm is also cooperating with a separate RTC investigation, conducted by a San Francisco law firm, of potential liability by Madison

officers and professionals.

Some Rose partners have bristled at some of the requests for documents. "They're asking for things that are totally irrelevant—privileged information that in our opinion has nothing to do with Whitewater or Madison," one lawyer said. Some lawyers at Rose also said that the requests, especially those of the RTC and FDIC, are duplicative. "We've asked that they coordinate their investigations, but that has not been possible so far," Mr. Clark said.

Ms. Black said the agencies are coordinating their efforts, but added, "We all have to meet our own audit standards. We all have to do our own work."

Grossman Wins Fee Fight

Los Angeles lawyer Marshall Grossman said an arbitration panel awarded him \$23.2 million in legal fees and interest after a dispute with his former clients, owners of the Guess Inc. jeans company.

The award, roughly two-thirds of what Mr. Grossman had sought, winds up an unusually contentious and protracted battle over attorney's fees. Under California law, as in many states, lawyers whose bills are challenged must offer their clients an opportunity to arbitrate the matter before proceeding to a courtroom. If clients choose binding arbitration, as they did

here, the award can't be overturned except in rare instances.

Arbitration, usually conducted by a panel of private judges paid by the parties, is generally quicker and cheaper than the state judicial process. But the Guess matter matched the messiest of public lawsuits. A series of witnesses testified in an office space arranged to resemble a courtroom, and nearly 13,000 pages of documents were produced over the course of the four-year case.

Mr. Grossman, of Alschuler, Grossman & Pines, said he doesn't know of "any other attorney-fee award in private-party litigation that's larger than this one." The award, first reported by the Los Angeles Times, included \$17 million in unpaid hourly legal fees and a bonus, plus interest. The arbitrators' 100-page opinion is confidential.

The fee disagreement centered on one piece of the patchwork legal past of Los Angeles-based Guess and the Marciano family, who had engaged in a six-year battle for control of the company with the rival Nakash family, owners of New York's *Jordache Enterprises Inc.* A jury gave the Marcianos a major victory in 1989, agreeing with Mr. Grossman that the Nakashes had fraudulently induced the Marcianos to sell them a half ownership in Guess six years earlier. In 1990, as a separate jury was deliberating about the amount of damages owed the Marcianos, the families settled for an undisclosed sum.

Mr. Grossman immediately filed a lien against the Marcianos' settlement proceeds, contending they owed him additional money under a written bonus agreement. The Marcianos declined, claiming that "the circumstances surrounding the entry into the bonus agreement were coercive," said their Los Angeles lawyer, Dale Kinsella. He declined to elaborate.

The arbitrators decided to enforce the written bonus agreement, which called for a \$10 million lump sum plus 20% of the damages, but declined to award Mr. Grossman additional premiums he requested.

—Amy Stevens contributed to this article.



Supreme Court Rules Job-Bias Law Shouldn't Be Applied Retroactively

By PAUL M. BARRETT

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — In a big victory for

employers, the Supreme Court said a 1991 job-discrimination law shouldn't be applied retroactively to bias that allegedly took place before the statute was enacted.

The decision, contained in a pair of 8-1 rulings, will block employees from proceeding with thousands of pending lawsuits seeking millions of dollars in damages from employers.

The controversial civil-rights law was designed to reverse or modify a series of 1989 decisions by the Supreme Court that made it more difficult for employees to file and win job-discrimination suits. The law also created new rights, such as allowing women to seek damages that previously hadn't been allowed in sex-bias cases.

The high court majority stressed that Congress failed to state clearly whether it intended the 1991 act to apply to earlier conduct. Without such a statement, it generally isn't fair to apply standards that weren't the law when the conduct occurred, the majority said.

In fact, Congress was only able to pass the 1991 act and get President Bush to sign it by leaving the issue of retroactive application ambiguous. The court said yesterday it shouldn't infer a mandate that Congress left out as the result of a political compromise.

Within broad limits set by the Constitution, lawmakers can always go back and add a retroactivity provision if they want to, the court observed. Some civil-rights activists said yesterday that they would lobby for just that.

Disappointment for Liberals

Given the long odds of passing such an amendment this year, though, the high court's action left liberals glum. Charles Steven Ralston of the NAACP Legal Defense and Educational Fund, which represented two black workers before the high court, acknowledged that while the ruling dealt specifically with only two provisions in the complicated 1991 act, the majority's reasoning appeared to cover most of the other significant parts of the law as well.

Agreeing with that assessment, attorney Glen Nager, who argued before the court on behalf of employers, estimated that as many as 8,000 cases could be affected.

The Supreme Court's action was a defeat for the Clinton administration, which took the side of employees in a "friend-of-the-court" brief. The new law took effect on Nov. 21, 1991.

In one of the cases before the high court, a Texas woman had sued her former employer in 1989, alleging that she had

been harassed verbally and sexually by another employee. A New Orleans federal appeals court said the woman, Barbara Landgraf, wasn't covered by a provision of the 1991 act that extended to victims of intentional sex-discrimination the right to collect compensatory and punitive damages. Previously, women plaintiffs in such suits were eligible for back pay only. The same provision of the 1991 act allowed either side in a case where damages are sought to request that the dispute be heard by a jury, rather than a judge.

'New Burdens'

The Supreme Court affirmed the New Orleans appeals court's pro-employer ruling. Justice John Paul Stevens based his opinion for the majority on a longstanding judicial "presumption" that it is unfair to impose "new burdens" on individuals or companies "after the fact." Requiring Congress to be clear if it intends a law to apply retroactively forces lawmakers to consider whether this potential unfairness is outweighed by their legislative goals, Justice Stevens reasoned.

Some of the Supreme Court's precedents on the retroactivity question have appeared to contradict each other, but Justice Stevens finessed this problem by emphasizing the varying factual contexts of past decisions. Justice Antonin Scalia, joined by Justices Anthony Kennedy and Clarence Thomas, filed a separate concurring opinion, objecting to this and other aspects of the reasoning in the Stevens opinion.

The lone dissenter, retiring Justice Harry Blackmun, said that apart from questions of damages and jury procedures, sex discrimination on the job was outlawed in 1964. "There is nothing unjust about holding an employer responsible for injuries caused by conduct that has been illegal for almost 30 years," he wrote. (*Landgraf vs. USI Film Products*)

The other case decided by the high court involved two black mechanics from Ohio. They had sued their former employer, Roadway Express Inc., claiming they had been fired in 1986 because of their race. The mechanics argued that they should be protected retroactively by a part of the 1991 act. The provision reversed a 1989 Supreme Court decision that said a Reconstruction-era antibias law applied only to hiring agreements, not on-the-job discrimination or firings.

A federal appeals court based in Cincinnati said the mechanics couldn't invoke the 1991 act, and the Supreme Court affirmed that ruling. Again writing for the majority, Justice Stevens rejected the plaintiffs' argument that it was appropriate to apply the 1991 act retroactively because it merely "restored" the law to what it had been before the Supreme Court's 1989 decision. He said the text of the act didn't establish restoration of rights as its purpose, and that such a purpose didn't necessarily lead to retroactive application in any case.

Justice Blackmun was the only dissenter. (*Rivers vs. Roadway Express Inc.*)

Pentagon Travel Vouchers' Handling Cost Tops Travel

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Pentagon spends more money processing travel orders than on travel itself, according to a member of the Senate Armed Services Committee.

Sen. William Cohen (R., Maine) said in a statement that the Pentagon is spending \$2.3 billion each year processing \$2 billion of travel vouchers. It takes 3,900 clerks as long as two months, and costs about \$200, to complete the 17 steps required to process each of the 11.7 million travel vouchers issued annually by the Defense Department, he said. The value of the vouchers averages \$170, he added.

A Pentagon spokeswoman said: "I can't tell you whether those numbers are right." She added that the military's Washington travel office was cited last month by Vice President Al Gore for its efforts to reduce the complexity of its operations.

A spokeswoman for Sen. Cohen said the travel-office figures were compiled by Mr. Gore's National Performance Review.

Rose sues R'TC, hopes to block forced disclosure of clients

BY NOEL OMAN

Democrat-Gazette Capitol Bureau

Little Rock's Rose Law Firm, frustrated by overlapping federal investigations, fired back Tuesday.

The firm sued the Resolution Trust Corp. in an attempt to block the agency from enforcing a subpoena that would require Rose to disclose all clients since 1985.

The firm and its work for the RTC, which was formed in 1989 to dispose of the assets of failed savings and loans, are part of the wide-ranging investigation into the Whitewater Development Corp. controversy.

Rose also has had to withstand allegations that its employees shredded documents pertinent to the Whitewater investigation. Partners deny those allegations.

The firm, insisting it has cooperated with several federal



Ron Clark

investigations, noted in the lawsuit that it has produced more than 62,000 pages of documents for special counsel Robert Fiske Jr. and almost

that many documents for the RTC and the Federal Deposit Insurance Corp.

"Each of those three ... investigations almost entirely overlapped," the lawsuit stated.

The RTC is investigating potential conflicts of interest involving Rose and its work for the government. The subpoena issued April 18 marked the fifth subpoena Rose has received, according to the lawsuit.

The lawsuit also noted that the RTC and FDIC have completed separate conflict investigations that found no breach by the firm of federal rules.

"We regret having to file suit, but the RTC inspector general's overbroad subpoena seeks disclosure of information that our clients properly expect to be kept confidential," the firm's chief operating officer, Ron Clark, said Tuesday.

If the firm complied with the subpoena, Clark said, the "names of thousands of persons and companies would be revealed to the RTC when the RTC has no reasonable suspicion of any conflicts of interest involving those clients."

Clark called the broadness of the subpoena and the 10 days the RTC gave the firm to comply "unreasonable and grossly burdensome."

The RTC's deputy inspector general, Steve Switzer, said the agency was aware of the lawsuit.

"We can't determine if there are conflicts unless we know who its clients are," he said. "We have employed this type of information request at other law firms ... and have been successful."

"We're not doing this frivolously. We have a reason for what we're doing."

The lawsuit contended that

merely producing a list of clients would not reveal whether a conflict existed. The RTC would need to know what work the firm performed for each client, Rose argued. But the attorney-client privilege bars the firm from disclosing such work, the lawsuit said.

The firm also argued that federal investigations are not based on a "suspicion that Rose violated any ethical standards. Instead, they are a reaction to a hearing before the Senate Banking Committee on Feb. 24."

At that hearing, Republican senators pressed RTC officials to reopen the conflict-of-interest investigation.

Noting that the RTC and FDIC reports were "severely criticized" during the hearing,

the lawsuit said the inspectors general for both agencies were asked to analyze the procedures used during their investigations.

"Although Rose initially urged the federal agencies to consolidate their efforts in order to avoid unnecessary duplication, it complied with each investigation when the agencies insisted on proceeding separately," the lawsuit stated.

The 13-page lawsuit, filed in U.S. District Court at Little Rock, was assigned to U.S. District Judge Henry Woods. The lawsuit listed four members of the Houston law firm of Vinson & Elkins as attorneys for the Rose firm. Two of those attorneys work in the Washington office of Vinson & Elkins.

Rose firm fights RTC subpoena for full list of clients

By Jerry Seper
THE WASHINGTON TIMES

A1

The Rose Law Firm, in the midst of a federal audit into conflict-of-interest accusations and questionable billing practices, is fighting federal regulators over a subpoena for its client list.

The Little Rock firm, where first lady Hillary Rodham Clinton and former Deputy Attorney General Webster L. Hubbell were senior partners, has told investigators from the Resolution Trust

Corp. (RTC) that it will not comply with a federal subpoena to hand over the confidential list.

The firm yesterday filed a lawsuit in U.S. District Court against the RTC to block the subpoena, saying investigators from the agency's inspector general's office had improperly sought the names of Rose firm clients dating back to 1985.

Ronald M. Clark, Rose managing partner, told the Associated Press that clients expect the names to be kept confidential.

"The fact that we have done work for the federal government does not entitle them to a wholesale review of our records unless they can prove that it's likely to produce relevant information," he said.

Patricia Black, counsel to the RTC inspector general, said that the RTC does not consider a list of clients privileged, and that the subpoena is within its authority.

The firm has until the end of business today to produce the records or face a civil enforcement proceeding in court.

"If they will supply us with a list of individuals they wish to know whether we performed legal services for, we will certainly answer their request," Mr. Clark said.

Two Rose lawyers said yesterday the partners believe the client list is privileged information and the subpoena is an effort to "coerce" the firm into turning it over.

The RTC, along with the Federal Deposit Insurance Corp. (FDIC), is looking into accusations of billing improprieties by Rose firm lawyers and into separate concerns that the firm had a conflict of interest in its 1989 representation of the FDIC in a case involving Madison Guaranty Savings and Loan Association.

An RTC official said the subpoena, issued April 18, properly sought records showing the names of "any individual, partnership, corporation, association or other person or entity to whom the Rose Law Firm ... provided legal ser-

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vices."

The official said investigators wanted to see other billings made by the firm on government contracts and to examine its dealing with clients tied to separate financial institutions.

The subpoena seeks the names of Rose clients between Jan. 1, 1985, and April 15, 1994. It is similar to other subpoenas the RTC has served in separate cases, all of which resulted in the lists being made available.

The RTC, which oversees failed thrifts, and the FDIC, which monitors federal banking systems, have focused on accusations that Mr. Hubbell, who resigned his Justice Department position last month, and another Rose firm partner, Vincent W. Foster Jr., the White House deputy counsel who committed suicide July 20, made false statements to regulators in an effort to gain government contracts.

If the accusations are true, federal regulators said the firm could be banned from future government work.

The Rose firm was paid \$400,000 by the government in the Madison case, four years after Mrs. Clinton represented the thrift before state regulators who were trying to shut it down. Madison was owned at the time by James B. McDougal, who also was a partner with the Clintons in Whitewater Development Corp.

Investigators want to know if the Rose firm told regulators it represented Madison before taking the federal lawsuit in 1989 to recoup losses in the S&L's collapse, which cost taxpayers \$50 million.

Madison is the focus of an ongoing investigation by special counsel Robert B. Fiske Jr., who is looking into accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several Arkansas politicians, including Gov. Bill Clinton.

An RTC report on the charges, based on fee bills submitted by the Rose firm and other documents, made it clear earlier this year that a conflict of interest did exist, although the report, in accordance with RTC policy, made no recommendation and drew no conclusion.

A separate FDIC report — based on interviews with a number of those involved, but not a review of available records — said there was no conflict by the Rose firm and no reason to recommend sanctions against it.

That ruling was challenged by the Senate Banking Committee and a new review began.

Records show Mrs. Clinton represented Madison in 1985 when state regulators, who answered to her husband, threatened to close it because of insolvency. She was paid \$2,000 a month by Mr. McDougal over 15 months to offer a preferred stock plan as a means of reorganizing the thrift to keep it in business.

The plan, based on an audit by Frost & Co., a Little Rock accounting firm, was never put into operation. Madison was closed by federal regulators in 1989, the same year the Rose firm gained FDIC legal work targeting Frost.

Mr. Foster told the FDIC in a letter "the firm does not represent any savings and loan associations in state or federal regulatory matters."

The FDIC lawsuit aimed at the Frost audit was handled by Mr. Hubbell. The government charged that Frost submitted a faulty audit in support of arguments to keep Madison in business. It was the same audit the Rose firm had filed four years earlier in its defense of Madison before state regulators.

The lawsuit initially sought to recover \$10 million in damages on five counts. It was settled out of court in 1991 for \$1 million, less than the insurance coverage Frost held.

Accusations of overbilling also centered on Mr. Hubbell. Last month, investigators went to the Rose firm for an "entrance meeting" to set up procedures for a review of bills signed by Mr. Hubbell. Several hundred thousand dollars in bills he signed were to be reviewed by regulators.

A review by The Washington Times of some of Mr. Hubbell's bills in the Madison case showed that on at least two occasions he charged the government for a full day's work at \$125 an hour while he actually was playing golf at the Country Club of Little Rock.

Lawyers at the Rose firm have since filed a formal ethics complaint with Arkansas officials against Mr. Hubbell, whose Justice Department resignation followed reports of his billing practices.

C. A coup e to admi spying for Moscow

By Bill Gertz
THE WASHINGTON TIMES

Accused spy Aldrich Hazen Ames and his wife have reached an agreement with federal prosecutors to plead guilty to espionage charges and cooperate in assessing the damage caused in the CIA's worst spy case, Justice Department officials and sources close to the case said yesterday.

Unless it is withdrawn today, the plea bargain will be announced tomorrow in U.S. District Court in Alexandria, where a grand jury indictment of the couple will be unsealed, said officials and others who spoke on the condition of anonymity.

At that time, the outline of the terms of the plea bargain will be

announced. U.S. District Judge Claude Hilton then will sentence Mr. Ames to life in prison and order a prison term of about five years for Maria del Rosario Casas Ames, sources said.

The couple have agreed to turn over to the government all money obtained from the Russians in the espionage operation, which began with the Soviets in 1985.

Prosecutors have said Mr. Ames, a career CIA officer and chief of counterintelligence against the Soviets, received as much as \$2.7 million for CIA secrets. He is the highest-ranking CIA official prosecuted as a "mole," or penetration agent.

The plea bargain will avert a

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costly and possibly embarrassing trial. Under espionage laws, prosecutors must prove that a spy damaged national security—a process that can be difficult and often requires the disclosure of sensitive data about spy operations.

The plea agreement requires Mr. Ames, 51, to cooperate fully with the CIA, FBI and other agencies in assessing the damage of his spying activities. The assessment is expected to last at least six months.

The Ames was arrested Feb. 21 and charged with selling CIA secrets, first to the Soviet KGB, then to Russia's SVR intelligence agency.

CIA Director R. James Woolsey has said Mr. Ames compromised numerous agents recruited in Russia, and Moscow executed at least 10 of them.

The agreement was hammered out over several weeks by Mr. Ames' attorney, Plato Cacheris;

Mrs. Ames' attorney, William Cummings; federal prosecutors in Alexandria; and senior Justice Department officials.

Mr. Ames had sought a plea bargain that would keep Mrs. Ames out of prison so she could care for their 5-year-old son, Paul. But prosecutors insisted that she serve some prison time.

Federal prosecutors and defense attorneys declined formal comment yesterday.

Prosecutors had outlined their case against the couple in pretrial hearings and court documents that relied heavily on circumstantial evidence of spying.

In a pretrial hearing last month, Assistant U.S. Attorney Mark Hukower said Mr. Ames was "a traitor—not for ideology, but for personal gain."

Documents and computer data found at the Ames' Arlington home included more than 100 top-secret CIA cables and letters from the KGB outlining Moscow's priorities for information and warning Mr. Ames to use caution to avoid detection.

Mrs. Ames, 41, who was born in

Colombia and once spied for the CIA in Mexico City, initially told FBI agents shortly after her arrest that the large sums of money beyond Mr. Ames' annual salary of \$69,000 "came from the Russians," according to the court testimony of FBI agent Leslie Wiser, chief counterspy in the Washington area.

Prosecutors quoted from a nine-page letter, purportedly from Mr. Ames' KGB handlers, that was uncovered during a search of the Arlington home. The letter had a list of tasks, including identifying the agents the CIA had planted in Moscow's spy agencies.

The "Dear Friend" letter was introduced as evidence and said that "all in all, you have been appropriated—\$2,705,000." It contained photos of land in Russia where Mr. Ames could build a dacha, or country home.

CIA sources said investigators believe that Mr. Ames used his access to CIA databases to obtain secrets on agency operations in Europe—information he was not authorized to have.

Unauthorized documents found on Mr. Ames' CIA workstation revealed he had obtained defense information on how Soviet and later Russian nuclear submarines avoid U.S. detection and tracking.

Mr. Wiser testified that the information was so prized by Moscow that Mr. Ames was paid more than any other uncovered spy network.

Spy cases that ended in plea bargains include the case of Jonathan Jay Pollard, a Navy intelligence analyst who pleaded guilty in 1986 and is serving a life sentence for passing U.S. secrets to Israel. His wife, Anne Henderson Pollard, was convicted of being an accessory after the fact and received a lighter sentence.

John A. Walker Jr., a Navy communications specialist, pleaded guilty to spying for the Soviets in 1985 and agreed to cooperate with a damage assessment in exchange for a lighter sentence for his son, Michael. A brother, Arthur Walker, and a friend, Jerry Whitworth, were convicted for their parts in the spy ring.

Coast Guard revises policy letter on gays

By Rowan Scarborough
THE WASHINGTON TIMES

The Coast Guard yesterday canceled a new directive that granted equal opportunity protection to homosexual personnel after concluding its language could be interpreted to cover military personnel.

Cmdr. Ernest Del Bueno, a Coast Guard spokesman, said a new directive was issued yesterday spelling out that the protection extends only to civilians.

He said the new directive is worded so that "there will be no mistake that the military is not included."

The revision followed a report in The Washington Times yesterday about the directive and its vague language.

Military personnel, under a new administration policy and a new federal law, are subject to discharge if they disclose they are homosexual. Civilians face no such restrictions.

The Coast Guard issued a one-page statement last evening saying: "The U.S. Coast Guard today rescinded letters on civilian personnel diversity policy because they appeared to constitute a major policy change for Coast Guard active duty military members."

The March 15 directive, from civilian personnel chief Thomas Fisher, went to people serving on promotion and training boards. It said "all Coast Guard members" should not be denied opportunities

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based on "sexual orientation."

With that phrase, the Coast Guard became the first military branch to grant such protection to civilians.

The Coast Guard statement yesterday said the guidance "was erroneous in that it could be read to apply to military members, which was not the intent."

"The letters were not reviewed or approved by Coast Guard leadership," Cmdr. Del Bueno said.

The new directive, dated yesterday, reads:

"Equality of treatment and opportunity for civilian Coast Guard members without regard to race, color, religion, gender, ethnic groups, cultural backgrounds, age, sexual orientation, or disability is the policy of the Coast Guard."

Cmdr. Del Bueno said the Coast Guard's 38,000 uniformed personnel will continue to be subject to a new Clinton administration policy known as "don't ask, don't tell." Personnel are subject to discharge if they disclose they are homosexual.

With the cancellation, however, the Coast Guard will still be the only military branch that extends protection to civilians who are

homosexuals.

The Coast Guard falls under the Department of Transportation, where Secretary Federico Pena has pushed an aggressive homosexual-rights policy.

The Defense Department, which includes the Air Force, Army, Marine Corps and Navy, does not specifically extend equal opportunity protection to homosexuals.

Federal civil rights laws also do not contain references to sexual orientation.

Proponents of continuing a ban on homosexuals in the military contended that defense lawyers would be able to exploit the Coast Guard's inconsistent policies on civilians and military personnel in

court challenges to "don't ask, don't tell."

The Coast Guard did not extend protection based on sexual orientation in its original directive, titled "Diversity Precept" and dated Jan. 27.

But after a homosexual rights group at the department called GLOBE (Gay, Lesbian or Bisexual Employees) complained, a revised policy was issued on March 15.

Kitti Durham, a personnel specialist at the Coast Guard who works under Mr. Fisher, said she sent a letter to him requesting the change after seeing the first directive.

Ms. Durham is chairman of the department's GLOBE group and edits its newsletter.

RTC to press court to obtain Rose firm's full list of clients

By Jerry Seper
THE WASHINGTON TIMES

An attorney for the Resolution Trust Corp. (RTC), which is looking into accusations of conflict of interest and overbilling at Little Rock's Rose Law Firm, said yesterday the agency will ask a federal court to force the law firm to turn over its client list.

Patricia M. Black, general counsel for the RTC's Inspector General's Office, said the Rose firm failed to produce the list by a Wednesday deadline set in an April 18 subpoena. As a result, the government will ask the U.S. District Court in Little Rock to compel compliance.

The Rose firm, where first lady Hillary Rodham Clinton and for-

mer Associate Attorney General Webster L. Hubbell were senior partners, filed a lawsuit on Tuesday seeking a permanent injunction to avoid the subpoena. The firm said the government request was "grossly overbroad" and violated attorney-client privilege.

The government wants a list of clients dating back to Jan. 1, 1985.

Ms. Black said an RTC request to the court that the client list be released will be included in the government's response to the Rose firm lawsuit, although she said federal authorities had not yet been served.

The government does not consider the client list to be confidential or privileged, and is expected to argue that the federal subpoena is within its authority. Last year, a

law firm in Texas refused to comply with a similar subpoena but lost its bid to keep the list secret when the RTC took the matter to court.

"We will simply respond to the lawsuit and ask that the subpoena be enforced," Ms. Black said.

Ronald M. Clark, Rose managing partner, did not respond to telephone calls to his office this week for comment. He told the Associated Press, however, the firm did not believe the government was entitled to "a wholesale review of our records."

"We regret having to file suit but the RTC inspector general's overbroad subpoena seeks disclosure of information that our clients properly expect to be kept confidential," he said.

The RTC, along with the Federal Deposit Insurance Corp. (FDIC), is looking into accusations of billing improprieties by Rose lawyers and into separate concerns the firm had a conflict of interest in its 1989 representation of the FDIC in a lawsuit involving Little Rock-based Madison Guaranty Savings and Loan Association.

Federal law enforcement authorities said investigators want the client list to examine other billings made by the firm on government contracts and to scrutinize its dealings with clients tied to separate financial institutions.

The overbilling accusations center on Mr. Hubbell, who resigned his Justice Department post last month. Investigators are

looking into bills Mr. Hubbell signed for work he says he did on government contracts involving hundreds of thousands of dollars.

Investigators also are looking at a possible conflict of interest involving Mr. Hubbell and the late White House Deputy Counsel Vincent W. Foster Jr., another former Rose senior partner whose July 20 death has been ruled a suicide. Investigators have focused on whether Mr. Hubbell and Mr. Foster made false statements to regulators in an effort to gain government contracts.

The Rose firm was paid \$400,000 to represent the FDIC in 1989 in a case involving Madison, four years after Mrs. Clinton had represented the S&L before state

regulators who were trying to shut it down as insolvent.

Madison was owned at the time by James B. McDougal, who was a partner with Mrs. Clinton and Gov. Bill Clinton in a northern Arkansas real estate venture known as Whitewater Development Corp. The thrift was closed by federal regulators in 1989 at a cost to taxpayers of \$50 million.

The S&L is the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that Mr. McDougal illegally diverted S&L loans and used Madison money to fund the campaigns of several Arkansas politicians, including Mr. Clinton.

On the Mena Trail

By EDWARD JAY EPSTEIN

CBS News recently focused two segments of its investigative "Eye On America" on alleged goings-on in a remote place in rural Arkansas: Mena (population 5,600). This forlorn town made it on to the big-time geo-media map because of the intersection of a number of mysteries.

First, back in the Reagan years, there was the CIA connection. Landing strips outside of Mena were used by the Reagan administration to stage the clandestine flights to Mexico and Central America that air-dropped weapons to the Contras. This 1980s activity was supposedly supervised by then-Lt. Col. Oliver North, now running for the GOP Senate nomination in Virginia.

Second, there is the cocaine connection. On their return flights from Nicaragua and Mexico, pilots allegedly smuggled back into Mena more than 20 tons of cocaine. This led to the Mena complex being investigated in 1984 by the Arkansas State Police. One of the pilots implicated in this smuggling was an entrepreneur named Barry Seal, who was allowed to continue his drug importing activities as a government informant. He was gunned down by hit men reportedly hired by Colombian drug dealers.

Third, there is the money laundering connection. The cash generated by secret arms deliveries and drug sales—reportedly \$9 million a week—led to a scheme in which local businesses and Arkansas banks were used to illegally convert the proceeds into what appeared to be ordinary business transactions. This, in turn, led to an Internal Revenue Service investigation of the companies involved.

Fourth, there is the coverup connection. Despite all the evidence developed by the state police and IRS of gun smuggling, drug smuggling and money laundering, the Reagan and Bush Justice Departments failed to bring a case—or even present it to a grand jury. These mysteries, as well as the 20 tons of cocaine, might have become just another footnote in the morass known as the Iran-Contra scandal, if not for the coincidence that the governor of Arkansas at the time was Bill Clinton.

The attempt to connect President Clinton to the "Mena Affair" emerges in the new book "Compromised: Clinton, Bush and the CIA" by Terry Reed and John Cummings. Mr. Reed claims to have first-hand knowledge of the conspiracy, both through his work in training Contra pilots at Mena and his association with Barry Seal; Mr. Cummings is a well-respected reporter at New York Newsday, whose previous specialty was the Mafia. Their book attempts to graft the 1980s Reagan-Contra conspiracy onto the financial and political activities of Mr. Clinton and his Arkansas



associates and, in the hybrid, provide, as the cover promises, "The Bigger Story Behind Whitewater."

If true, it would indeed be a big story: Gov. Clinton, the quintessential anti-Cold Warrior, making a secret deal with the Reagan Cold Warriors to support the Contras. But the book offers no credible evidence of such an arrangement. Despite the provocative subtitle, the book provides no link between Mr. Clinton and Mr. Bush; Mr. Clinton and the CIA; nor, for that matter, Mr. Clinton and Mr. Reagan. Indeed, the only basis for believing Mr. Clinton even knew about Mena is Mr. Reed's unconfirmed claim to have sighted the governor at a meeting that included Ollie North and other prominent Iran-Contra figures—a claim that I do not believe is credible.

The authors also try to connect Mr.

Clinton through his associates. The argument is that associates of his, or associates of these associates, were involved in drugs, arms and money laundering at Mena, and, therefore, Mr. Clinton himself must have been privy to it. For example, Mr. Clinton's half-brother, Roger, was employed by a financier who purchased cocaine from someone connected to Mena. The problem with such guilt by association is that Arkansas is a small place, especially when it comes to law firms, investment firms and politicians; most Arkansans are separated by far fewer than six degrees of separation. It is not necessarily incriminating to know someone who knows someone.

To be sure, illicit things happened at Mena and the Justice Department took no action. If this was a deliberate misprision of a felony, it may have proceeded from the Justice Department's reluctance to bring a case against Contra-support activities that were approved by the president and the CIA director. After all, why should the Reagan administration have prosecuted itself when it could legitimately evade the issue by citing national security? National security considerations certainly are what damped a General Accounting Office effort at investigating Mena.

The possibility that the federal government would raise such a concern might also have reasonably discouraged Arkansas prosecutors. After the smuggler Seal was shot to death, it is not clear that there was anyone to bring a case against. So why waste resources? Whatever reason the case wasn't pursued, no one has said that Mr. Clinton used his gubernatorial powers to quash legal proceedings.

What the Mena connection boils down to is speculation that the money trail from Mena, if it is not a dead end, could lead somewhere in the uncharted wilderness of Whitewater. Unfortunately, the present expose furnishes no reliable compass.

Mr. Epstein is the author of "Deception: The Invisible War Between the KGB and the CIA" and other books on espionage.

The Kid's wild ride

The talk at the White House recently has been less of Whitewater and more of the New Hampshire primary, reported the Boston Globe.

While some argue that recent controversies fatally wounded the Clinton presidency, the Globe said aides are studying polls and predicting "this is just another ride in the roller coaster driven by the Comeback Kid."

For instance, polls show President Clinton is doing better at this stage than many presidents, including Ronald Reagan.

"I don't think Clinton has really been hurt by Whitewater," David Moore, managing editor of the Gallup Poll told the Globe's Michael Kranish.

"I don't think Whitewater has translated into general dissatisfaction with his presidency."

Polling Virginia

Republican James Miller would defeat Democratic Sen. Charles S. Robb and Mr. Robb would defeat Republican Oliver North, according to a Virginia poll by Democratic campaign consultant Alan Secrest.

The survey showed the senator leading Mr. North by 48 percent to 32 percent, with 20 percent undecided. In a contest between Mr. Robb and Mr. Miller, the latter led 43 percent to 36 percent, with 21 percent undecided.

Democratic state Sen. Virgil Goode led Mr. Robb by 46 percent to 30 percent, with 24 percent undecided. "What this shows is that Robb is in trouble against any non-pariah candidate," Mr. Secrest said.

Mr. Robb was viewed negatively by Virginia voters by a 2-to-1 margin, Mr. Secrest said. But Mr. North had equally high negatives in the poll last weekend of 610 likely voters.

The leadership

Sen. David Pryor told Democratic colleagues that he would not be a candidate for Senate majority leader in the next Congress and that he would not run for reelection as chairman of the Democratic conference.

"I just don't think it's in the cards," the Arkansas senator said to reporters after the weekly, closed-door lunch meeting of Senate Democrats.

Mr. Pryor said he decided to give up the conference chairman's post he has held for six years because it was time for someone else to have the opportunity of the third-ranking leadership job.

Inside Politics



Compiled by Alan McConagha

With Mr. Pryor out of consideration, the race to replace Majority Leader George Mitchell, who leaves at year's end, shapes up as a contest between Tom Daschle of South Dakota and likely contender Jim Sasser of Tennessee.

Unexpected backlash

Democratic Gov. Jim Guy Tucker has been the beneficiary of an Arkansas backlash against Whitewater, according to Dennis Cauchon, writing in USA Today.

Instead of taking it out on Mr. Tucker, who is involved in the controversy, residents are turning their wrath on Republican candidate Sheffield Nelson, who first pushed the Whitewater story on the national media.

John Brummett, Arkansas Democrat-Gazette columnist, told Mr. Cauchon that people who are sick about what Whitewater seems to say about the state "tend to blame Sheffield." Meantime, Mr. Nelson stopped talking about Whitewater.

Missouri fund-raising

Former GOP Gov. John Ashcroft has — just barely — raised the most money of the 17 Missourians running for the Senate this year, the St. Louis Post Dispatch reported.

He has raised \$1.38 million, with \$917,768 unspent. Second is Democratic Rep. Alan Wheat, who raised just under \$1.34 million, with \$910,000 on hand and a debt of \$36,413.

Mr. Wheat's leading rival for the Democratic nomination, Jackson County Executive Marsha Murphy, reported raising \$485,462, with \$344,325 on hand. They are seeking the seat being vacated by retiring GOP Sen. John C. Danforth.

Animal jeopardy?

Hundreds of animal species are in jeopardy of becoming ex-

tinct or threatened by the Clinton forest plan, Oregon environmentalists said.

They claim the U.S. Forest Service plan to allow logging while protecting the great northern spotted owl's habitat is a "public participation and legal victory" but a "biological defeat."

Their criticism of the administration's plan to accommodate timber and conservation interests comes less than a month before the May 15 expiration of a court injunction against logging in the region's old-growth forests.

Santorum and Watkins

With the Pennsylvania primary three weeks away, Rep. Rick Santorum and rival Joe Watkins, a former Bush aide, are having a tough time getting attention for their race for the GOP nomination for the Senate.

Recently, Mr. Watkins charged Sen. Phil Gramm, National Republican Senatorial Committee chairman, with "favoritism and unfair practices" against his candidacy, the Philadelphia Inquirer reported.

Complained Mr. Watkins: "A qualified, serious black candidate gets nothing but politics as usual. ... I'm not going to say that it's racism, but I'll let you draw your own conclusions."

NRSC spokesperson Gary Koops said race is "absolutely not" a factor in the committee's support of Mr. Santorum, a two-term congressman who has the party endorsement.

Mr. Watkins earlier made a news splash by hiring Ed Rollins as a campaign consultant.

Snubman

Rep. Richard H. Lehman, California Democrat and a critical committee vote for the White House on health care, has been snubbed three times by the administration, the Los Angeles Times reported.

Mr. Lehman, struggling to hold his seat in a largely GOP district, said the insults will not affect his vote. He just worries about the impact of the health plan on farms and small businesses.

One Democrat close to the negotiations added: "Lehman's not obstructionist. He wants to help if he can, which is all the more reason the White House ought to be smart about this."

The slights? He didn't get a Job Corps center for Fresno. It went to the San Francisco Bay Area, which already had two. Interior Secretary Bruce Babbitt came to his district without telling him. Agriculture Secretary Mike Espy canceled a visit.

"If they're going to need you down the line, they ought to pay attention," Mr. Lehman said to the Times' Karen Tumulty.

Like Nixon

Conservative Bill Kristol told the Raleigh News & Observer that President Clinton is "a very, very good politician obviously ...

"I find him Nixonian in some ways. A yuppie Nixon. A New Age Nixon in his combination of political shrewdness and his certain lack of core principle."

But Dan Quayle's former chief of staff thinks Republicans tend to be too intimidated by Mr. Clinton and suggested they stop reminiscing about the "good old days when we could win elections on who was tough on communism."

"I think we need to engage the fight on domestic policy," Mr. Kristol said. Meanwhile, he urges William Bennett to run for president and is intrigued also by the prospect of Colin Powell.

"I do think if he decided to run, he'd be a very, very powerful candidate. I think people are tired of career politicians."

A tougher McLarty

Top administration officials are quietly countering perceptions that Chief of Staff Thomas F. "Mack" McLarty lacks firm control over the White House staff and is insufficiently grounded on policy matters, the Los Angeles Times reported.

Worried that such views may reinforce Whitewater-fed perceptions of a White House in disarray, aides are trying to show off Mr. McLarty's firm side, increase his visibility and publicize his support from President Clinton, said the Times' Paul Richter.

For instance, when Mr. McLarty warned staff members in blunt terms not to meddle in Whitewater, aides made sure the word got out. He started recently to also turn up in the center of gatherings for photo ops.

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Kerry o ead hearings on global rise in drug trade

By Bob Hohler
GLOBE STAFF

WASHINGTON - Amid US criticism of Colombia's strategy for curbing the cocaine cartels, Sen. John F. Kerry is scheduled to convene hearings today that focus on the drug trade's worldwide growth and its increasingly grave threat to US security.

From witnesses as diverse as CIA Director R. James Woolsey and an anonymous Colombian cocaine dealer, Kerry and his Senate subcommittee are expected to elicit testimony that paints a stark portrait of drug cartels infiltrating governments around the world and collaborating with international terrorists.

"We are entering an extraordinarily dangerous era that can only make the fight to bring security back to our neighborhoods even more difficult," Kerry said yesterday.

As chairman of the Senate Foreign Relations subcommittee on terrorism, narcotics and international operations, Kerry plans to examine a

State Department report this month that concluded "rampant cocaine use, which was once a peculiarly American phenomenon, is now a worldwide scourge," from Spain to Russia to Vietnam to Zimbabwe.

Kerry is expected to cite the rising global drug trade to underscore his recent characterization of Colombia as a "narco-democracy," which sparked protests from Colombian politicians.

Kerry has harshly criticized Colombia's top law enforcement official, Gustavo de Greiff, for proposing the decriminalization of cocaine and for suggesting potential plea bargains with the powerful Cali cocaine cartel.

Kerry's criticism followed Attorney General Janet Reno's rebuke of de Greiff for what she described as leniency toward drug traffickers.

In addition to Woolsey, witnesses scheduled to testify today include Robert Gelbard, an assistant secretary of state for international narcotics matters, and top Justice Department officials.

President confronts queries on suicide, music and sneakers

By John Aloysius Farrell
GLOBE STAFF

WASHINGTON - He sang them a verse from his favorite rock song. He revealed what kind of underwear (briefs, not boxers) and running shoes (New Balance) he wears. He asked them, in the wake of rock star Kurt Cobain's suicide, not to succumb to despair.

And to stem the tide of violence in their lives, President Clinton told an audience of teen-agers yesterday that they should embrace some timeless values such as discipline, faith and persistence.

Returning to the scene of an election-year success, Clinton answered questions for 90 minutes on the rock video channel MTV.

"Cynicism is a copout," Clinton told his young audience. "We can only go forward if we believe in each other."

The first question asked of Clinton touched on a notion - a deficit of meaning in contemporary American life - about which the president often worries aloud.

Dalia Lyons, 17, from Bethesda, Md., said, "It seems to me that Kurt Cobain's recent suicide exemplified the emptiness that many in our generation feel - the lack of importance that we place on life."

"Many gang members don't expect to live beyond the age of 25," she said. "How do you propose to change this mentality, to teach our youth how important life is?"

Clinton told the teen-agers of his own childhood, and what it was like without a father, and with a mother who spent large chunks of time away at nursing school, or working to support her family.

"Maybe the question you asked is the most important question," Clinton said. "Suicide among young people, as you probably know, has doubled in the last 10 or 15 years."

"I think it is rooted in part in the fact that there are a lot of young folks who grow up never feeling that they're the most important person in the world to somebody," said Clinton. "There were times in my childhood when I had a difficult childhood, but I always knew I was the most important person in the world to my mother, and that somehow together we would get through whatever we were going through."

Clinton also warned about the furious pace and fragmentation of modern life, urging his listeners to "get out of this sort of instant emergency way we tend to look at life" and appreciate the lessons and perspective of history and experience.

"We all have more information today, more access to information than any generation before us. You can turn on the television and see 50 channels in a lot of the communities where you live," he said. "We've got a lot of information, but we think everything happens right now. And the truth is, a lot of things take time to unfold; a lot of the meaning of life takes a long time to develop."

"There are sacrifices and tough times and disappointments that never go away in life - they never go away no matter how old you are and how much you get things together," said Clinton. "But if you can keep your eye on the future, then suicide doesn't become an option because you know there can always be a better tomorrow."

Clinton defended his handling of the Whitewater matter and said that as painful as the events in Bosnia are to watch, "the United States cannot go over there unilaterally, send its forces in, and start fighting on the side of the Bosnian government. ... There is still a war on the ground."

The themes of the session were crime and violence, and Clinton answered questions about gun control, prison reform and drug abuse, often trying to personalize his answers.

"Some of you ... know that my brother is a recovering drug addict who actually went to prison for 14 months. It is my opinion that if he hadn't been caught up in the criminal justice system, he probably would have died because his problem was so gross and so bad," Clinton said, when asked to defend get-tough policies on drug use and other crimes.

On the other hand, said Clinton, he would not necessarily condemn the gangsta' rap of performers like Snoop Doggy Dogg. "It depends on what the end of the song is," said Clinton. "Is it to make people understand and empathize with and try to do something about these terrible problems? Or is it to legitimize violence and criminal conduct? I'd have to know the answer to that."

Rap was "not exactly my music, you know," Clinton said. When asked for his favorite song, he sang a few bars of Leon Russell's "A Song for You."

The Bus 1 Globe Wed 4/20/94

National Editorial Sampler
What Newspapers Are Saying

By United Press International= = San Francisco Examiner=

Backlash! That's the screaming tabloid headline President Clinton must see in his dreams about the public's reaction to the Whitewater affair.

The White House is working hard to demonize the news media. Even FOMs (friends of the media) are rethinking the saturation and savagery of some of the coverage of a third-rate Arkansas land deal.

Correspondents who live for White House dinner invitations aren't doing the job. You can fall in love with elephants, but don't cover the circus, to paraphrase old journalistic advice. On the other hand, this isn't a game called ``Gotcha!'' Reporters have an obligation to track down and then tell the truth. That's different from ripping a president's head off only on murky allegations.

Critics worry about a new mean-spiritedness in the media. We worry more about phonies reporters who try to make Whitewater into Watergate. Apart from their breathlessness, some news reports on Whitewater are missing hard facts, context and a sense of the revelation's importance in the scheme of things.

The other day, we read a baffling story: Sometime after Hillary Rodham Clinton had made a killing in cattle futures, she represented a client who sued her old commodities brokerage. Hence, the story speculated, she must have learned that her old broker, Red Bone, had a heap of trouble with security regulators.

So what? Ex post facto guilt? Hillary Clinton couldn't turn back the clock to undo her dealings with Bone....

The other day, Clinton got testy when a newspaper editor said the president's Whitewater explanations reminded him of a child's excuses for not doing her homework. Clinton had a point. The matters he's being asked to recall happened, not last night, but 4,000 or 5,000 nights ago.

The New York Times broke the story about Hillary Clinton making nearly \$100,000 as a novice in commodities. It was, said former TV reporter Marvin Kalb, ``a particularly egregious example of guilt by association and innuendo.'' Joseph Lelyveld, the Times' managing editor, defended the story as ``very solid,'' but he also said he regretted ``its tone, its play too high above the fold and its length.''

These elements go to the heart of the matter. A good reporter doesn't make a story a big deal if it's not. Sifting the truth takes time, care and self-skepticism.

Presidents are fair game, but the game should be fair. A good audience demands a tough story and also tough standards for reporting it.

= The Boston Globe

The Clinton administration is once again sending hopelessly mixed signals to Serbs and Muslims alike about its ever-confused Bosnia policies. First we bomb Serb positions around Gorazde in a new get-tough policy in which force and diplomacy are to be ``married,'' as UN Ambassador Madeleine Albright put it. When the Serbs call our bluff, President Clinton says that neither the United States nor NATO has any interest in ``becoming involved in this war to gain some advantage for one side or the other.'' Force and diplomacy are suddenly divorced.

Now Gorazde is about to go under, and the Serbs have taken UN hostages, shot down a NATO plane and driven even their erstwhile allies, the Russians, to such frustration that they are predicting a ``huge catastrophe.''

We have expressed great reservations about the United States becoming militarily involved in Bosnia and about the use of force. We feared that the Serbs would not be cowed, that air strikes would make them more stubborn, that they might find ways to retaliate and that things would be made worse, not better all of which has come to pass.

We also have grave doubts about the willingness of the American people to

mount and sustain the kind of effort in terms of lives and commitment that would be necessary to subdue the Serbs and keep the peace in a land of broken promises and pathological hatreds. The ultimate betrayal of Bosnia's Muslims would be to intervene and then not stay to see it through, as too many of our clients in the past have discovered to their sorrow.

There are arguments both for and against intervention, but the Clinton administration has wound up with the worst of both worlds bombing the Serbs and then letting them call our bluff. "We have to find a way to get the momentum back," Clinton said yesterday as he flew off to Milwaukee. What is wanting is a clearly stated and resolute policy that friend and foe alike can understand.

= Detroit Free Press

The American tobacco industry's current mantra is "choice": Even if cigarettes might be bad for you which, of course, industry executives still won't concede any mature, informed adult should be free to choose to smoke. So the argument runs.

But if, as a growing body of scientific evidence suggests, cigarette manufacturers manipulate the levels of nicotine and other ingredients to make and keep their products addictive, the case for describing smoking as a pleasure-giving, freely chosen behavior is weakened and the case for enhanced government regulation of cigarettes as dangerous and potentially lethal drugs grows stronger.

During congressional testimony last week, executives of the seven largest U.S. tobacco companies acknowledged that they can control the amount of nicotine and tar in the cigarette manufacturing process to affect flavor, they said. But they vehemently denied that cigarettes were addictive.

The executives testified that they would not want their children to smoke. That hasn't stopped them from using cartoon characters such as R. J. Reynolds' "Joe Camel" who research shows, is as recognizable to American 6-year-olds as Mickey Mouse in their promotions.

The tobacco industry and its apologists hint darkly at a hidden agenda among its critics: that any attempt to hold the industry accountable or to promote public health by curbing smoking banning it in public buildings, declaring cigarettes drugs is the first step toward prohibition.

That's a red herring; no one is yet talking credibly about banning cigarettes outright in this country. If that day should come, though, Mr. Butts will know whom to blame by looking in the mirror, or reviewing his public testimony.

= St. Louis Post-Dispatch=

Cumulative voting, which gained a suspect but largely unearned reputation during last year's aborted nomination of Lani Guinier to the Justice Department, may soon get a tryout in Maryland. A federal judge has ordered Worcester County, on the Eastern Shore, to use cumulative voting to elect members of its county commission. The experiment should help settle the debate over majority rule versus minority representation.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

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Whitewater fever subsides briefly

BY TERRY LEMONS
Washington Bureau

WASHINGTON — Senate leaders remained at an impasse Tuesday over the format of hearings into the Whitewater Development Corp. affair.

The topic has generated few fireworks in recent days as legislators focus on foreign affairs, crime legislation and health care reform.

But Senate Minority Leader Bob Dole of Kansas promised Whitewater wouldn't fade from view.

Dole and Senate Majority Leader George Mitchell of Maine remain at odds over the timing and format of Whitewater hearings.

Dole prefers to have a special Senate panel look into Whitewater.

Mitchell contends that Republicans haven't convinced him of the need to create such a committee.

He wants the Senate Banking, Housing and Urban Affairs Committee to hold hearings.

Congress agreed last month to

a vaguely worded provision calling for Whitewater hearings at an unspecified date. Since then, congressional leaders have been unable to agree on a format.

The amount of congressional attention on Whitewater has dropped in recent days.

Rep. Jim Leach, R-Iowa, said last week that a "tragic" from Whitewater might be in order.

Leach is the ranking Republican on the House Banking, Finance and Urban Affairs Com-

mittee.

The Capitol Hill press corps also seemed to be giving the topic a break Tuesday as reporters focused on other issues.

Mitchell didn't get any Whitewater questions during an afternoon appearance. The topic didn't surface when House Speaker Tom Foley, D-Wash., conducted a question-and-answer session with reporters.

Dole received just one Whitewater question from journalists

COLUMNISTS

Whitewater Journal (V)

It's been a quiet week at Lake Whitewater, where all the men play by the rules, all the women work hard and make fortunes on their own in cattle futures, and all the children are not only above average, but never, ever question those in authority.

Indeed, these lovable little tykes, who go directly from childhood to manhood without ever passing through those inquisitive teenage years, lack any curiosity about the character, truthfulness, or conduct of those in power. That trait prepares them admirably for successful careers as editors of the usual liberal journals like the Portland Oregonian, for once grown, their idea of a searching inquiry is to ask politicians to grade the press, and they consider any but puffball questions or comments mean-spirited.

Richard Nixon, whose Whitewater was called Watergate, would have loved this kind of journalism, but there was little of it around in his time. Surely these things go in cycles. Tough, suspicious, even mean-spirited questions will come back into intellectual style again, probably about the time a Republican is elected president.

The quiet has been shattering this week. There have been no new waves of Whitewater splashing into the headlines. The economy is humming along, despite an obnoxious Federal Reserve that insists on worrying about inflation. Happily, nobody's paying attention to foreign policy any more. ("It's the economy, stupid!")

Robert Fiske's report isn't due until next year or century, and the congressional investigation into Whitewater is being indefinitely postponed. They're killing in Somalia, Korea is smoldering, and a couple of American helicopters have been downed by American fighter jets over Iraq, but the White House is reported to be relieved that Whitewater has disappeared from the front pages. Peace, it's a good word. Also deceiving. One has the feeling that revelations wait just under the surface, like sharks.

Clintonesque desperate for their daily Whitewater fix must rely on the Wall Street Journal's mix of paranoia, Arkansasian, and an occasional fact. The Jour-



Paul Greenberg

nal's editorial writers carefully separate the wheat from the chaff before printing all the chaff.

The wheat is left to its reporters and columnists like Paul Giga. Friday, he published an extensive review of every little tug, tag, clinton clause, Slick Villenium, and presidential misstatement that, in the perfect phrase of one White House official, is "no longer operative." That phrase alone was enough to bring back the Nixon Years in a dismaying flash. It could have been Enn Ziegler talking. One expects Robert Abolnaship and Bebe Baboso to reappear momentarily.

Here is Paul Giga's conclusion from this farago of misremembered, misheard, and misperceived explanations: "They show a First Couple who have evaded, dissembled, and stonewalled to avoid disclosing their financial past. Having tried to suppress many of these facts, they now quote defenders who say there are none. Having stonewalled in 1980, in 1992 and later, the Clintons now cry foul at a step-fact panel."

Maybe that's because they don't understand the press, or at least the working press. We don't mind being called names by all the president's men. Any kind of recognition is a step up from the silence of us lady wretches. Yet even the least-than-respectable can serve respectable ends. Just as a money pup can come home dragging a real bone, now and then a reporter will catch hold of the edge of a truth, which is about as much as one can hope for in this world. Even columnists may, for even a blind hog finds an acorn now and then.

As was inevitable, Billy Graham weighed in on the president's side over the weekend. The Rev. Dr. Graham has never met a president he didn't like — American or Soviet. He has made a mission of speaking comfort to power. (Remember

when he discovered freedom of religion in the last Soviet Union? It was a discovery that would have surprised any number of Christians then resident in the Goid.)

The reverend's utter sincerity gives presidents what they could never hope to buy. He is as close to an Old Testament prophet as any figure in these latter days — a court prophet, of course, the kind kept on hand to bless every king and every war. He is to prophesy as prayer breakfasts are to prayer.

Dr. Graham was on call for comfort and consolation during the final days of Reagan, too. But poor Richard Nixon, ever stylish even in his selection of court prophets, was stuck with the decidedly un-ecumenical Baruch Keffi, a rabbi from Providence, Rhode Island.

As if one word weren't sufficient, the president also picked up some support from Garrison Keillor, a kind of Will Rogers of the Nineties as interpreted by Bill Moyers. The rope tricks are misleading, too. Garrison Keillor is in Minnesota as Lewis Grizzard was in the South, which is like comparing Jell-O fruit salad to chicken-fried steaks. The comparison doubtless will offend fans of both, probably justly. There was nothing of the ex-patriate about Lewis Grizzard, and he spoke for his people, while Garrison Keillor speaks about his.

Anyway, Mr. Keillor spent a long time not talking about Whitewater, and urging his audience of broadcast journalists not to, either. Some of his humor was unconscious, as when he broke the first of his written rule of pre-Clinton rhetoric: Never use the word "character" in describing the president. (It tends to break the mood.)

At another point, the Minnesota poet the all too accurate epithet, Yuppies! In reference not to the more upwardly mobile types in this administration, but to any people interested in examining Whitewater.

Always amusing, Mr. Keillor may have been even more amusing on this occasion than he intended to be.

Paul Greenberg is editorial page editor of the Arkansas Democrat-Gazette.

Journalists peer into Whitewater for a reflection of their fairness

BY JANE FULLERTON
Arkansas Democrat-Gazette Staff Writer

WASHINGTON — Media coverage of political scandals — perched and real — tends to go in cycles. Coverage of the Whitewater Development Corp. affair is no exception.

Such stories usually begin gradually with the hint of potential scandal, then develop into full-blown investigative reports driven by the media's competitive nature.

"Then, there comes a lull in the coverage."

"That's when editors and reporters begin to question and criticize. Are the stories fair? Is the coverage gone overboard? Have journalistic standards of accuracy and decency been upheld?"

"The Whitewater story is at that question-asking stage."

Forum on the topic Tuesday at the National Press Club featured a panel from media, academia and politics. Participants gave Whitewater coverage mixed reviews.

"I wish no one argued there has been a shortage of stories,"

Edward Powell, who covers the White House for Hearst's newspaper, said a computer search of major publications found 136 stories written about Whitewater since last Friday.

In all, Powell found 22,000 stories that mentioned the word "Whitewater." That compared

The panelists involved in covering Whitewater, including Powell, said media outlets have been fairly responsible in their coverage.

Others were less kind. Larry Sabato, a political science professor at the University of Virginia at Charlottesville, has written a book about media coverage of politics. The Whitewater coverage, he said, represents a "classic feeding frenzy."

Sabato said legitimate issues are involved in Whitewater. Still, he criticized the media for overplaying the story, lacking balance and not adequately explaining the situation.

Powell and other journalists argued the story gained attention because White House officials misbehaved it, acting as though they had something to hide.

Jody Powell, a Washington consultant who was President Carter's press secretary, repeated that as a "great big bush behind which you all hide."

He lashed out at the Whitewater coverage, citing specific stories he said contained factual errors.

Jody Powell and Ellen Hume, a former reporter who is now a senior fellow at the Annenberg Washington Program, said the future of the news business depends on maintaining credibility.

"If this institution believes it can continue to enjoy the legal

time continue on the same downward spiral that you are now on, you are sadly deluding yourselves," Jody Powell said.

Hume noted that the competitive climate has caused news organizations to shift from a fear of inaccurately reporting a story to a fear of missing a story. She criticized Whitewater coverage as "shrill barking" being "churned out for other news people."

"If journalists want to survive as something special that's different from sheer propaganda or sheer entertainment and gossip, they have to be clearer about what it is that they do," she said.

"If you want to survive in this marketplace, you have to offer us something better."

Francis Coombs, national editor of The Washington Times, defended his newspaper's aggressive coverage. The Times, which is much smaller than The Washington Post, has broken several key Whitewater stories.

Such questioning of the coverage, Coombs said, "puts the media in the position of being damned if you do and damned if you don't."

Washington Post columnist Mary McGroarty said the issue might ultimately be decided by the American people.

"The public is indicating ... they're really not very interested," she said. "They knew they were not electing a role model

Arkansas Democrat-Gazette 4/20/94

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(ATTN: Editorial Page editors)

There's Plenty of Hypocrisy, But Whitewater Is Not the Key
Lerner is the editor of Tikkun: A Bimonthly Jewish Critique of
Politics, Culture and Society, and the author of "The Politics of
Meaning," to be published next year by Viking Press.
By Michael Lerner= Special to the Los Angeles Times=

Maybe the Clintons didn't do anything illegal, several reporters on the
Whitewater beat told me recently, but still they are guilivings recommended by
the Food Guide Pyramid. The survey found American diets also fall short of the
fruit, vegetable and dairy recommendations.

Introduced in 1992 to replace the U.S. Department of Agriculture's
three-decades-old "Basic Four" guidelines, the pyramid draws from five food
groups to help steer Americans from unhealthful, high-fat diets to
nutritionally balanced meals rich in fiber and complex carbohydrates.

The average American diet is top-heavy, however, with 37 percent of
calories coming from fat. Nutritionists, recommend trimming fat to 20 percent
to 30 percent of cal(EQ)(EQ)Carol(EQ)MG(EQ)(EQ)(EQ)ories to minimize health
risks such as heart disease and certain cancers.

----= Ummmm, good

Occasional indulgence is alive and well, says Baskin-Robbins. The ice-cream
maker says since 1991, consumption of its richer flavors is on the rise.
Consumer purchases of Winter White Chocolate, with chocolate covered cherry
pieces, has increased 30 percent in 1993, compared to 1991 sales figures.
Chocolate Mousse Royale, mousse-textured ice cream with chocolate chunks,
jumped by nearly 20,000 gallons in 1993 over 1992 figures.

What's your style?

How do you eat an Oreo twisting off the top, nibbling or dunking in milk?
Nabisco wants to know. Until May 15, you can call 1-800-EAT-OREO and register
your preference. Can you believe it? Oreos have been around since 1912.

----= New stuff

These new items are showing up at supermarkets:

Hungry Jack Microwave Ready Syrup, in a compact container that fits
inside a microwave oven, with a heat-sensitive indicator that says "HOT"
when syrup is heated.

Haagen-Dazs low-fat frozen yogurt, in pina colada and strawberry Duet
flavors.

Louis Rich Fat Free Sliced Turkey, in oven roasted, deli-thin oven
roasted and hickory smoked varieties, all with zero grams of fat per serving.

Kemps Kids' Ice Cream, in four flavors Dinosaur Egg Crunch, Gummy Bears,
Gummy Worms and Neonpolitan (with pink bubble gum, purple cotton candy and
green vanilla ice cream).

Crystal Light Cranberry Breeze drink mix.

Gelooze, a gelled snack in a squeezable bottle, from Betty Crocker.

Post Blueberry Morning, multigrain flakes with blueberries and almonds.

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----- AUTOBREAK (2)-----

communication and wish to discredit any change that might question their right
to put selfish interests above the common good. The media are truly
consistent: They both advocate and embody cynicism.

It is still not too late for Clinton to save his presidency. If he could
consistently embrace a politics of meaning or any other unifying principle,
reframe most of his agenda around that principle and then persuade people of
its legitimacy and of how his programs flow from it, he would have a better
chance.

The hypocrisy worth criticizing is not what happened in the Clintons'
personal finances years ago, but what they are doing in public policy now. It
is here that Americans have been most disappointed, suspecting that the
Clinton's have not produced policies that embody a consistent politics of
meaning. Taunted by the Republicans for this failure, supporters feel unable
to explain what the Clintons are really about.

In a recent town-hall meeting, audience members asked President Clinton,
"Why should we trust you?" Some in the media interpreted that as a reference
to Whitewater. But what participants were trying to say was this: "You act in
such a compromising way that we don't believe we can trust you. You don't
really level with us about your principles and you don't seem to fight for
them."

It's this inability to follow through on principles, reflected as much in
the health-care plan as in the ill-conceived way we relate to the slaughter in
Bosnia or Haiti, that makes Clinton so vulnerable when the media and the
privileged gang up on him as they have been doing on Whitewater.

Whitewater calm, for now, as other issues highlighted

BY RANDY LILLESTON
Correspondent, Washington Bureau

WASHINGTON — Because of the world's misfortunes, some careful planning and perhaps a touch of luck, the Clinton administration has received a measure of respite from the pressures of the Whitewater affair.

However, administration aides admit privately that it is not likely to last.

With congressional hearings and action from a special counsel all likely in the relatively near future, administration officials say they know that months of Whitewater dealings remain ahead of them.

But they also point to what they see as the successes of recent days in getting the nation's attention on other issues.

Chief among those is health care. President Clinton has made a series of appearances around the country in recent weeks, talking about the need to get a health-care package through Congress. Again on Monday, Clinton made such an appearance, this time traveling to Milwaukee.

There also have been several presidential appearances on crime-related topics. Last week, Clinton invited law enforcement officers and mayors from all 50 states to the White House for an anti-crime speech. Today, he appears at an "Enough is Enough Forum" on crime on the MTV cable network.

The carefully packaged, made-for-television events have featured Clinton's strengths as a communicator, aides say.

There was, for example, last week's crime event, in which Clinton talked tough while dozens of police officers in dress uniforms stood in the background.

"You know, I ran for this job and moved to Washington because I wanted to help empower people back home all over America to solve their own problems. That's just what this crime bill does," Clinton said in the address. Dealing

'You know, I ran for this job and moved to Washington because I wanted to help empower people back home all over America to solve their own problems.'
— President Clinton

with the idea of empowerment — whether it be welfare reform, crime control or another domestic issue — puts Clinton's abilities to their best use, aides say.

The appearance also are designed to keep pressure on Congress.

Most of the sites for the appearances are in the home districts of selected key congressmen.

In addition, foreign affairs again have come into the spotlight.

The continuing war in Bosnia, a near-crisis in North Korea and last week's tragedy in Iraq, among other developments, have focused presidential and public attention away from Whitewater.

For example, as Clinton traveled through the weekend, he paused occasionally to talk to reporters about the latest Bosnian developments.

He did so again before leaving Washington on Monday morning.

"I have monitored this situation very closely all week-end," Clinton told reporters on the south lawn of the White House grounds. "I spent a good deal of time on it Saturday, I

had lots of conversations yesterday about it and have met this morning with Mr. Lake (National Security Adviser Anthony Lake)."

But as world events grab the spotlight for the time being, Whitewater events are moving more slowly.

The next likely major development may come by the end of the month, by which time Whitewater special counsel Robert Fiske Jr. is expected to release a report on the apparent suicide last July of former White House Deputy Counsel Vincent Foster Jr.

Both published and broadcast reports of recent weeks indicate the report will concur with law enforcement conclusions that Foster's death was a suicide.

Fiske reviewed the case due to questions surrounding the investigation of the death, and because Whitewater-related documents were removed from Foster's desk shortly after his body was discovered in a Virginia park.

There also is a possibility — but no firm timetable — that Fiske will decide whether to file charges against any administration aides in an obstruction-of-justice investigation.

A Washington grand jury has been hearing testimony for more than a month about a series of meetings between White House and Treasury Department aides concerning Madison Guaranty Savings & Loan Association, a now-failed Arkansas business with ties to Whitewater.

And congressional hearings still loom over those meetings and other Whitewater-related matters.

There still is no schedule for those hearings, but Republicans have made it clear they would like them to begin within a matter of weeks.

'See you in court,' McDougal tells Leach

Continued from Page 1

Jim McDougal, President Clinton's former business partner in the Whitewater Development Corp., renewed on Monday his pledge to sue Rep. Jim Leach, R-Iowa, the lead congressional critic of the land-venture controversy.

McDougal released a letter, dated Saturday, he wrote to Leach in which he said Leach had 10 days to withdraw his criticism of the land deal.

"Otherwise I'll see you in court," McDougal added.

McDougal, of Arkadelphia, who is seeking the Democratic nomination for the 4th District congressional seat, expressed disappointment in the letter that Leach had softened his demand for immediate congressional hearings on the matter.

Leach had not received the letter as of Monday.

The Des Moines Register

THE OLD REPORTER

James
FLANSBURGBill Clinton's
tough opponent

What is the definition of news? Keep that question in mind tonight if you watch a Des Moines edition of ABC's "Nightline."

Ted Koppel and a blue-ribbon panel are going to tell us whether American journalism has overplayed or underplayed the Whitewater affair.

These are entertaining endeavors but usually hollow because some fundamental facts get ignored. The main one is that American journalism is a commercial enterprise.

Newspapers, television, radio and magazines don't long try to sell you something you won't buy, won't long pursue something they perceive you to be uninterested in.

So if you're really interested in discussing it, you have to start with a definition of news, the things they print or broadcast. We once had a wise old editor who offered this one: "News is the authentication of human experience." I like the lofty tone but it leaves out something. So I've always relied on another: "News is that which an editor prints in hope of profit."

If the editors and news directors of the country didn't think there was a market for news on Bill and Hillary Rodham Clinton's Arkansas days — if they concluded you were not interested in it — the story would dry up like a bread slice left in the sun for four days.

That's the fact but it's elusive because most in the trade pretend otherwise. Journalism is indeed a noble calling but its capacity for self-deception is infectious, leaving it constantly trying to live up to myths it concocts.

The Washington Post's famous Watergate investigation, for example, came about primarily because the Post really didn't have anything for a couple of young reporters to do. Had the editors been doing a better job keeping them busy, the story probably would have been missed.

All that noted, this is the question

that interests me: What is it that keeps the story of the Whitewater affair and the Clintons' Arkansas days alive? What is it that keeps editors and news directors and publishers convinced that the audience wants more?

Gary Trudeau and other apologists contend that it's a Republican plot to discredit Clinton. Isn't that what a political party is supposed to do? Get you to see its view of the world?

Not that I buy the argument. It implies that the American people and the press are little more than a dumb herd of cattle easily driven. That's flat wrong — despite occasional appearances to the contrary. All you have to do to find that out is spend some time with people outside Washington.

My judgment is that a lot of people want to know more about the Whitewater project, the savings and loan associated with it, Hillary Clinton's law practice and financial speculations, and what Bill Clinton was doing and not doing through it all and after he became president.

It's a character question, in other words, and my guess is that the Clintons have told one too many half-truths. They have a credibility problem. It may be the Yale Law School influence — answer the question and offer nothing more — but too many times they've tried to make a half-truth seem to be the whole truth.

I'd like to hear the reasoning of someone who takes Bill Clinton at his word.

So it looks to me as if people are starting to make up their minds on 1996. They're pondering the most vital issues — like, trust, respect — and it presents a political problem for Bill Clinton. He sidestepped all of Jimmy Carter's pitfalls save one. He, too, is running against himself. The only opponent he has to compare himself with is the ideal, and that's tough duty.

I'm confident that's the way the White House sees it and that's why Clinton behaves like a candidate on the campaign trail in August.

Like Nixon and the Republicans on Watergate in 1973, Clinton and the Democrats are telling us now that this penny-ante nonsense should be put aside because it's history and there are more important things to do. They may be right, but it smacks of telling me that my broken finger doesn't really hurt because it's not a broken leg.

I'll decide what hurts, thank you. In the same way, I believe, voters reserve the right to decide what's important.

American journalism pretty much mirrors that sentiment, and remains a healthy business by serving it or at least patronizing it.

"There are no boring stories, only

White House
News Summary
Page 7

boring reporters," goes one of the rules of the trade. I don't know who first said it, but I've always had a nagging feeling that he imparted wisdom that he didn't necessarily possess.

JAMES FLANSBURG is a Register columnist.

'Nightline'

comes to Iowa

By KENNETH PINS

OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Ted Koppel brings his award-winning "Nightline" news program to Sheslow Auditorium at Drake University in Des Moines tonight to examine how the news media have played the Whitewater story.

The decision to originate from Des Moines was made for the most practical of TV business reasons: The new owners of WOI-TV, the ABC affiliate in central Iowa, have done "Nightline" a scheduling favor, and the program now is paying them back.

"WOI is going to go from delaying 'Nightline' ... to doing it live, and we love to cooperate with affiliates that do that kind of thing," said Koppel last week in his office at the ABC News bureau here.

Koppel describes the program as a chance for the media's critics, including a limited number of regular citizens, to get their licks in.

The Whitewater affair is either an unfolding financial scandal that could cripple the Clinton administration or a media circus in which the Barker's hype outside the tent is unmatched by the goods within, leaving the audience feeling suckered.

"Nightline" did not aim for colorless "jaboneys" (the staff's favored term for talking heads) in choosing its

TONIGHT ON TV

"Nightline," with Ted Koppel, will be broadcast from Sheslow Auditorium at Drake University at 10:35 tonight on Channel 5. The broadcast will last 1 1/2 hours.

guests. Among the panelists are Rush Limbaugh, the Clinton-baiting talk-show host, who will be beamed in from afar, and Robert Bartley, who edits the editorial page of the Wall Street Journal, which has been leading the charge on Whitewater.

Holding down the other side is James Carville, Clinton's high-voltage 1992 campaign manager, who recently complained that the Journal would rather "climb a tree and tell a lie than stand on the ground and tell the truth."

Others include First Amendment lawyer Floyd

Abrams, Des Moines Register editor Geneva Overholser and Max Frankel, New York Times executive editor.

Koppel, who has won virtually every broadcast award worth having (including 23 Emmys), has been a frequent and vocal critic of the slide of television news toward a tabloid sensibility. There has been an element of that in the Whitewater coverage.

"I would say that a number of the organs of the media have done an absolutely abysmal job on the Vince Foster, secret apartment, may-have-been-a-murder-rather-than-a-suicide, the-body-was-moved story. I thought

KOPPEL Please turn to Page 21

Koppel brings 'Nigl

KOPPEL

Continued from Page 17

that was just atrocious," he said.

"On the other hand, there is nothing new about an administration yelling and screaming about how the media will not let go of a story, but dribbling out key elements of the story so grudgingly over such an extended period of time that inevitably it becomes something that just doesn't end.

"I tend to believe also that there probably isn't a whole lot of there there. But if that's so, I cannot for the life of me understand why the White House has done such a terrible job of getting whatever there is to the story out quickly and accurately," he said.

"The only time when being truthful has any virtue associated with it is when there are some tough consequences that flow out of it."

That last is a trademark Koppel observation. It has been said that he is one of the few in TV who can talk of virtue without sounding too sanctimonious, and the no-bull standards to which he holds "Nightline" guests have earned him the title of best interviewer on television. It also gives him standing as a critic of broadcast news, which he uses frequently, most recently in a speech at Harvard University.

He pointed out in that speech that television devoted more time to the Tonya Harding-Nancy Kerrigan melodrama during its most intense two weeks than it did to the downing of Pan Am 103, the fall of the Berlin Wall or the San Francisco earthquake.

Five years ago he formed his own news production company, Koppel Communications Inc., as a refuge in the event that what he called "the long, dark night of Bleep Television that is descending upon us" arrived at the "Nightline" door.

ABC had recently been purchased by Capital Cities Inc., but he says now that any particular concerns he might have had at the time about the cheapening of "Nightline" have been allayed. Koppel Communications has since been mothballed.

However, he notes, "In general, I think that those fears were probably justified. I'm speaking of television in general. I think, if anything, it has become more tabloid than it was five years ago."

Koppel was born in Lancashire, England, in 1940, after his Jewish parents lost everything to the Nazis. Before

“The only time when being truthful has any virtue associated with it is when there are some tough consequences that flow out of it.”

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1938, his mother was a professional singer and his father ran a large tire company in Frankfurt.

Koppel arrived in the United States from England at age 13, skipped over a year of high school, received a bachelor's degree from Syracuse University and a master's from Stanford.

He joined ABC News 31 years ago and was Hong Kong bureau chief from 1969 to 1971, a position from which he moved in and out of Vietnam to report on the war.

In 1971 he became ABC's chief diplomatic correspondent, covering then-Secretary of State Henry Kissinger, who has been the most frequent "jaboney" over the years on "Nightline."

Twenty years ago he was not yet an independently wealthy star, but Koppel turned down Kissinger's offer to become State Department spokesman in 1974, and he remains skeptical of reporters who move in and out of government.

"I think it's tough enough to maintain your objectivity as a journalist without increasing the problem with that kind of thing," he said.

Koppel has occupied an unusual position, running a news interview show competing for viewers with David Letterman and Jay Leno. He has been holding his own.

During the first quarter of the year, according to figures provided by ABC News, Letterman averaged 8 million viewers a night, "Nightline" averaged 6.8 million viewers, and Leno had 6.1 million.

Those are respectable numbers for the late-night slot, and the distance from prime-time cannibalism, allows Koppel and executive producer Tom Bettag to put on the kind of news program they like.

They cannot, however, ignore ratings. It was a combination of high-ground lecture and self-interest with which Koppel criticized the former owners of WOI — Iowa State University — for delaying "Nightline" until 11:30 to show "Hawaii Five-O" reruns. "I have no trouble understanding what the (WOI) general manager is saying. They can make more money by putting 'Hawaii Five-O' on at 10:30, and putting us on later," he said in an interview with The Register 10 years ago. "There comes a time when general managers and owners have to take a certain responsibility (in deciding) what they are doing in terms of making money and what they are doing in terms of serving the public interest." At the least, he can say that it is not that anything-for-ratings mentality that is driving the Whitewater story. "Whitewater is not a subject that draws a particularly large audience," he said.

"The public has indicated time and time again that it's really not all that interested in Whitewater," he said. "For the most part, it doesn't seem to get Whitewater. It doesn't understand what the issues are."

What, then, is the Whitewater story? That's the problem. It doesn't have a clear beginning, middle and end, said Koppel. "Whitewater is a questionable investment on a piece of property on which the Clintons lost money," he said.

Beyond that, it may have been a conduit for money from a federally insured savings and loan. And beyond that, it may have been about insider connections and an

abuse of power in Arkansas.

"What bothers me is the clear inference that I draw that the young attorney general and his upwardly mobile wife were prepared to embark on a couple of investments that were clearly risky, where they were clearly in the hands of people who might benefit from their association with the future governor of Arkansas."

"And you can at least question the propriety of what they did, if not the legality. Is that a huge story? I don't know," said Koppel.

"I don't know what (Whitewater partner) Jim McDougal ever got from it, or the (commodities) broker, or the chicken baron," he said, the latter referring to Don Tyson. But, he said, there are things that just don't add up.

If, he said, at a similar point early in his own marriage when money was tight, his wife had announced that she was going to gamble \$1,000 on the commodities market. "I'd say, 'Are you out of your mind?'"

Hillary Clinton made nearly \$100,000 on a \$1,000 investment in futures contracts, with the close guidance of James B. Blair, a lawyer for Tyson Foods.

"It's like putting your money on red and doubling it, and re-doubling it, and re-doubling it. It doesn't make sense. I mean, it is not what prudent people would do."

"Can I prove that there was anything improper about it? No. But it does raise certain questions," he said. And that's what tonight's program is about.

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Set-aside scandal

If one-time Clinton crony David Hale is right, his was the "piggy bank" that Arkansas high rollers looted to fund speculative real-estate and perhaps even political ventures. As Jerry Seper reported in The Washington Times yesterday, Whitewater counsel Robert Fiske Jr. and his federal investigators have zeroed in on loans from Clinton Whitewater partner James McDougal to Mr. Hale, who in turn loaned money to Mr. McDougal's wife — some of which ended up in the Whitewater account at Madison.

What lies at the end of this money trail strewn with failed S&Ls and lost taxpayer dollars is for Mr. Fiske and others to determine. But the prospect of scandal in the highest reaches of government should not obscure the everyday kind that comes of yet another well-intentioned government program gone awry.

Mr. Hale's Capital-Management Services Inc. was in the business of providing government-backed loans to "disadvantaged small businesses" and was licensed as such by the Small Business Administration (SBA) in 1978. The loans were supposed to go to persons unable to "obtain financial and other assistance available to the average entrepreneur." Thus armed for commerce, government thinking went, blacks, women and other favored groups would have a fighting chance to succeed in the marketplace.

In April 1986, one of those loans, in the amount of \$300,000, just happened to go to Mr. McDougal's wife Susan, then head of a firm called Master Marketing Inc. She invested the money in Madison Guaranty Savings and Loan, \$110,000 of which ended up in Whitewater accounts jointly owned by the Clintons. It's a complicated business, perhaps intentionally so. But what it all comes down to is that a well-heeled governor of Arkansas and his commodities-trading wife were on the receiving end of government-backed loans for poor folks.

The Clintons disclaim any knowledge of the loans, but the transactions are a matter of record. Moreover, Mr. Hale says it was Mr. Clinton who pressured him to make the loan to Mrs. McDougal in the first place. By naming her, a woman, as the recipient, the arrangement helped "put the best face possible on the loan

and avoid regulatory problems," said Mr. Hale.

What kind of regulatory problems? Well, the kind that go with offering money set aside for struggling minorities to a couple like the McDougals, who at the time were reporting assets of \$3 million. Using Mrs. McDougal as a "front" paid off handsomely for the white males in the group. But it cost U.S. taxpayers stuck with the guarantee because the group never repaid.

Unfortunately, SBA set-asides have a long history of this kind of fraud and failure. Over the years, agency money has ended up in the hands of such struggling entrepreneurs as Paul Newman and Burt Reynolds. It has helped fund such worthy activities as gay bath houses and porn shops. It has fallen into the hands of the politically astute rather than the politically disadvantaged. And still it continues in all its flawed forms.

A recent Associated Press survey of SBA minority set-aside contracts under the so-called 8(a) program found that of the \$19 billion worth awarded over the past six years, the bulk went to predominantly white, well-to-do areas. Indeed, less than 10 percent of set-aside contract money went to black-majority areas and less than 5 percent to Hispanic majority areas. There's no law that says minority recipients have to stay in minority neighborhoods. But that's not the way the agency pitches the program to Congress:

"8(a) firms provided employment for over 102,000 men and women during fiscal 1992," the agency said in its most recent report to Congress. "Many of these jobs are in the inner city and in areas of high unemployment." Like Alexandria? The top 8(a) participant in Virginia, with 30 contracts worth \$111.7 million, was Automation Research Systems Ltd. in Alexandria. Alexandria is 84 percent white with a household median income of \$85,602.

Hooking minorities on government aid of one kind or another is a bad idea to begin with. When the real beneficiaries of such programs turn out to be people like the Clintons — well, whatever else turns up in Whitewater, that's a scandal.

Where the majority rules

The awesome control of the House of Representatives wielded by the Rules Committee — and by extension, the Democratic leadership — has become so intolerable that even members of the majority party are banding together to fight it. Rep. Charles Stenholm, a conservative Democrat from Texas, has formed the "Fair Rules and Openness Group" (also known as FROG) with 16 other non-liberal Democrats in an effort to pry open the committee, which regularly blocks their legislation by disallowing amendments they want to bring to a vote.

Once upon a time, so-called "restrictive rules" — those in which legislation arrived on the House floor with members' ability to amend it circumscribed — were rare, used only to streamline particularly complex legislation. During the 95th Congress (1977-78) only 15 percent of laws were considered under closed or semi-closed rules. But then the Democratic leadership figured out that by limiting what amendments could be offered, it could stifle opposition and protect itself against politically embarrassing votes. By 1991 more than 60 percent of the legislation taken up by the House was considered under restrictive rules.

Republicans long have complained that the rules committee abuses its power. They, after all, have borne most of the brunt of the committee's ideological capriciousness. Less publicized, however, has been the annoyance of conservative Democrats, whose measures have been locked out no less effectively than those proposed by conservative Republicans. But that frustration has been growing.

A restrictive rule must be approved by a majority of the House before the legislation it controls can be brought to the House floor. More often than not, votes on rules are party-line affairs, with Democrats voting for the rule, and Republicans voting against. As such, rules are approved as a matter of course. In the 102nd Congress, the rules committee always got its way: Not one rule was defeated. In the two years of the 101st Congress only three rules were rejected. But already, just halfway through the 103rd Congress, four rules have gone down.

This means that a fair number of Democrats have bucked the Democratic leadership and voted with the Republicans. If the FROG is able to build a group of 42 or more Democrats willing to join the 176 Republicans who regularly vote against closed rules, they will be able to slap the rules committee down any time they feel their interests have been squashed.

Loosening the stranglehold the rules committee has on the House is not just in the service of the pet legislation of the boll weevils. It is, in fact, a profound and necessary reform, as the "people's House" has turned increasingly into a body under the tight control of the leadership. The members of FROG — Reps. Peter Barca, Sanford Bishop, Bill Brewster, Glen Browder, Nathan Deal, Eric Fingerhut, Pete Geren, Martin Lancaster, Jill Long, Dave McCurdy, David Minge, Tim Penny, Dick Swett, Charles Stenholm, Billy Tauzin, Gene Taylor, Karen Thurman — have displayed considerable political courage in risking the ire of their leaders for the sake of a more open House.

In this becalmed moment before the congressional hearings begin, if they ever do, and with the special counsel's report still only a hint in Robert Fiske's non-committal eye, the semi-good ship Clinton finds itself in smooth seas.

It's time for the president to kick back, turn on the charm and even do a little policy wonking. What a luxury. The storm has passed, and another isn't due for days — well, hours anyway. Bill Clinton was in his old form before the nation's editors the other evening, mixing an air of casual innocence and subdued indignation with just the right amount of self-sympathy. Definitely a man for '90s. Right out of *Esquire* with a heavy admixture of Congressional Quarterly.

But he can't seem to get off the defensive this time, as if he were seeking sympathy rather than vindication. He comes across less presidential than adolescent, like a teenager who may miss a curfew or two but has a perfectly good excuse each time. Indeed, one wishes he had fewer good excuses; then they might not contradict each another so often. But our Boy President has such a winning way, and the infraction doesn't seem all that serious, whatever it was, and It's Just Not Fair, so, what the heck, Dad, why not just forget it and get on with life? These investigations are going to be an awful lot of bother, you know.

It's a tempting suggestion. And it's meant to be.

On the political front, the first and maybe last line of defense is already being put in place by the pros — James Carville, the president's old handler; George Mitchell, the nose-counting majority leader of the U.S. Senate and the president's idea of what a Supreme Court justice should be; and the president himself, who is his own best manager.

The line is simple and appealing: The issues facing this country are much too important for us to be spending time fooling with some wispy something that may or may not be a scandal — not when the president, as he puts it in his faux-

folksy way, should be doing what he was hired to do.

This administration is also blessed with perfect foils like Bob Dole, the picture of wry cynicism no matter what he says or does, and Alfonse D'Amato, who has a checkered record of his own where ethics are concerned. (If only Iowa's Jim Leach had stayed out of it!)

So the stage is set for George Mitchell to sum up for the defense:

"Sen. Dole is a good friend and he is a very smart man. And I would not want to be him going to the American people and saying, 'We think Whitewater is more important than passing a crime bill, we think Whitewater is more important than passing a health-care bill ... and we're going to stop this government cold until we get some satisfaction on Whitewater.'"

Only if one substitutes what Whitewater is about for the blurry, boring, inexact and already irritating name itself — namely, the limits of power in a government of checks and balances, and integrity, that is, whether a president and his spouse are what they claim to be — does it become clear why this messy affair should be taken seriously in a republic. But who's got time to spell these things out? Now we think in E-mail, and a 15-second attention span would set records.

If the Clinton Defense sounds familiar, there's a reason. It's been tried before. Another president once explained why the great affairs of the nation must not be held hostage to a little domestic messiness:

"I can assure you that the hope for building a peaceful world rests in the leadership of the United States,

and that leadership, of course, rests in the hands of whoever may be president. ... I shall do nothing to weaken this office. ... We have been together ever since we came to Washington ... as part of this great adventure ... and we shall leave together only when we have completed our service, and we shall leave heads high Jan. 20, 1977." — President Richard M. Nixon, June 9, 1974, speaking at a political rally three months before his resignation.

And here is Carl Curtis, then Republican senator from Nebraska, on the same occasion: "The get-Nixon crowd, including those who conduct a trial by press, are in for a big surprise."

You would think history could at least invent some new lines once in a while.

The Nixon Defense might work

Whitewater doldrums as tides subside



this time. Whitewater isn't Watergate or anything else clear yet. Despite all the suspicious meetings and contradictions, there is no proof here of anything criminal, or perhaps even of much improper. Besides, doesn't the definition of impropriety in a society have to be elastic, so ethics will have room to grow? And doesn't that mean it also has plenty of room to shrink? So that what seemed highly improper to some of us puritanical types only a few years ago — like a series of meetings between the president's men and the head of the regulatory agency supposedly investigating him — may now seem innocuous in this post-Nixon, Clintonized culture.

What really puzzles is why, in the absence of any proof that the law has been broken, the Clintons responded with such an elaborate and embarrassing series of misstatements and misimpressions about their finances. They couldn't have raised more suspicions if that had been their aim. There would seem something more involved here than faulty memory; there is also the faulty image of just another middle-class couple who invested some money and lost it.

Can they simply never stop posing? Or had the Clintons come to believe their empty image? Or would the Presidents Clinton prefer to be suspected of a crime rather than of upward mobility? Is being revealed as an insider who makes a killing with the help of a well-placed friend now a fate worse than being suspected of who knows what crimes? Maybe it is in this genuinely phony era. If political imagery is what you're all about, you might go to ridiculous lengths to hold on to it. Even after it's gone.

Paul Greenberg is editorial page editor of the *Arkansas Democrat Gazette* in Little Rock and a nationally syndicated columnist.

For Arkansas governor backlash a benefit

Voters dis 'ke message from GOP, polls show

By Dennis Cauchon
USA TODAY

LITTLE ROCK — Among the political victims claimed by the Whitewater affair, one might expect to find Democratic Gov. Jim Guy Tucker, who's hip-deep in the controversy.

Instead, residents are turning their wrath on Republican candidate Sheffield Nelson, who first pushed the Whitewater story on the national media.

The backlash against Whitewater is so strong polls show Tucker's popularity growing even as the media has detailed his role in Whitewater. Meanwhile, Nelson's popularity has sunk and he's sworn off talking about Whitewater.

"A lot of people in Arkansas are sick of the attention Whitewater has gotten and what it seems to say about the state," says John Brummett, *Arkansas Democrat-Gazette* columnist. "These people tend to blame Sheffield (Nelson)."

Nelson is the favorite in the May 24 Republican primary. He lost to Bill Clinton in the 1990 governor's race.

Tucker, unopposed in the Democratic primary, was lieutenant governor until he succeeded Clinton in 1992.

Other than Clinton, Tucker is the most high-profile political figure under investigation by Whitewater special counsel Robert Fiske Jr., who could bring indictments against anyone who illegally profited from the failed Madison Guaranty Savings & Loan.

Tucker borrowed extensively from Madison S&L and Capital Management Services, another institution being probed.

In one instance, a \$1 million loan from Madison was cut in half before being repaid. Tucker says the reduction was approved by regulators after James McDougal, Clinton's Whitewater partner, left the S&L. He says the loan was reduced because Madison failed

to perform sewer work on a real estate development.

Also under investigation: Tucker and his wife received Small Business Administration-backed loans from a company owned by former municipal judge David Hale, who's pleaded guilty to fraud. Tucker says the loans were repaid and he did not know the money was supposed to go to minority or disadvantaged business people.

None of this seems to have hurt Tucker. His favorable rating rose from 69% in October to 72% in February as news stories detailed his Whitewater role, according to Opinion Research Associates.

"I pick up no reaction from people," Tucker says.

At the same time, Nelson's unfavorable rating has grown from 30% in October to 35% in February. That's a bad sign for a man with only 62% name recognition and a favorable rating of just 21%.

"Those are extraordinarily high unfavorable ratings for someone who's never held public office and hasn't run a campaign in four years," says pollster Ernest Oakley.

Nelson, a millionaire businessman, says it's unfair to blame him for Whitewater.

A member of the Republican National Committee, Nelson has been an important source for reporters looking for dirt on Clinton.

"My role has been way overplayed," he protests. "My major role was getting Jim McDougal in touch with Jeff Gerth of *The New York Times*. ... Their calls crossed. I brought them together."

The meeting led to a March 1992 *Times* story reporting how Bill and Hillary Clinton were partners in the Whitewater real estate deal.

Nelson also had a taped interview in which McDougal said he had Whitewater information on Clinton that "could sink him." Under subpoena,



POPULARITY ON THE RISE: Polls show Democratic Gov. Jim Guy Tucker's popularity is growing even as the media has detailed his Whitewater role. The catalyst: GOP promotion of Whitewater.



NELSON: GOP challenger has sworn off Whitewater talk.

Nelson turned over the tape to the special prosecutor.

Nelson has pledged not to make Whitewater an issue. "I will run a high-roads campaign based on issues."

Democrat-Gazette cartoonist John Deering lampooned the pledge, showing Nelson saying: "WHITEWATER will

not be an issue. So don't ask about WHITEWATER."

Fear of Whitewater is so great that Nelson's main GOP opponent, state Sen. Steve Luef, won't say the word. He calls it "that problem" or "the Madison thing."

"I'm not sure what the word means, so why use it?" says Luef, a cattle rancher. "It can be perceived as the trashing of Arkansas. I give the governor the benefit of the doubt."

Asked to utter the "W" word, Luef says, "I'd rather not." "There's a perception that he was willing to trash Arkansas to assist the Republican nominee for president," says Tucker. "That's resented by a lot of people."

Nelson won the 1990 Republican primary partly because Democrats crossed over to vote against former U.S. representative Tommy Robinson, viewed as "evil incarnate to many Democrats," says political consultant Jerry Russell.

Luef is considered a weaker

candidate because of his lack of money and aggressiveness.

Nelson spent \$2.6 million in 1990, including \$1.1 million of his own money. Nelson is former chief executive of Arkla gas company. Thomas "Mack" McLarty, now Clinton's chief of staff, succeeded Nelson as Arkla's chief executive.

Rather than spending his own money this time, Nelson says he'll limit campaign spending to \$1.5 million from contributors. He started running commercials during the University of Arkansas' appearance in the NCAA Final Four basketball championship.

Tucker has already raised \$1 million, which he acknowledges was a factor in scaring off primary opponents.

Everyone expects a dirty campaign.

Rumors have already started that Tucker is in ill health and on a liver transplant list. Tucker, 50, who suffers from chronic ulcerative colitis but looks in good health, denies

Special counse 's task tougher than expected

By Dennis Cauchon
and Judy Keen
USA TODAY



By Jeff Mitchell, Reuters
FISKE: Obstruction probe may stretch into July.

Whitewater special counsel Robert Fiske Jr. could release his report on the death of White House lawyer Vincent Foster as early as this week.

Fiske has said he hoped to report by mid-April.

But Fiske apparently has fallen behind schedule in his probe of whether White House officials improperly tried to obstruct regulators looking into Whitewater.

While Fiske hoped to wrap up that probe at the same time as Foster's, now it appears he won't be finished until June or July.

That could mean a delay in congressional hearings. Fiske has asked Congress to hold off hearings until he makes his interim report.

Fiske is looking at whether President Clinton improperly benefited from the failed Madison Guaranty Savings & Loan. Clinton was a partner with James McDougal, the S&L's owner, in the Whitewater land deal.

A federal grand jury in Little Rock is in the early stages of its probe.

"It seemed they were just getting started," said Chris Wade, a real estate agent who testified last week.

In Wade's one-hour ap-

pearance, prosecutor William Duffey Jr. asked all the questions; jurors asked none. The atmosphere was not hostile, Wade said.

"He basically led me through a narrative of how (Whitewater) came about," said Wade, who sold the Whitewater lots. "He was trying to give the grand jury a feel of Whitewater."

A separate federal grand jury in Washington, D.C., is probing whether the White House tried to cover up Whitewater. Fiske has given no hint about what conclusions he may reach.

"No news is good news," says Stanley Brand, lawyer for White House communications director George Stephanopoulos.

he's on a transplant list and recently released a three-page doctor's report on his health.

"Sheffield is hoping something from Whitewater falls from the sky and crushes Tucker," Russell says. "I doubt it. Show me a Republican officeholder in Arkansas and I'll show you a Democrat who didn't run a good campaign. And Jim Guy Tucker ain't going to run a bad campaign."

Nelson says if any politician is punished for Whitewater, it won't be him.

"If, in fact, anybody has abused the public trust, if there's been a fraud perpetrated on the people, if there's corruption, people deserve to know. And if getting McDougal and Gerth together had any role in getting it out, people should applaud it and not resent it. And most do," he says.

From Willie Horton to Whitewater ✓

BROWN, From D1

Hot Scoop Or Dirty Tips?

Should Media Treat
Floyd Brown Seriously?

By Howard Kurtz
Washington Post Staff Writer ✓

The fund-raising letter from conservative activist Floyd Brown wastes no time touting his role in stirring up coverage of the Whitewater affair:

"Investigative television reporters from ABC and CBS have come to me and Citizens United so that we could present our evidence to them. And we have worked directly with NBC News, helping them every step of the way. . . .

"The Wall Street Journal, the Boston Globe, Gannett Newspapers and others have already asked our assistance. And even the big newsweeklies—Time, Newsweek and U.S. News & World Report—have sent their investigators to us for complete briefings."

Brown is back on the political front lines. The independent operative is best known for making the in-

See BROWN, D2, Col 4

famous Willie Horton commercial attacking Democratic presidential candidate Michael Dukakis in the 1988 campaign. Brown had somewhat less success in 1992, when President Bush's campaign disavowed his creation of a pay telephone line featuring Gennifer Flowers's tapes of her conversations with Bill Clinton.

These days Brown's Fairfax-based group, Citizens United, sends a Whitewater fax almost daily to 1,200 reporters and talk shows. The group says it raised \$3 million last year from 175,000 donors. But Brown's investigators have run out of cash, according to his letter, which asks potential donors to complete an "Emergency Survey on the Impeachment of President William Jefferson Clinton."

Brown's role as a journalistic source is starting to draw increased scrutiny. In the forthcoming issue of Columbia Journalism Review, writer Trudy Lieberman accuses the press of having "shamelessly taken the handouts dished up by a highly partisan organization . . . without identifying the group as the source of their information."

But several journalists said they use Brown's organization mainly as a source for leads and tips.

"You've got to know where the information is coming from, you've got to evaluate it," said Ira Silverman, an investigative producer for NBC. "Over the years, much of my stuff has come from disreputable people. You don't find swans in the sewer."

Brown and his chief investigator, David Bossie, "knew the cast of characters [in Whitewater] when I didn't. That was of value to me," Silverman said.

The other networks played down Brown's role. "I can't think of a story we've done where we've used material from Floyd Brown," said Barbara Cochran, CBS's Washington bureau chief.

"They frankly didn't have anything that we didn't already know about," said Christopher Isham, head of ABC's investigative unit.

Evan Thomas, Newsweek's Washington bureau chief, said: "You can always hear the sound of grinding axes in any news story. They're almost always interested parties. The trick is to get it from other sources."

In an interview, Brown likened Citizens United's role to that of a presidential campaign's opposition research unit.

"I don't know one journalist in America who would take what I would hand him on a silver platter and print it," he said. "I try to be as accurate as possible. . . . Real reporters would not talk to me a second time if I gave them anything that was not factual and true."

But Democrats are crying foul. White House senior adviser George Stephanopoulos told the Wall Street Journal that "Floyd Brown is a slimy thug for hire."

"Respectable journalists should keep their distance from the team that originated Willie Horton," said Leslie Dacn, co-chairman of the Back to Business Committee, a group of Democratic activists formed to defend the Clintons on Whitewater. "No independent journalists can be proud of reading about themselves in this letter."

Brown says he formed relationships with key Whitewater figures in Arkansas while researching his 1992 paperback, "Slick Willie: Why America Cannot Trust Bill Clinton." He says he has amassed thousands of Whitewater documents and land records.

Brown confirmed that his group helped publicize four of the Whitewater stories cited by Columbia Journalism Review:

■ Last fall, Brown's "ClintonWatch" newsletter featured his interview with former Arkansas judge David Hale, who owned a lending company approved by the Small Business Administration. Hale alleged that Clinton, while governor of Arkansas, had pressed him to make a \$300,000 loan to Susan McDougal, one of the Clintons' Whitewater partners. (Hale pleaded guilty last month to defrauding the SBA.)

In the following weeks, The Washington Post, the New York Times, the Los Angeles Times, Newsweek, NBC and ABC all ran stories that included interviews with Hale about his allegations. Brown said that "we helped facilitate a number of interviews" with Hale.

Michael Isikoff, coauthor of The Post story, said he first learned of the Hale allegations from the Arkansas Democrat-Gazette. He said he talks to Brown "every now and then. He provides tips and story ideas like lots of other sources. But obviously, you check out everything he says."

New York Times staffers say that while the paper occasionally talks to Brown, reporter Jeff Gerth was the first journalist to interview Hale, and without Brown's help.

"Jeff Gerth has been ahead on this story from the start—on his own," said Andrew Rosenthal, the Times's Washington editor. "Some of what he has produced we have published, and some we haven't. . . . The notion that Jeff Gerth needs Floyd Brown to give him investigative tips is ridiculous."

■ Soon after the first Hale stories appeared, the Washington Times published a copy of a \$300,000 check from Hale to McDougal that was in Brown's files.

■ The Washington Times also reported that Hillary Rodham Clinton, in a 1988 letter, had asked McDougal for power of attorney over Whitewater matters. More than two dozen news organizations later cited this letter, often as evidence that the Clintons were more than just passive investors in the ill-fated land deal. According to Lieberman's piece, the Hillary Clinton letter was in Citizens United files as Exhibit K-1.

■ Brown said he disseminated copies of taped conversations between Susan McDougal's husband, James, and Sheffield Nelson, Clinton's 1990 gubernatorial opponent, in which McDougal challenged the president's account on Whitewater. Newsweek was the first to publish excerpts from the tapes, which were later released by Rep. Jim Leach (R-Iowa), a leading GOP critic on Whitewater.

"We became a receptacle for information, and a lot of journalists found they could get a jump-start in researching this story by sitting down with us," Brown said. "We briefed just about everybody. We've met with just about every major news organization, sometimes multiple reporters. Brown's fund-raising letter says he has also provided Whitewater briefings for key members of Congress."

Citizens United has been visible in other ways. In January, the Democrat-Gazette reported that an NBC crew and Bossie, the group's investigator, had been seen together in Fayetteville while NBC was pursuing an interview with Beverly Bassett Schaffer, a former Arkansas securities commissioner.

NBC's Silverman said that Bossie "did not set that up. He had nothing to do with it. I was just on the way to try to get some other information that he perhaps knew about."

Clinton wind up break from Whitewater

The Associated Press

CHARLOTTE, N.C. — Scrunched over in his skybox, chin in hand, President Clinton cheered his beloved Arkansas Razorbacks to victory in the NCAA basketball semifinals as he wrapped up a nine-day vacation yesterday.

No sooner does he make it back to the White House than Clinton launches a travel schedule that will take him to six states in five days.

If it seems like Clinton doesn't want to be in Washington, Whitewater is probably the reason.

He left Washington on March 25 for Dallas, where he played best man at his brother Roger's wedding and watched Arkansas defeat Michigan in the NCAA's Midwest regional basketball final.

He spent three days in Dallas and a week in Southern California before flying to Charlotte for the Final Four faceoff between Arkansas and Arizona.

Considerably less demonstrative than in earlier games, Clinton nervously clenched his fists during tense plays and provided running commentary to his seatmates.

Sharing the privileged skybox with him were Hugh McColl, chief executive officer of NationsBank; Barlow Herget, an old friend of the president from North Carolina; and Harvey Gantt, onetime Democratic challenger of Sen. Jesse Helms, R-N.C.

First lady Hillary Rodham Clinton and 14-year-old daughter Chelsea watched from an adjoining skybox.

The president's week at a borrowed beachfront mansion in quiet, affluent Coronado, Calif., featured lots of golf, frequent beachfront jogs, a trip to San Diego's Wild Animal Park, a couple of bike rides and a family lunch at a Mexican cafe.

Conspicuously missing was the one topic on many minds back home in Washington. After an initial flurry of questions last weekend about the status of senior aide George Stephanopoulos, and the very occasional "Impeach Clinton" signs spotted in crowds in California, Whitewater was a no-show.

Clinton, returning last night to the White House, planned a brief break for Easter and the traditional Monday morning Easter egg roll on the White House lawn before hitting the road again.

Tomorrow is sports day: He'll open the baseball season in Cleveland and possibly continue to Charlotte, N.C., for the NCAA finals.

Most of the week, however, is part of an administration-wide blitz to regain momentum for Clinton's health care reform plan. □



President and Hillary Rodham Clinton, with their daughter, Chelsea, arrive at airport in Charlotte, N.C., yesterday to root for the Arkansas Razorbacks in the Final Four basketball semifinal against Arizona.

Rochester - Democrat + Chronicle

4/5/94

The fuss over Whitewater

Issue not likely to go away soon

By Mitchell Lacin

WASHINGTON—Even Sports Illustrated couldn't sail past Whitewater.

When it talked to President Clinton about the championship prospects of his beloved home-state Razorbacks, the magazine wondered in print: "Could the Whitewater imbroglio have been why Clinton agreed to share with SI his thoughts about the Arkansas basketball team?"

"Probably not," the article concluded. But, of course, that hadn't stopped the author from bringing it up.

Whitewater—the name given the failed Arkansas real estate venture and all its associated questions—has swiftly become part of the political lexicon and already is included in the equation for everything Clinton does, even sports.

The president and First Lady Hillary Rodham Clinton are resigned to its pervasiveness, and the rest of America might as well in and get comfortable with it.

At a minimum, questions will hang over Clinton for months, if not years, possibly affecting his ambitious agenda on health care, welfare reform, crime, job training and education. It's likely to have an effect on the political fortunes of fellow Democrats this year, not to mention his own expected re-election bid in 1996.

The Clintons deny that they did anything wrong other than make a bad investment and maybe mess up on their taxes, and they insist that their staff did nothing but exercise bad judgment in meeting with federal regulators.

But Special Counsel Robert Fiske Jr. is looking into the legal ramifications, and congressional hearings are expected to publicly explore the Clintons' investment in Whitewater, the tangled connections between the land deal and a failed Arkansas thrift and, perhaps more telling from a legal standpoint, administration efforts to contain the political damage.

Whitewater already has proven to be more than a distraction for the administration. Markets at home and abroad quake at rumors. Foreign leaders shift from one foot to another at appearances with the president while he responds to questions about it. And the Clintons can't do an without reporters raising it.

In Florida with his wife last week, Clinton tried to return the subject of public debate to health care. But confronted with questions about Whitewater, the president asked reporters: "Why don't you just let the special counsel do his job?"

As Sports Illustrated Illustrated, Whitewater has become such a presence that in some situations even its absence is newsworthy. The Washington Post noted that the writers of the recent Gridiron

See WHITewater, PAGE 4

Mitchell Lacin is a member of the Tribune's Washington bureau.



Hillary Rodham Clinton and President Clinton. The President and First Lady were partners in Whitewater Development Corp. from 1978 until 1992 during the time that President Clinton was governor of Arkansas and Hillary Rodham Clinton was a prominent Little Rock attorney.

▼ Heads investigated

Former Wall Street lawyer and federal prosecutor, appointed Jan. 20, 1994 as special counsel to investigate the Clintons' involvement in the failed Whitewater Development Corp. real estate venture and their relationship with James B. McDougal, manager of the failed Whitewater project and owner of Madison Guaranty, which failed in 1993.

▼ Handled legal work

Deputy White House counsel and partner with Hillary Rodham Clinton in the Rose Law Firm in Little Rock, Foster handled much of the legal work for Whitewater Development and represented the Clintons in the last stages of their Whitewater dealings. On July 20, 1993 Foster was found dead, an apparent suicide. Documents related to Whitewater were among those later removed from his office.

▼ Resigned over improprieties

Former White House counsel, resigned March 5, 1994 over disclosures that he and aides conferred privately with Treasury Department officials about the status of the Whitewater Development, Madison Guaranty, and other matters. He was later found dead, an apparent suicide. Documents related to Whitewater were among those later removed from his office.

▼ Briefed White House

Deputy Treasury Secretary, involved in a meeting with Nussbaum and Treasury officials in February about the status of the Whitewater Development. Subpoenaed to appear before a federal grand jury in Washington.

Questions about President and Hillary Rodham Clinton's failed Whitewater real estate venture are casting a shadow over the president's agenda. Questions have also been raised over whether Clinton's staff tried to interfere with a federal investigation of Whitewater.



This 230-acre parcel of land on the White River in Arkansas' Clark County was the site of the Whitewater Development project owned by Bill and Hillary Rodham Clinton and James and Susan McDougal.

Key developments

- 1978**
 - Bill and Hillary Rodham Clinton, with James and Susan McDougal, borrow \$203,000 to buy 230 acres in the Arkansas Ozarks for a resort development. The Clintons' initial investment is \$20,000.
 - They form Whitewater Development Corp. and transfer the land to it. The Clintons are half owners with McDougal and his wife, Susan, and are responsible for half the debt and entitled to half the profits.
- 1981**
 - Hillary Rodham Clinton borrows \$300,000 from Kingston Bank and Trust, a small bank owned by McDougal, to construct a model house on one of the lots. The Clintons have acknowledged that they made improper interest deductions on that loan from their income taxes.
- 1984**
 - McDougal buys Madison Guaranty Savings and Loan in rural east Arkansas. The following year, he opens a branch in Little Rock.
 - Federal regulators begin to question loans to McDougal's friends and family. Hillary Rodham Clinton's law firm, the Rose Law Firm in Little Rock, is put on retainer for \$2,000 a month to represent Madison Guaranty. McDougal says the firm was hired after Bill Clinton complained to him about lagging Clinton-family finances.
 - Bill Clinton appoints lawyer Beverly Bassett Schaffer as new Arkansas securities commissioner. Schaffer is a former law student of Clinton and a former lawyer for Madison.
 - Hillary Rodham Clinton represents Madison as it seeks Bassett's permission to make an unusual preferred stock offering that would bring in needed cash to the ailing thrift. The plan is approved but never implemented.
- 1986**
 - McDougal is ousted as chairman of Madison Guaranty Savings and Loan. The Federal Home Loan Bank Board faults McDougal for risky investments, low cash reserves and shoddy record-keeping.
 - Madison fails and is taken over by federal savings and loan regulators. The cost to taxpayers is estimated between \$47 million and \$60 million.
- 1992**
 - The Clintons claim they have lost \$69,000 on the failed Whitewater venture. Later, that amount is reduced to about \$46,000.
 - The Clintons sell their share in Whitewater to McDougal for \$1,000. Vincent Foster, then personal attorney to the Clintons, discovers that Whitewater Development has not filed tax returns for three years.
- 1993**
 - Foster, now deputy White House counsel and former partner of Mrs. Clinton at the Rose Law Firm, is found dead, an apparent suicide.
 - The White House discloses that documents related to Whitewater are among those taken from Foster's office by administration officials and turned over to David Kendall, the Clintons' personal attorney.
 - Jan Hanson, general counsel at the Treasury Department, briefs Bernard Nussbaum on Resolution Trust Corporation's plans to refer its Madison investigation to the Justice Department for criminal action.
 - The White House reveals that a subpoena has been issued for Whitewater records under terms negotiated between prosecutors and David Kendall.
 - Robert B. Fiske Jr. is selected by Atty. Gen. Janet Reno to be special counsel in the Whitewater case.
 - Roger C. Altman, Deputy Treasury Secretary and acting chairman of the RTC, acknowledges giving Nussbaum and other aides a private briefing on how the agency would proceed regarding Madison and Whitewater.
 - Subpoenas on seven of Clinton's senior White House aides, seeking testimony and documents related to the probe of Whitewater and Madison Guaranty.
 - White House counsel Bernard Nussbaum resigns.
 - U.S. Senate and House agree to consider a timetable for Whitewater hearings.



James B. McDougal and Susan McDougal. The McDougals were friends and supporters of the Clintons, who in 1978 joined them to form Whitewater Development Corp. Both McDougals later were owners of Madison Guaranty, an Arkansas savings and loan, and other ventures that may have provided to support Whitewater projects.

▼ Some unanswered questions

- Were funds from Madison Guaranty illegally diverted to the mid-1980s to pay political and personal debts of the Clintons or to restore the Whitewater?
- Did a 1990 Clinton political fundraiser receive funds improperly diverted through Madison Guaranty?
- Did the Clintons try to keep Madison silent to help them escape the fallout of the Whitewater?
- Did Clinton or state regulators provide favors for Madison Guaranty?
- Did the Clintons or their agents act to cover up details revealed by federal investigators into Whitewater and Madison Guaranty?
- Did the Clintons or White House staff attempt to divert a Justice Department investigation into Whitewater?

▼ Damaging disclosure

- White House counsel Bernard Nussbaum was involved in three meetings with Treasury Department officials about the status of the Whitewater investigation. It is common practice for lawyers to try to find out what information investigators may have, but when inquiries come from the White House, it could be interpreted as interference.
- Sept. 25, 1993: Treasury Department general counsel Jean Hanson tells Nussbaum of the Resolution Trust Corporation's intent to ask for a Justice Department investigation; 10 days later, the RTC formally requests the investigation.
- Oct. 14, 1993: Nussbaum, 1 House communications director Mark Geagan, White House senior adviser Bruce Lindsey, Hanson, and Treasury Department officials Josh Steiner and Jack Delors meet to discuss how to handle press inquiries about the investigation.
- Feb. 2, 1994: Deputy Treasury secretary and acting-RTC chief Roger Altman and Hanson brief Nussbaum, deputy White House chief-of-staff Harold Ickes and Hillary Clinton's chief of staff Margaret Williams on how the RTC Whitewater investigation is proceeding.

Chicago Tribune/Steve Weiss, Ron Marshall and Steve Latta

From the folks who brought you Willie Horton, here's Whitewater

By Carol Jousaitis

WASHINGTON—In the war over Whitewater, President Clinton's foes are manning their weapons—telephones, fax machines, newsletters and air waves—with no Clinton-basher being more aggressive or visible in recent weeks than Floyd G. Brown.

Brown, who heads a conservative foundation, has fashioned himself into a sort of one-stop service center for some reporters and congressional aides scouring about for tips, leads, documents, interviews or rumors in the

Carol Jousaitis is a member of the Tribune's Washington bureau.

Whitewater story

He's not the only source of information. Many reporters are doing their own investigation. But a visit to Brown's offices, located over a nail salon in a low-slung commercial building in Fairfax, Va., is a quick study in how the feeding frenzy gets fed in Washington.

Looking for a copy of Bill and Hillary Rodham Clinton's 1980 tax return? Brown's got it. Photocopies of Whitewater check stubs or Mrs. Clinton's mortgage agreement? He has those too.

Need to interview David Hale, the Arkansas man who accused Clinton of financial misdeeds as governor and last

week pleaded guilty to unrelated charges of fraud against the government? Brown says he can arrange it. Hunting for the clerk who testified that he shredded files at Rose Law Firm? Brown can get him on the phone for you.

Want a new angle on the Whitewater story? A full-time researcher, employed by Brown, spends long days digging for skeletons in the Clintons' Arkansas closets, alternately traveling to Little Rock and working the phones from Virginia.

The researcher, David Sosie, harvests tales of alleged wrongdoings from a network of Clinton enemies, then peddles them to Capitol Hill and media

contacts in hopes of prompting scandalous stories.

There's no smoking gun to be found in Brown's mountain of material, which he has been circulating around Washington for months. He says he does it out of conviction that Clinton lacks integrity and that during the presidential campaign the media fell down on the job of fully investigating his behavior in Arkansas.

"It's never pretty when you clean up after a mistake," he said.

The bespectacled, 35-year-old Brown, who has been described as a sort of overgrown Dennis the Menace, has spent years in the gamey, dirty tricks business of opposition research.

A Pacific Northwest native—the son of a Democratic sawmill worker whose own father was a member of the International Workers of the World—Brown got his first taste of national politics in 1988 as a campaign worker for Sen. Bob Dole (R-Kan.).

But when the Republican establishment proved too tame, he set out to stir up the political pot as a free-lance operator. Currently, Brown is head of Citizens United, a 175,000-member non-profit conservative organization... a vehicle that Brown has used to raise nearly \$3 million in direct mail solicitations.

With a taste for dredging up scandal, Brown's tactics are loathed by Sen. Brown, Page 4

Chicago Tribune 3/27/94

The China fiasco: Just one piece of a foreign-policy mess

President Clinton, who supposedly has been involved in raising his daughter, somehow missed the first rule for administering discipline: Never make a threat you aren't ready to carry out. Having failed to glean a lesson from child-rearing, where the costs of trial-and-error methods are minor, he is now learning it from diplomacy, where the price is dear.

Clinton's problem arises from his policy toward China, which has been a fiasco. Worse, it has been one of many—the latest illustration of the

Stephen Chapman

Confusion evident in the administration's foreign policy since its earliest days. Time and again, the president has taken an ill-considered position and then been forced to retreat.

During the presidential campaign, Clinton offered George Bush for "coddling" Beijing and led for trade sanctions against China for its human rights abuses. But when it came his turn to do something last May, Clinton flinched. Instead of giving China's most-favored-nation status, he ended it, signing an executive order giving the time just one more year to straighten up. He hasn't. And when Secretary of State Warren Christopher visited Beijing recently, the administration made a point of arresting and harassing dissidents, publicly rejecting U.S. human rights demands and generally inviting the administration to go pound sand.

What leaves Clinton pleading with Beijing to not him some pretext for not following through his ultimatum. Wiser or at least less reckless than he was on the campaign trail, the president had to listen to aides who tell him that punitive measures would not only cost American jobs and hurt American consumers but also undermine the progress that has occurred in China since 1978.

There is a strong case for encouraging Beijing's economic liberalization, which necessarily includes opening commerce with the rest of the world. "The 15 years are the best 15 years in China's modern history," the U.S. ambassador to China, J. P. Iglehart, said in December. "And of those 15 years, the last two years are the best in terms of openness, individual choice, access to outside news of information, freedom of movement within the country and stable domestic conditions."

Clinton has acknowledged privately that giving China of its normal trade status is the "right thing" he wants to do. So the administration is trying discreetly to appease Beijing with noises that things will get easier.

We have told the Chinese, "Get us over the ultimate order, and we'll consider all sorts of alternatives," an anonymous senior official admitted. The Chinese rulers must be saying to themselves: "The American president is either at your feet or at your throat," notes China scholar Arthur Waldron of Ohio University, has given himself a choice: "Kiss down or lie. He can renounce his own policy in the face of Beijing's defiance, or he can pretend made enough progress on human rights to merit the extension of trade privileges. Either way, he looks weak and inept. There's only one option: Go ahead and revoke most-favored-nation status, to the detriment of both the American economy and the Chinese movement toward greater freedom."

Clinton's handling of China betrays a pattern: When it comes to foreign affairs, Clinton tries on policies like a pair of shoes. Anything that doesn't feel right goes back on the shelf. Christopher has been tarred for the China embarrassment, but the root of the problem lies in the Oval Office.

In Bosnia, Clinton urged Bush to take military action, only to spend his first year in office finding uses for staying out of the war. Having rejected the North American Free Trade Agreement months before finally deciding to fight for ratification. He attacked his predecessor's policy of Haitian refugees as unconscionable, only to let it in place when he took office. He sent 15,000 armed troops to Haiti and yanked them out before they could disembark.

Part of the problem is that Clinton doesn't care much about foreign affairs. Part is that he acts as if noble sentiments are all it takes to make good policy. Part is that as a candidate, he seized any issue on which Bush looked vulnerable—never mind to consider that Bush's policy might be the best of the options available. Part is that he has no forget that his words and actions have consequences.

Clinton's diplomatic amateurism, which once led to his being excused as a phase in the learning process, now looks like a congenital defect. Either way, it's turning his foreign policy into a joke.

ypograph

letter in the following quotation stands for another



Whitewater puts the '80s on trial

WASHINGTON—A funny thing happened in the middle of the scandal known as Whitewater. Somehow it became transformed into a day of reckoning for the '80s.

From its very beginnings, the scandal known as Whitewater has roared along on a raft of alleged hypocrisy, that Bill and Hillary Rodham Clinton made out like the very yuppie bandits they ridiculed during the campaign.

It is true that they scored valuable points with beleaguered voters with all their talk of helping "people who work hard and play by the rules" only to be shafted by the greedheads who profited off the Reagan-Bush '80s. Now Whitewater makes it look like the Clintons might have been two of the greedheads.

Many Whitewater stories have told less about what's illegal than what's legal. They probe, for example, the powerful and influential friends Mrs. Clinton made while she was a powerful and influential lawyer at Little Rock's powerful and influential Rose law firm, then raise the possibility that such contacts were, while perfectly legal, a little too ethically cute for comfort.

A stunning example is the recent New York Times report that the First Lady made about \$100,000 in one year in the risky commodities market with the help and advice of a friend who was the top lawyer for Arkansas-based Tyson Foods Inc., the nation's biggest poultry company.

Now all this occurred back in the 1970s, before her husband was governor of Arkansas, let alone president. And there's nothing illegal about the commodities market or getting investment advice from a friend connected to the company, unless the advice was of a sort that violated insider trading rules. That was not alleged.

But the Times reported that critics in Congress and elsewhere have complained that the Clinton administration may be too cozy with Arkansas' chicken agribusiness, particularly Tyson's, possibly giving the company some federal regulatory breaks it doesn't deserve.

Two-plus-two may not equal five, but in the current Whitewater frenzy, the chicken scandal comes close enough. So, ABC's Brit Hume asked during the president's Thursday press conference about how "you've been kind of tough at times on people you felt made out during the '80s and didn't pay their fair share. Can you tell us here tonight that you abided by the very high ethical standard... to which you've sought to hold others..."

To which the president replied "absolutely" and went on to describe how he spent the '80s as the lowest-paid governor of any state and how his wife "gave up her portion of partnership income that otherwise came to the firm and instead every year gave an enormous percentage of her time to public service work, helping children and helping education..."

"The fact that we made investments... has nothing

Clarence Page

to do whatever with the indictment that I made about the excesses of the '80s," he said.

With that, Bill Clinton seemed to revert to a popular caricature of his wife and himself as Woodstock-generation hippies who shunned wealth to enter public service, save the Earth and pursue a new politics of meaning.

That flower-child caricature helped make George Bush look more tired, but it has been miles from the truth since the day Gov. Clinton decided to support the death penalty, right-to-work laws and a number of other centrist, non-Woodstock ideas.

In truth, the Clintons were like so many other members of our generation. They put away their bell-bottoms and granny dresses, donned "dress for success" and jumped on the success track, taking time to make a few wise investments on the side, sometimes with the benefit of friends they had met along the way.

Unless some serious violations by the Clintons are uncovered and proved, not just alleged, the extent of the Whitewater scandal may be that they chose friends who, one way or another, let them down. If so, they wouldn't be alone.

I found it rather poignant that President Clinton felt compelled in his press conference to paint a new caricature of his wife as sort of a Mother Teresa of the Ozarks.

It was necessary, I suppose, because Mrs. Clinton has been caricatured more than any other powerful woman since Marie Antoinette. One day, she is Joan of Arc, the next she is Lucretia Borgia. The next day she is Dolly Madison, the next she is Lizzie Borden. Then she's Eleanor Roosevelt. Then she's Nancy Reagan. She is a Rorschach test of our national feelings and the way various friends and enemies want the rest of us to perceive her.

But, in truth, the Clintons have a real record to stand behind that contrasts sharply with the Reagan-Bush policies of the '80s. President Clinton's first budgets shifted the tax burden toward the rich and away from the middle income brackets.

Reagan's social policy trimmed government action. Clinton supports more government action on health care, job retraining and other programs to make workers feel more secure in an era of great economic change.

Love it or hate it, Clinton has a track record of social policy that contrasts sharply with the programs of the '80s. He doesn't need to be defensive about it and he dares not let his critics redefine the terms of the debate.

The enemy of Bill and Hillary Rodham Clinton is not profit, but greed. They need to state that standard clearly.

Then, they need to live up to it.

Battling the stereotypes of the 'Big C'

By Eve Glicksman

I've been watching the frenzy unfold since Philadelphia Phillies first baseman John Kruk announced he had testicular cancer.

At first I found it refreshing that Kruk, of World Series fame, was so open about his surgery and plans to undergo radiation therapy. Within days, though, he was throwing a bat at unrelenting news media, and I wished for his sake that he had not been so candid.

alternative?

More annoying than those who marvel how well you're taking all this are people who point out how lucky you are to have a highly curable form of cancer. Neither Kruk nor I was lucky to suffer a serious illness and its after-effects so young, yet others expect us to be more grateful than they are for being healthy.

Another sentimental stereotype is that those who have suffered cancer are nobler and wiser. It sounds

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Chicago Tribune

Whitewater rush 's stilled here

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story, said a small number of his callers follow Whitewater on a blow-by-blow basis, though he says interest is growing.

Why hasn't Whitewater caught on here?

Perhaps it's the media's fault. Moynihan, for example, is still tickled by a Buffalo television reporter who asked him several weeks ago his opinion about the "Wastewater" investigation.

But a more likely explanation, some say, is that Whitewater is a complex matter that hasn't touched voters as directly as issues such as health care, jobs and gun control.

"My initial reaction is that unlike the Washington press corps and the Republican minority, people out in the districts are aware there are more serious issues facing them," said Jim Bowers, a St. John Fisher College political scientist.

Elizabeth Cloy, for example, showed up at the Orleans County meeting to talk to Moynihan and Rep. John J. LaFalce, D-Tonawanda, Erie County, about her 31-year-old husband, Kevin, who has multiple sclerosis.

He qualifies for Medicare, the health care insurance program for people 65 and over and the disabled, but it won't cover the cost of a promising but expensive new drug he needs.

Medicaid, the health care program for the needy, would cover it, "but I don't want to go on welfare," said Cloy, who lives in Middleport, Niagara County, and works two jobs to make ends meet.

The second most popular topic at the Orleans County meeting was gun control. Some gun owners challenged Moynihan's support for higher taxes on ammunition as a means to curtail the use of handguns.

Only one questioner even mentioned the word "Whitewater," and then it was to ask whether Washington was focusing on key concerns such as jobs and taxes.

"I've received maybe a dozen letters about it over the past six months," LaFalce said of Whitewater. "Of course it's a concern in large part because it gets so much attention (in Washington)."

Rep. Louise M. Slaughter, D-Fairport, was also making the rounds this week in her district which includes about two-thirds of Monroe County. She said she's re-

ceived little feedback on Whitewater since returning.

"Not a living soul has talked to me (about it)," Slaughter said after announcing her candidacy for reelection this week at the former Sibley's department store downtown. "We keep track of the calls and I think there's been one person who called the federal building about it. I'm still hearing a lot of concern about health care and guns." Slaughter's office is in the federal building.

To this point, at least, for those concerned about Whitewater, it doesn't seem to have changed their opinions about the president — good or bad.

"I think it's a bunch of crap," said Rogers R. Rafter, a student at Monroe Community College's downtown branch who happened upon Slaughter's announcement and told the congresswoman to suggest that her GOP colleagues "shut up."

"I think maybe he could get some better friends, but I think Bill and Hillary are doing a great job," said Rafter, a Democrat who lives in Henrietta.

But Wayne Wood, a Republican from Gaines, Orleans County, where he is a chef, said he's troubled by what he knows of Whitewater.

"I'm not as concerned about the land deal itself as I am why Clinton has been so reluctant to release information," Wood said. "If it was a bad land deal, just say it."

Wood, though, said Whitewater doesn't change his opinion about Clinton.

"I never liked him," he said. "This only adds to my distrust."

Bowers points out that constituents wouldn't necessarily talk to their representatives about Whitewater because there is not yet a link between the two.

And Kinnicutt said given more time and new developments to help the public understand a complex issue, Whitewater could take a more prominent role in people's minds.

"I think momentum is picking up, especially since some Democrats have come on board to say 'We ought to look at this,'" said Kinnicutt, a former aide to Republican U.S. Sen. Alfonse M. D'Amato, one of Clinton's most outspoken critics on Whitewater. "We've gone three weeks and there has hardly been a day when there hasn't been a new development." □

Lawmakers find Whitewater taps less interest here

Voter focus more health, crime, jobs

By Blair Clafflin

Staff writer

They're hearing plenty about health care, jobs and guns, but area members of Congress back home for the Easter break don't seem to be getting an earful about Whitewater.

"Maybe it's all inside the Beltway," Sen. Daniel Patrick Moynihan, D-N.Y., said this week after the topic failed to come up during a more than 90-minute town meeting at the Orleans County Courthouse in Albion.

As he was speaking, New York's senior senator was clutching the new issue of *Time* magazine with a forlorn-looking President Clinton and senior adviser George Stephanopoulos on the cover.

The magazine examines whether Clinton aides, including Stephanopoulos, tried to hinder the investiga-

CLINTON ELECTION PROBE 8A
LAWMAKERS BACK PACS 15A

tion into the president's and first lady's involvement in the Whitewater Development Co. and the failed Madison Guaranty Savings and Loan.

While the Washington press corps is focusing on Whitewater, it still seems to be a peripheral issue with Western New York voters.

The offices of the area's members of Congress — including Republicans Bill Paxon, R-Amherst, Erie County, and Amory Houghton Jr., R-Corning, Steuben County — report at most some sporadic calls and letters, but nothing to suggest it's a hot topic. Paxon's staff, however, reports Whitewater was a major concern raised at a town meeting the congressman held March 26 in Canandaigua.

WHAM-AM (1180) radio talk show host Jack Kinnicutt, who gives his listeners regular updates on the

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2 Section 4 ★

Sunday, April 3, 1999



The art of scandal-mongering

The Republican Party has found the missing link in the Whitewater affair, the one person whose heretofore undiscovered connection to President Clinton will cause untold anguish at the White House. Official White House denials will be in order, but the GOP has the goods on the president this time.

They've linked Bill Clinton to Spiro Agnew. It's right there in a publication called "Reality Check," put out by the Senate Republican Policy Committee. There is an "uncanny resemblance," the committee reports, between Clinton's Whitewater problems and the scandal that toppled a vice presidency. (In brief, lowly paid governor from small state moves to the big time, but gets trapped by shady financial dealings back home.)

"The similarities between Agnew's and 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," the committee breathlessly concludes. Oh, please.

There is potential seriousness in Whitewater. It might well be that the president engaged in, at the least, unethical financial activities in Arkansas. The public ought to know what happened.

There is a lot of political potential in Whitewater, too. The Republican Party would like to keep the cloud over the presidency at least through the November mid-term elections, when one-third of the Senate and the entire House is up.

But there's a thin line between honest political com-

petition and the degrading Washington game of go-for-the-jugular politics played at every opportunity.

When the line is crossed, it chafes at whatever public confidence remains in the political system. Sometimes the results are laughable, such as the Republican attempt to link Agnew and Clinton. Agnew was, after all, a Republican. His resignation and guilty plea to tax evasion were a preamble to the biggest White House scandal of them all, Watergate. One would think the Republicans would just as soon avoid dredging up such memories.

Sometimes the line is crossed in such cynical manner as to beg public disgust. How could Republican Sen. Alfonse D'Amato—whose own ethical lapses led to a rebuke by the Senate Ethics Committee, whose brother was convicted of mail fraud for secretly accepting \$120,000 to lobby him—have the audacity to lead the charge for Senate hearings on Whitewater?

For that matter, shouldn't Democratic Senators Dennis DeConcini and Don Riegle be chastened enough by their involvement in the "Keating Five" episode to lie low on matters of ethics? No, for a time they led the opposition to Whitewater hearings.

Since Watergate, the stakes have been ratcheted up so high in politics that every sign of vulnerability is cause to pounce. But many political figures fail to see the consequences. Their actions might erode public confidence in the opposition, but they don't build confidence in themselves. Indeed, in Whitewater, the public sees a bunch of tarnished, little, dented pots piping up that the kettle is black.

President's popularity edges up

Survey: Whitewater strategy stems slide

FROM THOMAS WIKES

WASHINGTON—President Clinton may have stopped the slide in his popularity that stemmed largely from the Whitewater affair, according to a poll released Monday.

The CNN-USA Today-Gallup poll taken since the president's news conference Thursday said half the people polled approved of the way Clinton has handled the questions surrounding Whitewater.

The survey Friday and Saturday of 1,088 adults showed 50 percent approved of his handling of the controversy while 40 percent disapproved. The rest said they did not know.

That compared with 39 percent who approved of Clinton's handling of the affair and 41 percent who disapproved in a March 13-18 poll.

Clinton's overall presidential approval rating also edged up to 52 percent in the latest poll, from 50 percent approval in the earlier survey.

The poll had a margin of error of plus or minus three percentage points, meaning results could vary by that much either way.

"[Clinton] was very encouraged when I showed him the poll numbers," White House spokesman Jeff Miller told reporters in San Diego, where Clinton is vacationing on Coronado Island. He said it was further proof of Clinton's contention that "while we need to answer questions [on Whitewater], we need to do the nation's business."

Both Clinton and the White House signaled strong support Monday for presidential aide George Stephanopoulos, whose complaints about a federal regulator heightened the Whitewater controversy.

"He's in good shape," Clinton said, giving a thumbs-up sign while on a jog.

It was the president's first statement on Stephanopoulos' behalf since weekend news reports linked the adviser to telephone calls to Treasury Department officials challenging the government's hiring of a former Republican prosecutor for the Whitewater investigation.

The revelations raised questions about whether the White House tried to influence the investigation, although the prosecutor was not removed from the case. The stories prompted suggestions that Stephanopoulos' job might be in jeopardy.

Not so, aides said privately and publicly Monday.

"Support for him is 100 percent," White House Chief of Staff Mack McLarty said in a telephone interview. "It really upset me last night when I heard reports that he was getting less than full support. It's not true."

Stephanopoulos, one of Clinton's closest advisers, and another senior aide, Harold Ickes, placed a conference call Feb. 25 to Deputy Treasury Secretary Roger Altman to express outrage over the decision of the Resolution Trust Corp. to retain former GOP prosecutor Jay Stephens, RTC sources said.

Stephens, who sharply criticized the Clinton administration after being fired as U.S. attorney for the District of Columbia last March, was hired to handle possible civil suits growing out of the failure of Madison Guaranty Savings & Loan.

The Washington Post and Time magazine reported that Stephanopoulos or Ickes asked Altman, the acting head of the RTC, "Can anything be done about it?" Is it



First Family on spring break: With police and a Secret Service agent tagging along, 13-year-old Chelsea Clinton rides a bicycle on Coronado island, off San Diego, Monday was the first full day of the presidential family's West Coast vacation.

Hillary Clinton's ex-broker has troubled past in markets

By William B. Crawford Jr.
THINKING STAFF WRITER

The Refco Inc. broker who handled First Lady Hillary Rodham Clinton's futures-trading account in the late '70s, when she netted about \$100,000 in cattle futures on the Chicago Mercantile Exchange, has been in trouble with industry regulators since 1970.

Robert L. "Red" Bone, a commodity broker who once managed Refco's Springdale, Ark., office, has been disciplined by the Merc and the Commodity Futures Trading Commission for wide-ranging industry improprieties—some of them occurring in 1978 and '79, about the time Bone was managing Hillary Clinton's futures-trading account, according to industry records.

Nothing in the records indicates she did anything improper or was aware of Bone's disciplinary problems. But the report does raise questions about her controversial \$100,000 profit. The records didn't disclose how much money she put up or how many trades were executed on her behalf.

Bone is a onetime executive of Tyson Foods Inc., the nation's biggest poultry firm, based in Springdale. He turned to commodity futures in the late 1960s. He has been sanctioned by the CFTC and the Merc for an array of violations, from creating a secret interest in an account to keeping sloppy books to violating trading account margin requirements in the Merc's cattle contract.

Also Monday, Merc documents revealed that Thomas H. Dittmer, longtime chairman of Chicago-based Refco, one of the world's largest futures brokers, was charged with Bone in 1979 with violating Merc regulations on trading position sizes in 1978 and '79.

The First Lady's venture into the risky business of futures trading was reported two weeks ago by The New York Times, which asserted that she instructed Bone to open a personal trading account in October 1978 largely at

On Sunday an industry newsletter, Securities Week, reported that Bone faced repeated scrapes with regulators dating to the mid-1970s, when the U.S. Department of Agriculture, the CFTC's predecessor as futures industry regulator, first moved against him.

Though it was not revealed how much of Hillary Clinton's own money was deposited in the accounts, a spokesman for the First Lady said she netted around \$100,000 in 12 months, most of the profits coming from the Refco account. The accounts were closed between October 1979 and early 1980, because the cattle futures market, which had seen a runup in prices, collapsed. That collapse forced the Refco branch office in Arkansas to close its doors and forced Bone to file for bankruptcy, The Times reported.

Commodities are highly leveraged, volatile, speculative investments. According to studies by the commission, players in those markets come out ahead less than 25 percent of the time. The First Lady's venture into such products came at a time when she and her husband, who was not yet governor of Arkansas, were beginning their professional lives and had a combined income of about \$70,000 a year.

Investors buying stock must put up at least 50 percent of the purchase price. But commodities futures are much more highly leveraged—investors need only put up 5 to 8 percent of the total worth of the contract—and volatile. In 1978, when Hillary Clinton opened her Refco account, for example, an investor could purchase one cattle futures contract for as little as \$1,200, giving the buyer the right to take future delivery of 40,000 pounds of live cattle ready for slaughter.

President Clinton has defended his wife's trading profits as "perfectly legal." Though her futures investments appear unrelated to the controversy swirling around the Whitewater land development or the failed Madison Guaranty

of record-keeping functions, order-entry procedures, margin requirements and hedge procedures" in connection with futures trades Refco had made in the cattle pit in 1978 and '79, Merc officials said Monday. Dittmer and the firm he heads were accused of similar wrongdoing.

The Merc's business conduct committee, then headed by now-Merc Chairman John F. Sandner, settled the complaint Dec. 13, 1979, by imposing a \$250,000 fine on Refco, at the time the largest fine ever imposed on a futures broker. In addition, Dittmer agreed to a six-month suspension, the first time the chairman of an exchange member firm had been suspended by the Merc, while Bone was barred for three years.

Refco, Dittmer and Bone agreed to the fines and suspensions without admitting or denying wrongdoing.

It also was revealed Monday that in 1977, Bone, Donald Tyson, the current chairman and chief executive of Tyson Foods, and several others were charged by the CFTC with attempting to manipulate the price of the Merc's hard-shell egg futures contract in 1970, according to industry records. (That contract since has been dropped because of a lack of investor interest.)

That complaint was settled in August 1977 with "remedial fines" imposed on the respondents by the CFTC, a CFTC spokesman said. The respondents neither admitted nor denied wrongdoing.

According to CFTC records, on Nov. 2, 1961, Bone agreed to pay a \$100,000 fine to settle a 1960 complaint brought against him and Roy L. Woods, another Refco broker who worked alongside Bone in the mid-1970s.

That CFTC petition alleged that Bone had violated terms of the settlement in the egg-futures complaint by holding an undisclosed interest in a futures account he traded in Woods' name in 1977 and '78. The account generated a \$1.5 million profit, of which \$1.2

Chicago Tribune 3/29/94

1/2

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The Washington Post and Time magazine reported that Stephanopoulos or Ickes asked Altman, the acting head of the RTC, "Can anything be done about it? Is it final?"

McLarty said Monday he wished the calls were not made "because they can be misconstrued," but he said Stephanopoulos did nothing more than express anger.



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The First Lady's venture into the risky business of futures trading was reported two weeks ago by The New York Times, which asserted that she instructed Bone to open a personal trading account in October 1978, largely at the behest of James B. Blair, general counsel to Tyson Foods and a Clinton family friend. About the same time, she opened a second account at Stephens Inc., a large brokerage in Little Rock, Ark.

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President Clinton has defended his wife's trading profits as "perfectly legal." Though her futures investments appear unrelated to the controversy swirling around the Whitewater land development or the failed Madison Guaranty savings and loan, they are emerging as another sticky problem for the Clinton administration.

In the 1979 Merc disciplinary proceedings, Bone was accused of "serious and repeated violations

of record-keeping functions, order-entry procedures, margin requirements and hedge procedures" in connection with futures trades Refco had made in the cattle pit in 1978 and '79, Merc officials said Monday. Dittmer and the firm he heads were accused of similar wrongdoing.

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That CFTC petition alleged that Bone had violated terms of the settlement in the egg futures complaint by holding an undisclosed interest in a futures account he traded in Woods' name in 1977 and '78. The account generated a \$1.5 million profit, of which \$1.2 million was paid to Bone, the CFTC alleged.

Bone also agreed to a three-year suspension from trading for his own account and a one-year suspension in trading for customers.

Chicago Tribune
3/29/94

Good grades for Radio and TV Marti

The fight over Radio and Television Marti has been going on pretty much since the services began beaming their programs towards Cuba, shortwave Radio Marti in 1985 and Television Marti in 1990. Depending on your political point of view, the services are either an American ideological assault, cooked up by Republican administrations and catering to the interests of the Cuban American National Foundation, or they are an invaluable source of news and information for the Cuban people, who are otherwise limited to the propaganda fare cooked up for them by Fidel Castro's state-controlled media. In particular, Television Marti, which has been jammed from day one by the Cuban authorities and therefore forced to broadcast in the pre-dawn hours, has been the subject of much criticism.

Most recently, during last fall's heated Senate debate over the future of the U.S. government's international broadcasting services, Radio and TV Marti took some hard knocks. The Cold War being over, critics argued, why waste money on these services? Why bother with Fidel Castro at all, in fact? Why not stop the broadcasts, lift the U.S. embargo and wait for the tide of trade and information to sweep Cuba's communist dictator into the dustbin of history?

As far as the embargo is concerned, it is far from clear that lifting it would do Cubans any good—with the exception of the communist elite and military. As regards the broadcasts, some answers to the questions of their utility were recently provided by a Congressional Review Panel established last year. Its conclusions regarding Radio and Television Marti, reached over several months of research and interviews, ought to have a significant impact on the future of the services. The panel was chaired by Peter Straus, former Voice of American director under President Carter, and it argues in its 300-page report that "despite the obstacles, interference and shortcomings which have hampered both Radio and Television Marti, the United States interest is served by their continuing to air."

Radio Marti's 24-hour-a-day broadcasts reach an estimated 70 percent of Cuba's listening audience. In a nod to critics who accuse right-leaning Cuban-American groups of undue influence on the contents, the panel notes that progress has been made in

terms of standards of reportorial objectivity, while maintaining that there is still room for improvement. Nonetheless, Radio Marti "provides competent broadcasting of important information not otherwise available to the Cuban people."

As far as Television Marti is concerned, the panel writes that since it continues to be jammed by the Cuban government, its cost effectiveness cannot be judged by the usual standards. "It is clear, nonetheless, that the Cuban people have an ardent desire and a genuine need to receive the programming produced by TV Marti," the report finds. It further argues that "the easiest course would be simply to discontinue funding TV Marti. However, abolishing it would not only give Fidel Castro a cheap and useful propaganda victory and bolster voices claiming that the United States has lost its will, it would also send a message to the Cuban people that this country is not prepared to make every reasonable effort so that the people of this hemisphere enjoy basic human rights."

The panel's recommendations come two months after the announcements of a new head of the services, which has been a boost to morale. Furthermore, funding for the services is reasonably secure after last year's budget battle. In October, the Appropriations conference committee on Commerce, State and Justice agreed to give Radio Marti \$14 million and TV Marti \$7 million. Mindful of the arguments of the budget-cutters in Congress, however, the review panel pointed out potential savings of \$6 million to \$10 million over the next five years, as well as possible technical improvements, such as converting Television Marti from VHF to UHF broadcasting, which is more difficult to jam.

Director Joseph Duffey of the United States Information Agency, of which Radio and Television Marti are a part, is scheduled to present his analysis of the effectiveness of international radio to Congress come July. His analysis will in part be based on this panel's recommendations, and they will merit serious consideration. At a time when the Castro regime, under growing economic pressure, is tightening its hold on the dissemination of information, keeping U.S. broadcasts going will help the Cuban people prepare for the day when he is gone for good.

The balsamic vinegar generation

As the meeting of the American Society of Newspaper Editors here in Washington reminded us, there is nothing the nation's press corps likes better than a whipping with a wet noodle. The backlash and the soul-searching over Whitewater has set in. On Wednesday, President Clinton challenged the gathering over lunch to remember exactly what were they doing 10, 15, 17 years ago and repeated his preferred refrain of the ballad of Whitewater that "I have done everything I know to do" to answer all these unreasonable questions. The assembly hung their heads and looked down at their plates.

A speech given on Tuesday night at the dinner given by the Radio and Television Correspondents Association by Friend — or at least Fan — Of Bill, Garrison Keillor, that droll and homespun prairie sage, is quickly gaining renown in journalistic circles for much the same reason. Mr. Clinton in fact brought it up repeatedly during his colloquy with the editors, and he would like to make it required reading for every Washington journalist.

The main drift of Mr. Keillor's argument was that the "yuppie swine," meaning presumably the Washington press corps, the political establishment and anyone else interested in Whitewater, ought to do some soul-searching before they attack the president. The priorities of this pampered, whining baby-boom generation are all wrong.

"My generation strikes me as self-absorbed. You

hear them in the grocery store deliberating the balsamic vinegar and the olive oils, the cold-water pressed olive oil vs. the warm-expressed olive oil, and you think, 'These people probably subscribe to an olive oil magazine, called "New Dimension," people with too much money and very little character, people who are all sensibility and no sense, all nostalgia and no history, the people my aunt Eleanor used to call "a \$10 haircut on a 59-cent head." ... Whitewater is their kind of scandal. It's carbonated, and it's less about what's real than it is about perceptions.'"

Well, there at least some truth to Mr. Keillor's general indictment of his generation here. Even a blind chicken will find a kernel of truth now and then. The problem is that he goes on to contrast Bill Clinton with the rest of the balsamic vinegar generation. Balsamic vinegar is probably not the president's thing, but the man with the \$200 haircut certainly fits the rest of the description — the man who smoked pot, but didn't inhale, dodged the draft, sneaked around Arkansas in government cars cheating on his wife, and now gets teary-eyed at the drop of a hat and eternally feels everybody's pain.

That's what the editors and the reporters who cover the president see. Trying hard as they may to believe in the man, when they look at Bill Clinton, they too often recognize their own weaknesses. Maybe that's why Mr. Clinton has such a hard time getting a little respect.

Whitewater's big net snags small-fry banks

BY JOE STAMPE
Des Moines-Gazette Staff Writer

KINGSTON — Nestled in the valley of the Kings River, this is not a community that is used to being portrayed in the national media.

But by Kingston standards, Little Madison Bank & Trust has always attracted more than its share of attention.

James McDougal saw to that when he bought the bank — then the Bank of Kingston — in 1980 along with a former congressman named Jim Guy Tucker, then-gubernatorial aide Steve Smith, Smith's father and two local businessmen.

McDougal restored the bank's vintage 1911 appearance, complete with glazed tile floors, pressed tin walls and a Victor lobby safe that proclaimed it offered "protection from burglary, mob and fire."

"We're used to quite a bit of

cameras work," the bank's current president, Gary Bunch, says. What's drawing interest these days is another McDougal connection — to Whitewater Development Corp.

As governor, Bill Clinton liked to do business with small-town banks in places such as Kingston, Flippin, Paragould, Cherry Valley and Perryville. The banks had something in common — they were owned and operated by friends and political supporters.

In late 1980, the Kingston bank — not to be confused with Madison Guaranty Savings & Loan Association, which McDougal also owned — lent Hillary Rodham Clinton \$200,000 to build a model home. The home was constructed on one of the 44 Whitewater lots along the Kings River in Marion County.

Now, special counsel Robert

See BANKS, Page 3A

Inner circle puts bulge in budget

White House frugal,
but top aides get more

BY RANDY LESTON
Des Moines-Gazette Staff Writer

WASHINGTON — When it comes to the overall White House budget request for fiscal 1995, the Clinton administration appears to be making good on its pledge to keep increases modest.

But spending for the parts of the executive branch closest to the president are slated to go up substantially, a review of budget documents shows.

The Arkansas Democrat-Gazette performed the review in the wake of congressional testimony last month by Paty Thomason, director of the White House Office of Administration.

In testimony before House and Senate appropriations subcommittees, Thomason said several key White House accounts would increase by between 6 and 9 percent under the administration's 1995 budget proposal.

When 11 other large White House budget accounts are factored in, the total is a relatively modest 3.5 percent spending increase.

There are clear winners and losers in the White House budget. Between them are a handful of areas with increases that hover around the rate of inflation.

As a result of a reorganization ordered last year by President Clinton, "many offices have been changed and some have been eliminated," said Thomason.

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Banks

Continued from Page 1A

Plake Jr. is investigating the business relationships of Bill Clinton, Hillary Clinton, McDougal and others to determine whether illegal business deals occurred during the 1970s and 1980s.

Bunch won't confirm that Madison Bank's records have been subpoenaed by Plake, but it seems almost certain. Officials at several other small banks that made loans to Clinton have acknowledged receiving subpoenas.

The state Bank Department also has received a subpoena for its records pertaining to Madison Bank and three other small-town banks with which the Clintons did business.

Longtime Kingston residents recall McDougal and his ex-wife, Susan, fondly. They say the couple helped spruce up some of the buildings surrounding the town's gasbo at Arkansas 74 and Arkansas 21, where log trucks and pickups pulling horse trailers ran slowly by.

"They wanted to build it up, for him to be better known in his place of business," Dorcen Jorrell says as she sips coffee in an antique store on the square.

Bunch said he continued to work at the bank after his parents sold principal ownership to McDougal. Smith, who was Clinton's top aide in his first term as governor, was made secretary.

James McDougal sold his share in 1986, the same year he was forced out by federal regulators at Madison Guaranty in Little Rock.

Bunch says most of the bank's business is done in Madison County, one of the state's most rural counties. The bank has assets of \$15.7 million.

Still, Bunch says he saw nothing unusual about making a loan to Hillary Clinton for a real estate venture two counties away in Marion County.

Bunch has been interviewed by a Washington-based correspondent for ABC News, but he says he doesn't believe Whitewater is much on the minds of the town's 200 residents.

"Ninety percent of the people don't know what Whitewater is and don't care," he says. But several residents say they

know all too well what Whitewater is in their opinion. It's the Republican Party's attempt to distract their former governor from his real work in Washington.

"I know the president's son took an S&L down the drain," Basil McColough, 77, says, referring to former President Bush's son, Neil. "Why don't they let him (Clinton) get on with his business?"

Over in Madison County, Wesley Strange, president of First Citizens National Bank of Flippin, acknowledges that the bank has received a subpoena from Plake. But Strange won't say much else.

"At this point, I am under subpoena and the only thing I can tell you is basically no comment," he says.

The bank then known as Citizens Bank & Trust, made the \$182,611 loan in August 1978 that allowed the Clintons and the McDougals to buy the 230 acres that were marketed as Whitewater Estate.

The two couples also borrowed \$20,000 from Union National Bank of Little Rock to use as the down payment on the \$202,611 purchase price.

Citizens was one of its directors, Chris Wade of Flippin, a real estate agent who handled lot sales at Whitewater. The bank converted to a nationally chartered bank in 1985.

Strange won't discuss the loan, but he leaves little doubt that the bank's involvement in a national political story is a bit out of the ordinary.

"We're a community bank, serving the needs of a small, sparsely populated community," Strange says.

Another small bank that has been served with a subpoena is First Bank of Arkansas at Wynne, which inherited the records of the Bank of Cherry Valley through a bank sale.

A bank official confirms the subpoena but refuses to elaborate. The Bank of Cherry Valley in east Arkansas was controlled by longtime Clinton adviser and fund-raiser Maurice Smith. Smith's family had been major stockholders since the bank was chartered in 1916.

Clinton maintained campaign accounts at the Bank of Cherry Valley and personally borrowed \$50,000 from the bank in the waning days of his 1984 gubernatorial re-election campaign against Republican Woody

Freeman of Jonesboro.

The following spring, Mr. Douglass held a fund-raising event in the lobby of Madison Guaranty's downtown Little Rock headquarters to help pay off the loan. Plake is looking into whether depositors' funds at Madison Guaranty were diverted to pay off the loan.

Smith, who retired last year from his Clinton-appointed job as director of the state Highway and Transportation Department, says he doesn't consider the campaign loan unusual. As collateral, the Clintons put up their personal financial statements, Smith says.

"They had a good financial statement," says Smith, who now manages his large farm at Cherry Valley.

Smith contends he does not remember how the loan was paid back.

Officials at another bank involved in Whitewater — Security Bank of Paragould — decline to comment on whether they have received a subpoena. The Clintons obtained a \$20,000 loan from the Paragould bank in September 1983 to help pay back the \$20,000 loan from the Kingston bank. Security Bank was owned by Martin Jackson, the state banking commissioner under Clinton.

Investigators' interest in the Clintons' finances apparently ends with the 1990s.

The subpoena delivered to the Bank Department does not cover records of two banks that lent Clinton campaign funds in the 1980s.

Perry County Bank of Perryville, which is controlled by longtime Clinton supporter Berry Branscum, made a last-minute campaign loan to Clinton for his successful 1980 reelection bid against the GOP nominee, Little Rock attorney Sheffield Nelson.

The bank's president, Neil Aimey, declines to comment. Worthen National Bank of Arkansas, which extended a \$2 million line of credit to Clinton's presidential campaign, has not received a subpoena in the case. Worthen's chairman, Curt Bradbury, was happy to justify the loan.

"It was a good business transaction for us," Bradbury says. "It was a loan that was secured by federal matching receipts from the U.S. government, and we charged maximum Arkansas interest rates."

Budget

Continued from Page 1A

former executive director of the Arkansas Democrat Party. "All this has been done with one thought in mind: maximizing the use of available resources while at the same time creating a lean, efficient, high-quality support group for the president."

One of the big winners under the administration budget proposal is Thomason's own office. It is requesting a \$28.45 million appropriation from Congress for the next fiscal year. That's a 14.4 percent increase from the \$24.85 million it received this year.

When interview requests were made to talk about the budget proposal, the White House asked that the Democrat-Gazette submit a series of written questions.

Those questions had not been answered by Sunday.

In her congressional testimony, Thomason said the budget increase for her office largely was due to additional responsibilities. Because of a federal lawsuit requiring the White House to keep and document such records as electronic mail, Thomason has requested three more staffers and additional equipment.

She said other funds are needed to upgrade the White House telephone system and for "additional customer support" to the president and his key aides.

Also requesting a substantial increase is the White House of free fund, which includes salaries for most of the staffers who work directly for the presi-

dent. Under the fiscal 1995 request, that fund would receive \$41.82 million. That's a 7.9 percent increase from the \$38.75 million appropriation for fiscal 1994.

The fiscal year begins Oct. 1. Thomason attributed the increase in the office fund to four factors: a need to upgrade and consolidate computer equipment; higher salaries (which she said remained within the salary caps set by the administration); increased payments to retirement programs; and a "modest" increase in travel costs.

The White House traditionally does not provide individual salary figures for its employees. Attempts to obtain salary requests for fiscal 1995 were unsuccessful.

For the current fiscal year, top White House employees are receiving salaries between \$100,000 and \$125,000, according to figures obtained last year by The Associated Press.

The largest percentage increase in a White House account is for the Council on Environmental Quality. The \$1 million request for fiscal 1995 is up 187 percent from the \$375,000 appropriation for this year.

That, however, is consistent with administration promises to place more focus on environmental issues, a special interest of Vice President Gore.

Other increases in major

White House accounts are smaller increases for the executive residence, for special assistance for the president and for the Council of Economic Advisers, all less than 2 percent.

The National Security Council's request of \$6.7 million is 3.3 percent above the current appropriation.

The big White House loser under the fiscal 1995 budget proposal is the Office of National Drug Control Policy. The \$10.01 million appropriations request for 1995 is 14.3 percent less than the \$11.59 million appropriated this year. Administration officials said some of the office's duties have been moved to other areas of the government.

The appropriation for the Office of National Service was eliminated entirely. Its appropriation for this year was \$169,000.

Other areas of the White House budget also experienced cuts, although no other major account is slated for a spending reduction larger than 1.5 percent.

The 1.2 percent reduction was for the White House executive residence fund. It has a \$7.25 million appropriations request this year, compared with a \$7.33 million request last year.

Also slated to have their budgets cut are the Office of Policy Development (0.8 percent) and the Office of Management and Budget (0.7 percent).

THOMAS DIBACCO

nd prizes

The tragedy of U.S. fighter jets downing two American Blackhawk helicopters in Northern Iraq last Thursday is more than the loss of 26 lives — 15 of whom were American. It is that the incident could raise a full-press congressional debate on the necessity of American participation in peacekeeping operations, especially in Iraq, where the Gulf war, according to American public opinion, was supposed to have come to an end in 1991.

Most Americans won't recall that the United Nations peacekeeping mission in Iraq arose in 1991 to protect the minority Kurds from hostile actions from Saddam Hussein. But they are likely to recognize that when American soldiers get killed — especially by friendly fire — it may be time to quit the mission. That was the public reaction in October 1993, after 18 Americans were killed in the humanitarian mission in Somalia — and not surprisingly, the last American troops left that African nation last month.

Yet, when one considers the alternatives — namely, very limited American presence abroad or the United States as the policeman of the world — the strategy of joint peacekeeping missions appears wise. For it commits the United Nations to the multinational objectives that the organization was designed to fulfill, and it gives the United States the opportunity to be a partner, as opposed to the sole proprietor of the economic and military store.

Still, the Clinton administration

To be sure, the best foresight is hindsight.

merits criticism on the handling of the Iraqi disaster. Throughout Thursday, too many briefings and responses — from the White House to the Pentagon to the State Department — were provided, without adequate preparation from spokesmen. Defense Secretary William Perry's statement that he took full responsibility for the matter was courageous but scarcely prudent until a full investigation is concluded. Rather than speaking in separate voices, President Clinton, Mr. Perry, and Gen. John Shalikashvili, the Joint Chiefs chairman, should have met, coordinated the information from the scene, and conducted a news conference that would have put to rest some of the questions about the procedures, computers and weaponry employed in hostile areas.

Even if that brainstorming meant a delay in meeting with the media until late Thursday or early Friday, it would have been better than the scene of Perry and Shalikashvili, according to the Associated Press, appearing "shaken by the event, the secretary ... somewhat pale and the general red-faced and rough-voiced." And Mr. Clinton's expression of "terrible sorrow" over the tragedy was scarcely choice words for the Rhodes Scholar he once was.

The point is that the Clinton administration was caught off guard by Thursday's events, with revelations about the disaster dribbling out in an ad hoc fashion. For a man who worked so well and hard to release a mandate for change that defeated an incumbent president, the president has done poorly in administering release of information from his administration. For every smoothly-run prime-time news conference, as he illustrated on March 24, there are too many examples of foot-in-mouth disease overcoming officials, as, for example, the on-again, off-again conflicting policy statements with respect to Bosnia over the last several months.

The best spokesman that the president has on foreign affairs is Warren Christopher. The quiet, but articulate secretary of state, a veteran federal administrator, is one of the defenders of joint peacekeeping. But his job may well be complicated in the near future not so much by disagreeable foreign nations as by cantankerous congressional hard-liners, who will wax nostalgic on the benefits of a return to a Cold War military build-up rather than peacekeeping. Much of Mr. Christopher's time could be devoted to keeping the peace among critics at home because the Clinton administration didn't get its act together on briefing the public on the various details of the mistaken shootings.

To be sure, the best foresight is hindsight, and tragedies such as Thursday's are disarming to even the best-prepared federal officials. All the more reason to pause, coordinate and articulately present to the American public a dispassionate and intelligent response and briefing.

Thomas V. DiBacco is a historian at the American University.

'Certain ends' and peculiar means

Feminists are unusually silent about Hillary Rodham Clinton's explanations of her spectacularly successful commodities market trading. (What can they say?)

Many women took understandable pride in her remarkable success in taking a little reading of the Wall Street Journal and a little advice from a friend and coming up only roses every time. These same women must have smarted at her explanation for quitting when she was so far ahead.

She led us to understand that the commodities market was too nerve-racking, and a mother to be couldn't (or shouldn't) take such stress. Fair enough. Lots of women cut back on stress when they become mothers, if they can. But that's not a feminist excuse, leaning as it does, on Freud's idea that "anatomy is destiny." Nor is it feminist dogma that women can't do the heavy financial lifting men can.

The excuse actually humanizes Hillary, suggesting a softer maternal side of her nature that she usually hasn't let us see. But now we hear that she either used the maternal excuse cynically or stretched the truth for some other reason. She didn't quit the market to have a baby, after all, but continued to invest in it until three months after Chelsea was born. She didn't make \$100,000 by her own wits; most of her trades were placed by James Blair, the lawyer for Tyson's Foods, a company that polluted pristine waters not so white in the Arkansas Ozarks, and won lenient enforcement of state environmental laws while Bill was the governor.

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

One of Hillary's commodities accounts, which the White House initially said lost money, actually turned a profit of more than \$6,000. This is the account that cost the first lady a bundle in back taxes. Such forgetfulness is costly and suggests caution in relying on Hillary's judgment to invent new kinds of government health care.

The first lady's memory-holding patterns sound a lot like the first man's, suggesting that Bill's flaws are either contagious or appeal to the flattery of imitation. Like Bill, Hillary forgets dramatic incidents in her life, hides behind a contrived palatable public defense, and suddenly (!) remembers the evidence differently as records long-suppressed continue to dribble out.

She was first a "passive investor" in Whitewater. A letter from Hillary, asking for power of attorney, cast doubt on passivity. The president finally remembered that Hillary worked actively on closing the Whitewater account. The Clintons say they lost money on Whitewater, but congressional critics insist there's proof they enjoyed a financial gain. Will they soon remember that, too?

Most of us expect profane onal politicians to have faulty memories. (Richard Nixon forgot he was a crook.) But is there anything a mother is more likely to remember than events surrounding the birth of her first child, made all the more secure because Mommy had recently made a cool hundred grand on a \$1,000 investment? Before going into labor, Hillary was comforted to know her baby could count on going to a good college of her choice. This was the security most parents only dream of.

We've actually learned little more about the first lady than what we knew during the '92 campaign. The reporters, especially the feminists among them, prefer to hold Hillary up as a new kind of "role model" rather than see her as a complex object of tough reporting, a woman who may even have a dark side. She grants magazine and newspaper interviews with strict limits imposed, and only to those she can count on to lob soft balls to the plate. Her friends hardly burnish her reputation by dismissing her critics as mere men afraid of strong women.

"Of all the people I've ever worked with in my life, she's better at organizing and leading people from a complex beginning to a certain end than anybody I've ever met in my life," the president told reporters when he appointed his wife to head the health care task force.

He may be right about that, but it may not be the "certain end" he had in mind.



Suzanne Fields

Meg Greenfield

We're Wallowing Again ✓

But this time it's in anxiety about the press

We're having another of those periodic national wallows in Doubt about the Washington Press Corps: How could they and who do they think they are and the people are really sick of this. In some part justified, no doubt, and true. But paradoxically the usual victims of this collective mind-set are not the press at all—impervious and incorrigible, like Old Man River, we just keep rolling along. The usual victims, in fact, are those public officials who have been the unhappy, unwilling objects of our inquisitive attention. They read the polls and listen to the swelling chorus and mistakenly figure that a cranky public's genuine disgust with us implies a corresponding rise of confidence in them. They are led into temptation: to swagger, to trim, to rearrange the facts, to get a little high-handed, a little boastful, a little cute. And then: bonk! The public is back on their case. The truth is that when it comes to Washington-bashing, we of the press and the polls are in it together. The problem is seen to be the whole lot of us.

No, this isn't the way everyone sees it, and there are plenty of people who think we are the problem, period. But a large part of the turnoff, in my judgment, is based on rituals and ceremonies in which both sides eagerly and competitively participate to the ultimate advantage of neither. Chief among these is the question-and-answer session, sometimes in the form of a full-fledged press conference, sometimes as a mere tableau or a seemingly happenstance encounter. People watching these are often at a loss to decide whether the questions are more disrespectful and outrageous or the answers more unconvincing and duplicitous.

I think I can be of help here. The answer is both. This is because usually what are framed as question-and-answer sessions are not in fact information-gathering events at all. As in court trials and legislative hearings, the people asking the questions have a pretty clear idea of what the possible range of responses can be; they are trying to close off the easy exits and compel the official to reveal or acknowledge something he doesn't care to. The answering officials, for their part, are not trying to inform (let alone confess) so much as to please and

persuade; they do not expect to please and persuade the questioners, of course, but rather the audience that counts, which is outside the room.

It is indicative of the degree to which such events have become a kind of art form judged by standards that have little to do with the amount of information or even news elicited, that in this city, anyway, the question people ask each other concerning both the interrogators and the responders is not what any of them said, but rather how they "did." How did the encounter "go"? Did the press look too rude? Too in the tank? Too clamorous? Did the official look too defensive? Too surly? Too uncertain? Did he "get" them or did they "get" him? A president who, like Bill Clinton a few weeks ago, deliberately walks into the lion's den and is seen to take on all comers is in large part intentionally undertaking the chore for just that purpose: to show himself as masterful and in charge. It only helps if the press is seen to overreach. You do understand, don't you, that just as the questioners pretty much know what the answers will be, so the answerer has spent some part of his day practice-answering the questions, which he and his staff have been doping out?

So far as the public boredom with and revulsion at the ensuing production goes, I have a few ideas about which kinds of questions and which kinds of answers do the most harm to those who speak them. First for the Q's, and then the A's. There is a whole line of won't-you-be-so-good-as-to-incriminate-yourself inquiries that invite the official to agree to some self-damaging proposition. These tend always to begin in one of a few ways: "Wouldn't it be fair to say that (you have failed in your policy)"; "Aren't you really being (hypocritical to claim that this is what you want)"; "Isn't it true that (you just lost a big one on the Hill and don't know what to do now)?" There are other forms of politely (and seemingly innocently) requesting self-immolation, to be sure—questions beginning, "A lot of your critics have said..." and "How do you square..." and so forth. The point is that in the thrust-and-parry of such events, these are legitimate thrusts; but no one should confuse them with informa-

tion-seeking, what-are-your-views-on-world-peace types of inquiry.

The formulations I listed can be denounced as introductions to trick questions. You might not think much of them, but there is no penalty for asking them beyond perhaps permanently alienating the person to whom they are addressed on prime-time TV and all of his or her friends and supporters. The same is not true of trick answers, which are at least as plentiful as trick questions and which can boomerang on those who try them out. Unless it has outlawed by now, the old saying, "Be good, sweet maid, and let who will be clever," should be adopted as immutable policy by all who would hold a press conference. Clever, as in legalistic and technically accurate but in way or another misleading, may have a very long fuse, but eventually it detonates. And guess who it invariably gets?

Yet again and again public officials go to sleep at night insanely thinking they have laid to rest some prospective embarrassment or worse with an artful dodge of some kind that seemed to do the job at the moment. But almost without exception, it seems, the g comes back and, importantly, it looks worse and gets worse the second time around. It's surprising how effective such simple responses as "I was wrong" or "I changed my mind" or "It didn't work out and so we are going to do something different" can be, as distinct from the curly, clever, foredoomed, half-true answer. It is much better to take the hit to delude oneself that secrets will hold or a story once pursued be abandoned by all.

The officials' misconception here no doubt owes something to their sharing in the general confusion as to what so many of these Q & A sessions that the public complains of are really about. The principal journalistic unearthing of information doesn't occur in these settings; many of them have become much more show than tell. But the cunningly answered or unanswered questions don't vanish when the session ends. You can win the press conference and lose the war.

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THE WASHINGTON POST MONDAY, APRIL 18, 1994

Whitewater hearings

Congressional hearings into Whitewater are off until June, maybe later, reported Scripps Howard News Service.

Senate Republicans concede they've given up on Senate Minority Leader Bob Dole's demand for hearings by May 1, the news service added.

Democratic leaders are delaying until special counsel Robert Fiske winds up an investigation into contacts between White House officials and federal S&L regulators.

"I think [Mr. Fiske] may in the future have concluded his investigation into the so-called 'Washington' aspect of Whitewater, and at that time we will talk with him... about the possibility of hearings," says House Speaker Thomas S. Foley.

The format of the Democratic-controlled hearings is likely to be intentionally dull, focusing on the inside-the-Beltway aspects of Whitewater and excluding the cast of Arkansas characters.

Democrats will delay even longer the much more volatile Arkansas-related issues of Whitewater, which are expected to be much more time-consuming for Mr. Fiske to resolve, Scripps Howard News Service added.

Gergen redux

Jeff Eller, deputy White House communications director, said counselor David Gergen has talked with Duke University about a faculty position and confirmed a report that Mr. Gergen plans to leave the White House after Congress adjourns this fall.

"I understand the contact was made by Duke," Mr. Eller said yesterday. "It is not something that David Gergen initiated." He added that he did not know if Mr. Gergen had accepted a position with the North Carolina school.

Mr. Gergen said in a radio interview last week, however, that he had no plans to leave his post and would stay for "a long time," adding it would be "unethical" to negotiate a new job while he was working in the White House.

Sasser emerges

Sen. Jim Sasser of Tennessee is the preferred candidate of some Senate Southerners and senior members to replace Sen. George Mitchell of Maine as Senate majority leader.

The Wall Street Journal reported that these lawmakers believe that Sen. Tom Daschle of South Dakota, the only declared candidate, is moving too fast. He was elected to the Senate in 1986.

Inside Politics



Compiled by Alan McConagha

Futures

In Alaska, Lt. Gov. Jack Coghill declared for governor as the candidate of the Alaskan Independence Party. He and Gov. Walter J. Hickel were elected in 1990 as candidates of the party. Mr. Hickel has rejoined the GOP and has not announced his plans.

Democratic state Sen. Michael Barrett said he wants to run against GOP Gov. William Weld of Massachusetts. Other Democrats in the race: state Rep. Mark Roosevelt and former state Sen. George Bachrach.

Travelgate reprieve?

The General Accounting Office has concluded that White House officials did not break any laws when they fired seven longtime workers in the travel office last year and replaced them with a team headed by a distant Clinton cousin and campaign worker, said U.S. News & World Report.

But sources familiar with the report, due out later this month, say it also chides the officials for permitting campaign workers, who stood to gain from the firings, to evaluate the competence and integrity of the office, U.S. News added in its Washington Whispers column.

Greek drama

GOP Rep. Michael Huffington, who is challenging Democratic Sen. Dianne Feinstein of California, made his commitment to the race after a brief stay in a Greek Orthodox monastery in Greece, the Los Angeles Times reported.

In its profile of the former oilman, the Times said he entered the monastery during a Greek vacation with his wife, Ariadne Stassinopoulos, a Greek native and best-selling biographer, and their two daughters.

For three days last year, he was "praying and just looking over the sea and spending time with

the monks," Mr. Huffington told the Times. "Psychologically, I was ready to go after I came off Mount Athos."

The White House help

Noting the Clintons' problems with White House staff, Maureen Dowd of the New York Times asked: "Why is a 47-year-old veteran of the '60s social upheaval, who rode to victory on a bus and a promise of a middle-class tax cut, having such problems with the little people?"

"In the end, Clinton's little people problem is not political or cultural," Miss Dowd concluded. "It's personal. The president conducts his life expecting others to clean up after him. And that is a question of grace."

Indictment

Former Rep. Cornelius E. Gallagher, 73, a New Jersey Democrat who resigned in disgrace two decades ago, was indicted recently on charges he submitted false loan applications and evaded taxes on the sale of a villa in the Dominican Republic.

Mr. Gallagher, a Democrat who left Congress in 1973 after pleading guilty to tax evasion, faces nine federal counts. His former secretary and former son-in-law were also charged. Prosecutors said all were expected to surrender when they are arraigned, probably within two weeks.

The House ethics committee in 1978 concluded that Mr. Gallagher was among lawmakers given cash gifts by Korean businessman Tongsun Park and that he helped Mr. Park regain his job as a broker of U.S. rice sales to Korea.

Before leaving Washington, Mr. Gallagher gave an emotional speech on the House floor claiming that the FBI sought to blackmail him.

Reached last week by the Asso-

ciated Press, Mr. Gallagher's wife said her husband was abroad. "He's been through this before. It's gone on for a long, long time," she said.

High roller

Louisiana's Democratic Gov. Edwin Edwards won \$306,000 at the gaming tables last year, according to his 1993 federal income tax return released last week. The governor's salary is by law at \$73,440, although Mr. Edwards drew only \$64,995 of that last year, the return showed.

An ardent supporter of legalized gaming in Louisiana as the answer to the state's fiscal woes, Mr. Edwards periodically holds high-stakes poker games at the governor's mansion and plays at Las Vegas casinos. He releases his tax returns annually to fulfill a campaign promise. His income from gambling was \$126,000 higher in 1993 than in 1992.

Family affair

Richard O'Hara, 77, is giving his son few tips on how to run for election. They're both trying to unseat Sen. Trent Lott, Mississippi Republican.

No hard feelings, said the Associated Press. They announced their candidacies last week at a joint news conference. "Competition is what makes the world go around," said the father, a Republican.

"He's a fine man. I'm going to do my best to beat him," said his son, Sean, a Democrat and 36-year-old Southern Baptist evangelist who has run unsuccessfully for office before. "We've already said we're going to remain best friends."

Ohio women closing

With the Ohio primaries some two weeks away, two women underdogs are beginning to close on better-known men in the contests for party nominations to seek the seat being vacated by retiring Sen. Howard Metzenbaum.

Roll Call reported that recent polling shows that Dr. Bernadine Healy, former director of the National Institutes of Health, is 12 points behind Lt. Gov. Mike DeWine in the race for the Republican nomination.

In the Democratic race, Mary Boyle, a county commissioner, is 10 points behind legal entrepreneur Joel Hyatt. Mr. Metzenbaum's son-in-law, Mr. Hyatt led both Republicans in polling matchups and is the favorite.

Since NAFTA, not all is smooth along the border

By Finlay Lewis
COPY NEWS SERVICE

The North American Free Trade Agreement had just gone into effect earlier this year, promising to level trade barriers between the United States and Mexico, when a new obstacle materialized.

American business men and women suddenly found Mexican customs agents demanding visas. Compliance involved paying fees ranging as high as \$100 and coping with cumbersome paperwork.

On the other side of the border, Mexican business executives were being charged \$44 for business vi-

sas to enter the United States under a fee schedule issued in February 1993.

Despite the best intentions on the part of the leaders of the two countries, it was shaping up as the kind of glitch that could sour the mood of free trade's foot soldiers — the salespeople and managers who can breathe life into a business deal or cause it to stumble.

The two governments subsequently have come up with a plan that should settle the business-visa flap.

But complaints by American truckers stacked up at border crossings about labelling require-

ments and other instances of bureaucratic red tape continue to illustrate the difficulties of uniting the United States, Mexico and Canada in a free-trade zone unblemished by nontariff trade restrictions and monetary duties.

Mexico had long required commercial visitors to have business visas, but U.S. executives say the requirement was hardly ever seriously enforced until NAFTA went into effect. Then Mexican authorities began insisting that business representatives produce visas, perhaps in retaliation for the U.S. fee.

"If you were dressed casually,

then you could go in as a tourist," said Toby Malichi, president of the Indianapolis-based Malichi Diversified Ltd., a trade agent active in Mexico. "If you just happened to have a suit on... they were pulling people off and really questioning them."

For technicians and managers in and out of Mexico several times a week, the requirement was virtually unworkable.

U.S. Ambassador Jim Jones and officials of the Mexican government have now worked out a reciprocal arrangement eliminating the fee for business visas and simplifying the application hassle.

Fiske homes in on loan

Could provide
link to Clinton

By Jerry Seper
THE WASHINGTON TIMES

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LITTLE ROCK, Ark. — Investigators in the Whitewater-Madison affair have targeted an \$825,000 loan from Madison Guaranty Savings and Loan Association as part of a suspected scheme to guarantee a questionable government-backed loan linked to President Clinton.

Madison, owned by longtime Clinton business partner James B. McDougal, approved the loan in 1986 for a partnership controlled by ex-Little Rock municipal Judge David L. Hale — at the same time Hale was giving Mr. McDougal's wife a \$300,000 Small Business Administration-guaranteed loan, according to investigators.

The loan was deposited in an account at Madison. Later, \$110,000 of it was transferred to the Whitewater Development Corp., a northern Arkansas real estate venture jointly owned by Mr. Clinton, Mr. McDougal and their wives, and was used to purchase property.

Hale, who pleaded guilty last month to two counts of fraud in a case involving unrelated SBA-approved loans, has agreed to testify for Special Counsel Robert B. Fiske Jr. in the Whitewater-Madison probe. He has said Mr. Clinton and Mr. McDougal pressured him for the SBA-backed loan during meetings in February and March 1986.

The loan to Mrs. McDougal was made on April 3, 1986. Records show the Madison loan to Hale was first discussed in February 1986 and formally approved on March 3, 1986.

Investigators said if it can be shown the \$825,000 Madison loan was intended to provide capital for Hale's lending company to facilitate the SBA-backed loan to Susan H. McDougal, it would go "a long way" toward corroborating Hale's claim that he was pressured for the money.

"The purpose of the Madison loan was quite obviously to provide working capital to Hale's company," said one federal investigator who has reviewed Madison's loan records. "It was a classic case of replenishing the well, precisely at a time the well needed to be replenished."

Neither loan was repaid, and both later became taxpayer debts when Madison failed in 1989 at a cost to the government of \$50 million.

Mr. McDougal, who was removed by federal banking regulators from his chairmanship at Madison in the summer of 1986 but remained as the owner, has denied any wrongdoing. He has described accusations by Hale that he pressured the former judge for a loan as "ridiculous" and has told reporters he never met with Hale

to discuss any loan to his wife.

Mrs. McDougal has said she does not recall the loan.

Mr. Clinton has said he and his wife did nothing wrong with regard to Madison or Whitewater. He said they were "passive investors" in the Whitewater partnership and had no knowledge or information about Mr. McDougal's dealings

with the S&L. The president also has said he did not "recall" any meeting with Hale about an SBA-backed loan for Mrs. McDougal.

Investigators said the \$825,000 loan — to a Hale-controlled partnership called Southern Foods Inc. to fund property purchases — appears to have been structured to give Hale sufficient operating capital to convince SBA officials that a lending company he owned, Capital-Management Services Inc., was solvent.

Capital-Management was licensed by the SBA in September 1978 as a specialized small-business-investment firm, giving it access to government-backed loans for "disadvantaged small businesses."

A solvency determination for Capital-Management by the SBA in 1986 enabled Hale to make the SBA-backed loan to Mrs. McDougal, investigators said. The money was to be used for an advertising firm wholly owned by Mrs. McDougal and known as Master Marketing Inc.

The government-guaranteed loan to Mrs. McDougal came at a time she and her husband were reporting assets of \$3 million. In a Jan. 27, 1986, financial statement, the McDougals claimed stock assets of \$1.95 million, a home in Little Rock valued at \$400,000, "automobiles and personal property" worth \$70,000 and other partnerships and property.

At the time of the \$825,000 loan, records show Capital-Management had insufficient funds to convince the SBA it should guarantee any additional loans by the company. Records show the firm was in need of an infusion of cash in order for the government to make available about \$1 million in guaranteed loan revenue.

Hale, who has been unavailable for comment since a plea agreement he signed with Mr. Fiske last month, told The Washington Times earlier this year that because Capital-Management had insufficient funds to make SBA-guaranteed loans, he and Mr. McDougal worked out a loan agree-

ment to guarantee government backing.

He said Mr. McDougal arranged for the \$825,000 loan through Southern Foods, a Little Rock company that Hale controlled. However, details of this phase of the loan arrangement are unclear.

The loan, according to Hale, later was routed to Capital-Management, where it was listed as cash-on-hand to persuade the SBA to authorize additional loans.

"In 1986, the government had begun to look very closely at Madison, and it was not the best time for the S&L to be making loans to itself or its officers," an investigator who reviewed the S&L's loan documents told The Washington Times last week.

"This arrangement with Southern Foods certainly would have attracted less attention than a loan directly to Mrs. McDougal's company."

Mrs. McDougal was a board member at Madison and also served as secretary and treasurer. While her husband controlled 65 percent of the S&L's outstanding stock, she held 13 percent.

Hale said Mr. McDougal and Mr. Clinton — both longtime friends and political allies — told him they needed cash to "clean up" financial problems at Madison.

The former judge said, in their meetings, neither man mentioned Whitewater, although Mr. Clinton, who ordered that his name not appear on any documents, said he could provide security for the loans with property in the Arkansas Ozarks, where the Whitewater project was located.

Hale's attorney, Randy Coleman, said the loan to Mrs. McDougal was made after Mr. Clinton, Mr. McDougal and his client decided she could qualify because she was a woman. He said the decision to use Mrs. McDougal was an effort to "put the best face possible on the loan and avoid regulatory problems."

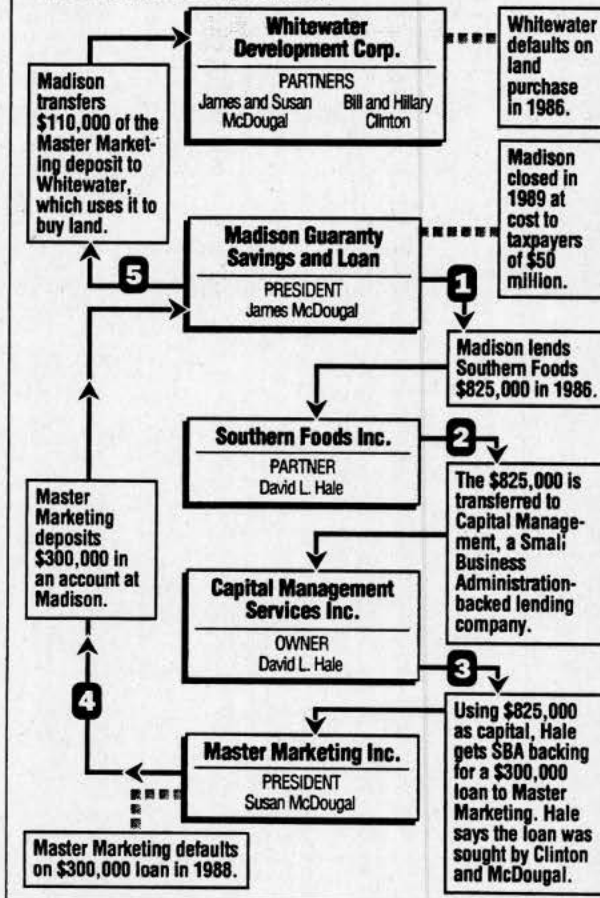
Mr. Fiske is looking into accusations that Mr. McDougal, who bought Madison in 1982, approved fraudulent loans and diverted

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ARKANSAS SHUFFLE?

Investigators are trying to determine whether an \$825,000 loan from Madison Guaranty Savings and Loan Association to Southern Foods Inc., a company controlled by David L. Hale, was used as capital for a \$300,000 government-guaranteed loan, part of which ended up in the Whitewater Development Corp.



Greg Groesch / The Washington Times

money to Mr. Clinton's 1984 gubernatorial campaign. He also is looking into suspicions by the Resolution Trust Corp. that Mr. McDougal illegally diverted funds

from Madison to Whitewater.

The RTC, which oversees failed S&Ls, said Mr. McDougal may have routed depositor funds from Madison using overdrawn ac-

counts and Madison-approved loans.

Federal investigators have said Hale may be the key to government efforts to unravel the White water-Madison financial web. They said Hale agreed to cooperate after concluding the Fiske probe "was a complete investigation."

In court papers, Mr. Fiske described Hale's assistance and grand jury testimony as "a fundamental part" of the ongoing Whitewater-Madison probe. His cooperation is expected to earn him a reduced sentence.

Documents describing the loan to Mrs. McDougal were included in those seized by the FBI during a July 21 raid on Capital-Management.

In September 1993, Hale was accused by a federal grand jury in Little Rock of defrauding the government in a similar but unrelated loan scheme. In that case, to which he pleaded guilty, Hale was charged with borrowing \$800,000 from a Louisiana businessman and routing it to Capital-Management to qualify for SBA-backed loans. Once the SBA backing was assured, the money was returned to the lender.

Hale, who was appointed to the bench in 1979 by Mr. Clinton, resigned after being charged.

The \$825,000 loan to Hale is not the first time Mr. McDougal and the former judge have been involved in loan transactions. Records show Hale loaned hundreds of thousands of dollars in SBA-backed funds to businesses and developments tied to Madison — several involving Mr. Clinton's friends and associates. Most of the loans were never repaid.

Five SBA-backed loans by Capital-Management totalling more than \$814,000 were among the records taken during the FBI raid on Hale's office. All of the loans were authorized under government guidelines guaranteeing they went to individuals who could not "obtain financial and other assistance available to the average entrepreneur."