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White House on health-care offensive

BY JANE FULLERTON
Democrat-Gazette Washington Bureau

WASHINGTON — The White House sought to regain the offensive in the health-care reform debate Wednesday as congressional momentum builds and a recess nears.

President Clinton and first lady Hillary Rodham Clinton made separate appearances to shore up support for the White House plan. The president's proposal, now being considered by five congressional committees, has met with considerable opposition on Capitol Hill.

Although momentum appears to be gaining for health-care legislation to be passed this year, what form it will take is unclear.

In that uncertain climate, Democratic lawmakers are worried about reaction to the president's plan in their home districts. Several special-interest groups that oppose aspects of the White House plan have said they will use the weeklong Memorial Day break to lobby against the proposal.

With the mood of anxiety and speculation building in Washington, the Clintons took their message on the road. Wednesday morning, Hillary [illegible] dismissed Republican [illegible] scare [illegible] [illegible] the president's plan [illegible] International Women's Media Foundation, she reiterated the administration's commitment to securing coverage for all Americans.

Wednesday afternoon, the president made a high-profile

Clinton

visit to Capitol Hill. In something of a reconnaissance mission, he discussed the prospects for health-care reform with House and Senate Democratic leaders and the House Democratic caucus.

Clinton also altered his schedule to add a meeting with Senate Minority Leader Bob Dole, R-Kan., and other key Republicans.

Clinton said he received "very heartening" news in his meeting with Democratic leaders.

"I was urging the position that I strongly feel that we must pass health care this year," he said after that meeting. "I think we must find a way to cover all Americans."

And, he added, "I got a very heartening progress report about the efforts being made in the committees and the subcommittees and in reaching out to Republicans."

"I think (Clinton) understands like we do this is really the high noon of the debate on health care," said Sen. Edward Kennedy, D-Mass. He is chairman of the Senate Labor and Human Resources Committee, which is debating a modified version of the president's bill.

House Speaker Thomas Foley, D-Wash., agreed. "We're entering an important phase of health-care legislation."

Clinton sought to reassure Democratic lawmakers that he won't back down from the health-care plan he promised during the presidential campaign and outlined in September 1993.

The president has said he won't sign a bill that doesn't guarantee all Americans health coverage that never can be taken away.

The first lady highlighted that theme in her remarks.

"There is no way this country can stabilize its health-care system and contain costs without universal coverage," she said.

Republican lawmakers have been trying to build support for a more modest reform plan.

GOP plan would put panel over Whitewater hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Republicans introduced legislation Wednesday calling for the creation of a special Senate subcommittee to hold hearings into the Whitewater Development Corp. affair.

"We need to get the ball rolling," Senate Minority Leader Robert Dole, R-Kan., said.

Sen. Alfonse D'Amato, R-N.Y., promised to begin attaching his plan to every piece of Senate legislation after the Memorial Day recess ends in early June.

Dole described the proposal to create a special subcommittee as a way "to jump-start" slow-moving negotiations over Whitewater hearings.

But Senate Majority Leader George Mitchell, D-Maine, called the plan "raw partisan politics."

Dole and Mitchell continued Wednesday to try to end a two-month impasse over the timing and location of the hearings.

Negotiations are expected to resume today after special counsel Robert Fiske Jr. meets with congressional leaders to discuss the progress of his Whitewater investigation.

Mitchell said the Fiske meeting is expected to focus on a "suitable" schedule for congressional hearings. Fiske is reportedly close to wrapping up a few aspects of his Whitewater investigation.

He is examining a variety of issues tied to Whitewater, a Marion County real-estate development along the White River.

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

Allegations that money was illegally transferred between Madison and Whitewater are among a series of issues Fiske is investigating.

In March, the House and Senate agreed to hold Whitewater hearings at some future point. But Republicans and Democrats have been at odds since then over when and where the hearings should be held.

GOP senators harden stand on Whitewater

D'Amato, Dole insist on special hearings panel

By Jerry Seper
THE WASHINGTON TIMES

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Republican senators yesterday demanded creation of a 16-member bipartisan subcommittee to investigate the Whitewater-Madison affair, accusing Democrats of "foot-dragging" in an effort to protect the Clinton administration from congressional scrutiny.

The proposal, offered during a floor speech by Sen. Alfonse M. D'Amato, would establish a special subcommittee of the Senate Banking Committee — eight Democrats and eight Republicans — to "investigate and hold hearings" on all pending Whitewater-Madison issues.

Mr. D'Amato, New York Republican and ranking minority member on the Banking Committee, said in a 20-page resolution that Republicans no longer are willing to wait for the Senate Democratic leadership to establish jurisdiction for the hearings or to set a timetable for them to begin.

"When we return [from the Memorial Day recess], if there is no agreement, we are prepared to offer legislation on every single bill that comes forward — until we have these hearings," Mr. D'Amato said.

The Memorial Day recess is scheduled to begin tonight and continue through June 8.

The Washington Times THURSDAY, MAY 26, 1994

Senate Majority Leader George Mitchell responded by saying he would "do all I can to see that Congress meets its responsibilites" in supporting an earlier Senate resolution — passed 98-0 on March 17 — calling for Whitewater-Madison hearings. But he made no promises when they would be held or under what conditions.

"The real motive behind this request today is . . . raw partisan politics," said Mr. Mitchell, Maine Democrat. "It's a chance to take a few more shots at the president, to score a few more political points.

"We will have hearings; we will comply," he said. "But we will do it in a responsible way and not in a political circus."

Mr. Mitchell noted that negotiations were continuing between his office and that of Senate Minority Leader Bob Dole of Kansas on how to structure the pending hearings, adding that the discussions were "moving ahead."

He said, however, he would not schedule hearings if there was any possibility they could interfere with the Whitewater-Madison investigation now being conducted by Special Counsel Robert B. Fiske Jr., who is scheduled to meet today with the House leadership to discuss the status of his inquiry.

"We will have a better idea about this when we know the special counsel's timetable," Mr. Mitchell said.

Mr. Dole, during a spirited debate on the Senate floor, said he did not believe Whitewater-Madison hearings would interfere with the Fiske inquiry but said Congress was shirking its oversight responsibilities by failing to get them under way.

"I understand the unique demands of Mr. Fiske's job, but Mr. Fiske — and those of us in the Senate — should also understand that Congress has its own job to do as well," Mr. Dole said.

"It's one thing to be deferential, and it's something quite different when deference is used as an excuse to shirk our own constitutionally mandated oversight obligations," he said.

Mr. D'Amato said the "time has come" for the Senate to begin a nonpartisan investigation into a possible "abuse of power" in the Whitewater-Madison controversy. "The foot-dragging has got to stop," he said.

Eric Ueland, spokesman for the Senate Republican Policy Committee, said Republicans had agreed last week that if Mr. Mitchell and Mr. Dole did not reach an agreement on a timetable for hearings and on crucial jurisdictional questions by last Sunday, Republicans would put their own timetable and requirements for committee jurisdiction into an amendment.

He said GOP members planned to start attaching the amendment to each bill two days ago, but let the deadline pass and in effect put it off until after recess.

"This is why an actual roll call vote was pushed back until after recess," Mr. Ueland said. He predicted that after yesterday's floor debate Republicans will get the hearings they want and in the ways they have wanted them.

"What we saw from the Democrats today was the last gasp of a gored donkey," Mr. Ueland said.

The Republican resolution calls for a 16-member subcommittee with 10 members chosen from among the current Banking Committee membership. In addition, Mr. Mitchell and Mr. Dole would each select three senators from other committees to serve on the special subcommittee.

Mr. D'Amato and Banking Committee Chairman Donald W. Riegle, Michigan Democrat, would serve as co-chairmen. Both co-chairmen would schedule hearings, issue subpoenas and authorize sworn statements. There would be no grant of immunity to any of the potential witnesses.

Under the resolution, the subcommittee would be authorized to investigate and hold hearings involving:

- Improper contacts between the White House and government agencies investigating Madison Guaranty Savings and Loan Association, an Arkansas thrift that failed in 1989 at a cost to taxpayers of $50 million.
- The financial collapse of Madison and the diversion of funds from the S&L to Whitewater Development Corp., a real estate venture involving Madison's owner, James B. McDougal, President Clinton and their wives.
- The diversion of government-guaranteed funds from Capital-Management Services Inc. in Little Rock, owned by former Judge David L. Hale, to the Whitewater partnership.
- Conflicts of interest by the Rose Law Firm in Little Rock in its representation of the government in cases involving Madison.
- Circumstances surrounding first lady Hillary Rodham Clinton's commodities trading activities, during which she parlayed a $1,000 investment into a $100,000 profit in 10 months.
- The U.S. Park Police investigation into the July 20 death of White House Deputy Counsel Vincent W. Foster Jr., a longtime friend of the Clintons.
- The operation and underwriting practices of the Arkansas Development Finance Authority, which approved millions in fees and contracts to friends of the Clintons.

"Virtually every member of the Senate agreed more than two months ago that Whitewater hearings should be conducted," Mr. D'Aamato said during the lively floor debate. "It is now time to agree on the forum and timing of those hearings."

- *Ralph Z. Hallow contributed to this report.*

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U.S. Challenges Fraud Ruling on Demjanjuk Case

By Joan Biskupic
Washington Post Staff Writer

The Justice Department yesterday asked the Supreme Court to throw out a federal appeals court ruling that prosecutors committed fraud by withholding evidence that favored alleged Nazi death camp guard John Demjanjuk.

If the petition is successful, it could clear the way for the United States to deport the retired Cleveland auto worker. When the 6th U.S. Circuit Court of Appeals found that fraud had occurred, it voided an earlier extradition authorization.

In its filing yesterday, the Justice Department said prosecutors involved in the effort to deport Demjanjuk acted in good faith and that the failure to produce certain documents did not rise to the level of "egregious and deliberate misconduct, such as bribery of a judge or fabrication of evidence" that typically is found to be a fraud upon a court.

"The standard adopted by the court of appeals in this case is inconsistent with standards articulated by the overwhelming majority of the courts of appeals," said the brief signed by Solicitor General Drew S. Days III.

The government is seeking to vindicate prosecutors' actions as well as to remove a cloud over the validity of an earlier court judgment that Demjanjuk should be stripped of his U.S. citizenship and deported.

Demjanjuk, who was extradited in 1986, was convicted and sentenced to death for torturing and murdering Jews at the Treblinka concentration camp in Nazi-occupied Poland during World War II. He was allegedly the notorious "Ivan the Terrible."

But last year the Israeli Supreme Court overturned the conviction, saying there was insufficient proof that he was Ivan, and Demjanjuk was allowed to return home in September.

In the meantime, the 6th circuit court had appointed a trial judge to investigate the Justice Department's handling of the deportation. The appeals court ultimately concluded last year that prosecutors had defrauded the court by withholding information that Demjanjuk could have used to contest the extradition.

The Justice Department contends that Demjanjuk still should be deported because of his activities at camps other than Treblinka. The 6th circuit court's finding of fraud "will hinder the government's efforts to remove [Demjanjuk] from the United States," Days told the justices.

ASSOCIATED PRESS

Alleged Nazi death camp guard John Demjanjuk smiled on receiving release papers in Jerusalem last year after Israeli court overturned his conviction.

Onassis Admirers Shower Her Grave With Tributes

By Robert O'Harrow Jr.
Washington Post Staff Writer

They left white roses and pink ribbons, a potted plant and dozens of carnations. Some visitors to the burial site of Jacqueline Kennedy Onassis at Arlington National Cemetery yesterday even offered business cards and brief notes to honor her memory.

Less than 24 hours after the former First Lady was buried next to her slain first husband, hundreds of people streamed by the Kennedy grave site to snap photos, pause for a moment and talk about what her death meant to them. Officials said traffic at the cemetery was heavier than usual yesterday, particularly in the morning.

Cemetery workers spent much of Monday night and yesterday morning working on the site after a burial attended by President Clinton, members of the Kennedy family and several friends. The only signs that Onassis had been buried were the flowers and the fresh black dirt between the flat granite blocks that cover the graves.

No headstone has been selected by the Kennedy family, but officials said it likely will match the black markers above the graves of President Kennedy and two of their children, Patrick, who died shortly after birth in 1963, and an unnamed daughter, who was stillborn in 1956.

Melody Miller, a Kennedy family spokeswoman, said the choice of a headstone was a detail the family has not had time to consider. She said the family has been overwhelmed with calls of support and condolences. Local florists, Miller said, "are getting orders from people around the nation."

By yesterday afternoon, a mound of red roses, salmon-colored carnations, lilies, baby's breath and other flowers covered much of the space next to President Kennedy's grave. A young couple in business clothes gently laid down their orange and red carnations and then stood back quietly.

"It's just a demonstration of respect for a certain part of our history," said the young man, who described himself only as a government worker.

Others left brief notes or cards. Candace McNeill Stewart, of Alexandria, left a business card. Stewart, who was with her mother and sister, said it was her way of letting the Kennedy family know they were with them in spirit.

"Just so the Kennedy family knows we're here, so they know we mourn with them in their sadness," said Stewart, 27.

Like dozens of others, Stewart and her family lingered in the hot sunshine for several hours, watching the flow of people and taking photographs of the grave site.

"It's a national sadness," she said.

House GOP Urges Hearings On Whitewater

Reuter

House Republicans yesterday stepped up pressure for congressional hearings on the Whitewater affair involving President Clinton and Hillary Rodham Clinton.

A resolution introduced by Rep. John T. Doolittle (R-Calif.) and signed by 91 other members called for hearings by five committees on issues relating to the defunct Madison Guaranty Savings & Loan and the Whitewater Development Corp. in Arkansas. The Clintons were half owners of the Whitewater land development venture.

"I believe the patience of the American people is nearing an end," Doolittle said at a news conference.

Both the House and the Senate have passed resolutions calling for Whitewater hearings that do not interfere with an investigation now underway by special counsel Robert B. Fiske Jr. Republicans have been pushing for action.

The Doolittle resolution calls for the five committees to submit written findings to the House by the time Congress adjourns, probably in early October.

THE WASHINGTON POST WEDNESDAY, MAY 25, 1994

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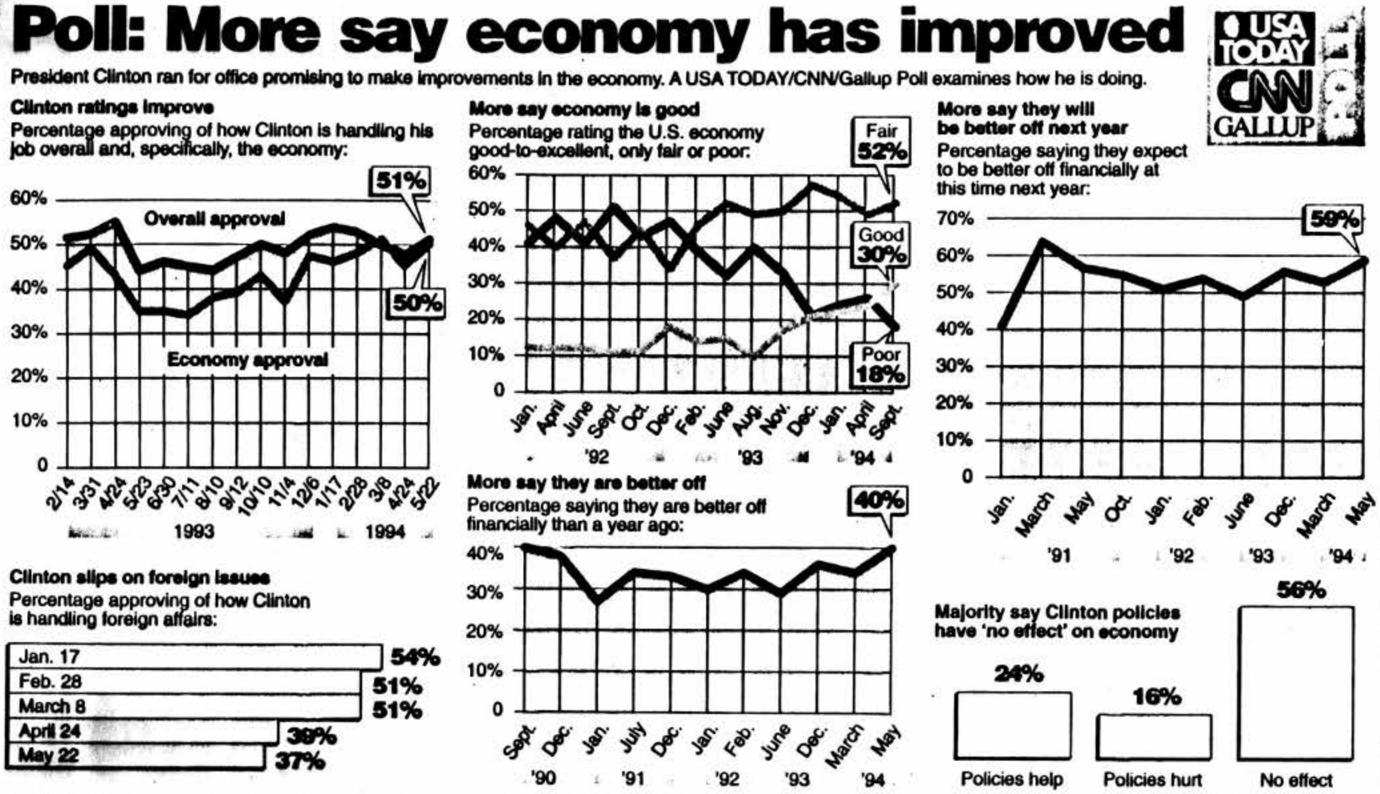
Poll: More say economy has improved

President Clinton ran for office promising to make improvements in the economy. A USA TODAY/CNN/Gallup Poll examines how he is doing.



Source: USA TODAY/CNN/Gallup nationwide telephone poll of 1,005 adults conducted May 20-22. Margin of error: ± 3 percentage points.

By Bob Laird, USA TODAY

USA TODAY · WEDNESDAY, MAY 25, 1994

ALSO IN WASHINGTON

GOP calls for prompt hearings on Whitewater

House Republicans are cranking up demands for hearings into President Clinton's Whitewater land deal.

A resolution introduced Tuesday by Rep. John Doolittle, R-Calif., calls for hearings by five committees. Rep. Newt Gingrich, R-Ga., says he worries Democrats "will attempt to wait until the last possible moment, reduce the scope to one committee, have one or at the most two days of hearings and then say, 'We did our job.'"

The resolution calls for the five committees to submit written findings before Congress adjourns in October.

Agence France-Presse

FLOWERS: Conversation for sale

FLOWERS TAPES: If you can't get enough information about allegations of sexual misdeeds by Bill Clinton, then Gennifer Flowers has a deal for you. Flowers, who claimed during the 1992 presidential primaries that she had a long affair with Clinton, is selling for $19.95 almost an hour's worth of her secretly taped conversations with Clinton. Portions of the tapes released during the campaign turn out to be the best of the meandering conversations, which include a Clinton denial of having an affair with her. But he does refer to her as "darlin'" and "babe."

WELFARE REFORM: Conservative social scientist Charles Murray, a leading advocate of ending welfare, says some children would be better off in orphanages than with single welfare mothers. "The dirty little secret is a very large number of them are rotten mothers," Murray said at a Capitol forum. Meanwhile, House liberals plan to offer a welfare overhaul today that would allow recipients to receive checks, food stamps and housing assistance for two years after taking a job.

SEN. E.T.? Maybe. A number of senators confirmed, with a wink and a nod, they are indeed "space aliens," as reported in *Weekly World News* tabloid. Says J. Bennett Johnston, D-La., identified as a space visitor: "At last the cat is out of the bag, although this isn't exactly the way I intended to tell my family and friends."

GOP Gains House Seat Natcher Held

Election in Kentucky Second Loss in Month For Democrats, Clinton

By Thomas B. Edsall
Washington Post Staff Writer

Republican Ron Lewis yesterday decisively won a special election in a central Kentucky district that had been in Democratic hands for more than a century. The results revealed for the second time in three weeks the apparent liabilities of the Clinton administration in conservative border state constituencies.

With 100 percent of the vote counted, Lewis had 55 percent of the vote to Democrat Joe Prather's 45 percent. Until Lewis, whose campaign was aided by $200,000 from national GOP committees, began his assault on Prather and President Clinton, the Democrat had been the strong favorite to win the seat that had been held by Rep. William H. Natcher, who died March 29. Democrats now hold a 256-to-178 advantage in the House, with one independent.

Rep. L. William Paxon (N.Y.), chairman of the National Republican Campaign Committee, declared that the results are "A big defeat for the president and the Democrats in Congress, and a warning message to Democrats that 1994 is going to be a Republican year."

Lewis charged that Democratic nominee Joe Prather was cut from the same mold as Clinton. His TV commercials stated repeatedly that, "Kentucky doesn't need Joe Prather. Send a message to Bill Clinton. Send Ron Lewis to Congress. Ron Lewis, he's one of us."

The results in the Kentucky contest will help determine how much Democratic House candidates in tough campaigns, especially those in southern districts, seek to distance themselves from the Clinton admin-

See ELECTION, A4, Col. 1

SPECIAL ELECTIONS

Elections after President Clinton's 1992 victory. Seats lost by Democrats in **BOLD.**

HOUSE

WINNER	ELECTED TO REPLACE:	DATE OF SPECIAL ELECTION
Ron Lewis (R)	William H. Natcher (D)	May 24, 1994
Frank Lucas (R-Okla.)	**Glenn English (D)**	**May 10, 1994**
Vernon Ehlers (R-Mich.)	Paul Henry (R)	Dec. 7, 1993
Sam Farr (D-Calif.)	Leon E. Panetta (D)	June 8, 1993
Rob Portman (R-Ohio)	Bill Gradison (R)	May 4, 1993
Peter Barca (D-Wis.)	Les Aspin (D)	May 4, 1993
Bennie Thompson (D-Miss.)	Mike Espy (D)	April 13, 1993

SENATE

WINNER	ELECTED TO REPLACE:	DATE OF SPECIAL ELECTION
Kay Bailey Hutchison (R-Tex.)	**Lloyd Bentsen (D)**	**June 5, 1993**
Kent Conrad (D-N.D.)	Quentin N. Burdick (D)	Dec. 4, 1992
Paul Coverdell (R-Ga.)	**Wyche Fowler Jr. (D)**	**Nov. 24, 1992**

PARTY BREAKDOWN

IN WAKE OF ELECTION:	DEMOCRATS	REPUBLICANS
Senate	56	44
House	256 (plus 1 independent)	178

SOURCE: Congressional Quarterly

—Compiled by Ann O'Hanlon

THE WASHINGTON POST

GOP Captures Kentucky Seat Long Held by the Democrats

ELECTION, From A1

istration. Republicans already are touting the victory of Frank Lukas in a once rock-solid Democratic district in Oklahoma in a contest earlier this month to succeed Rep. Glenn English (D-Okla.), who resigned.

It is also a worry for Democrats that they could have a difficult time holding on to some of the seats being vacated by longtime incumbents.

The Lewis-Prather special election was the only Republican-Democratic contest yesterday, although the policies of the Clinton administration were at issue in a number of primaries in Kentucky, Arkansas and Idaho.

In the 1st District of Kentucky just to the west of the 2nd District, freshman Rep. Tom Barlow battled fellow Democrat and state Sen. Henry Lackey, whose main campaign theme was an attack on Barlow's support of the Clinton administration's economic and budget plan.

In 1992, Barlow defeated nine-term Rep. Carroll Hubbard (D-Ky.), who was one of the leading check bouncers in the House and who now awaits sentencing after pleading guilty to felony charges involving misuse of campaign money. Lackey is an ally of Hubbard's and the hostilities between Barlow and Lackey are viewed by Repubicans as opening up chances for a GOP victory in November.

Just to the east of Natcher's old district, both parties held contested primaries—11 Democrats and three Republicans—to select nominees to vie to succeed retiring Rep. Romano L. Mazzoli, a moderate to conservative Democrat first elected in 1970.

In Idaho, Democratic Attorney General Larry EchoHawk is favored to win his party's nomination in his drive to become the nation's first American Indian governor. Democratic Gov. Cecil D. Andrus is retiring after four terms in office. Republican primary voters were expected to pick Phil Batt, a former state senator and lieutenant governor, to oppose EchoHawk.

Arkansas Gov. Jim Guy Tucker, who succeeded Clinton after the 1992 presidential election, is unopposed in the Democratic gubernatorial primary. He will enter the general election the favorite. One of the contenders for the Republican nomination was Sheffield Nelson, an outspoken Clinton rival who has led the charge on Whitewater; he was opposed by state Sen. Steve Luelf, among others.

James McDougal, who was a partner of the Clintons in the Whitewater land deal, is a long-shot candidate for Congress in Arkansas. His opponents for the Democratic nomination are state Sen. Jay Bradford and state Rep. John Parkerson, as they compete for the chance to take on freshman Rep. Jay Dickey (R), who has no primary opposition.

The focus of national attention, however, has been on the Prather-Lewis contest. The Lewis television commercials have been brutal, showing pictures of Clinton and Prather melding into each other, as the announcer declares:

"In Frankfort [Kentucky's capital] Joe Prather votes to increase taxes and fees over 40 times. . . . Bill Clinton passes the largest tax increase in history. . . . If you like Bill Clinton, you'll love Joe Prather. Kentucky doesn't need another professional politician."

While the 2nd District has been represented by Democrats for more than 100 years—the last 41 by Natcher—it has clearly moved toward the GOP in its presidential voting patterns. In 1992, President George Bush defeated Clinton there by 45 to 41 percent, and in 1988, Bush crushed Democratic presidential nominee Michael S. Dukakis.

THE WASHINGTON POST WEDNESDAY, MAY 25, 1994

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Senate inches toward Whitewater hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Senate leaders moved toward a compromise Tuesday on hearings into the Whitewater Development Corp. affair in the face of Republican threats to force a vote on the issue.

By the end of the day, Democratic and Republican leaders were saying they were nearing a deal that would allow Whitewater hearings to proceed in the Senate Banking Committee.

"We're making good progress," said Senate Majority Leader George Mitchell, D-Maine. "We'll reach an agreement."

But Senate Republicans frustrated at the long delay might seek a vote today on a proposal outlining the format and timetable for Whitewater hearings.

Meanwhile, 92 House Republicans introduced a measure calling for an array of House hearings beginning in mid-August. The plan calls for hearings in five committees

"There's a lot of bad stuff that went on in Arkansas, and the public has the right to know," said Rep. Toby Roth, R-Wis.

More than two months ago, the two chambers agreed to hold Whitewater hearings at an unspecified date.

President Clinton and first lady Hillary Rodham Clinton were partners from 1978-92 with James and Susan McDougal in Whitewater, a 230-acre residential development along the White River in Marion County.

James McDougal, one of three Democratic candidates in the 4th Congressional District in Tuesday's primary, 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 transferred illegally between Madison and Whitewater are among the issues being investigated by special counsel Robert Fiske Jr., who was appointed in January by Attorney General Janet Reno. Fiske, whose investigation is based at Little Rock, will discuss his progress during a Thursday meeting with House leaders.

Congressional Democrats repeatedly have said Whitewater hearings should not proceed until Fiske completes his work. Republicans want immediate hearings.

The Senate stalemate showed signs of ending as Mitchell and Senate Minority Leader Bob Dole, R-Kan., discussed their options Tuesday. Mitchell favors hearings in the Senate Banking Committee. He said a few senators from other committees might be allowed to participate in those hearings.

Dole called Mitchell's offer a "step in the right direction."

"We're moving in the right direction, slow as it might be," he said.

Dole said it would be at least a month before any Senate hearings could begin. But he held out the possibility Republicans might bring the Whitewater topic to a vote as early as today.

"Some of our people are getting restless," Dole said.

The Republican amendment would create a select Senate committee and set a date for hearings. Dole did not offer specifics of the plan. He admitted Democrats probably would be able to kill or water down the GOP proposal.

In recent days, some Republicans have hinted they might conduct a filibuster to keep the Senate from taking its Memorial Day recess if no action takes place on the Whitewater issue. Dole said Tuesday he did not anticipate such a move.

In the House, Rep. John Doolittle, R-Calif., introduced legislation that would require hearings to begin by Aug. 15. Five committees would be required to submit written findings on Whitewater before Congress adjourns for the year.

"Delaying these hearings any further would be unfair to the American people," Doolittle said.

He said it would be mid-June before Republicans might force a House vote on the bill.

House Minority Whip Newt Gingrich, R-Ga., said Democrats want to continue stalling in an attempt to "reduce the scope" of Whitewater hearings.

Rep. Jim Leach, R-Iowa and the ranking Republican on the House Banking Committee, backed the August hearing timetable.

"Hearings are in order and precedent is on our side," Leach said.

Arkansas Democrat-Gazette
Wednesday, May 25, 1994

CONFERENCE DES MOINES

Air National Guard units prepare for down-sizing

The president of the National Guard Association worries that deactivating units could hamper emergency operations in the future.

By WILLIAM PETROSKI
REGISTER STAFF WRITER

Entire Air National Guard units could be scrapped under the down-sizing of the nation's military, but it would be better to simply reduce the number of planes assigned to individual units, a top National Guard general said Tuesday.

Maj. Gen. John Matthews, president of the National Guard Association of the United States, said in an interview that with tight budgets for military spending, "some very significant decisions will have to be made," which could include deactivating entire air units.

Those types of budget issues are being closely watched in Des Moines and Sioux City, where the Iowa Air National Guard has F-16 fighter units that employ hundreds of full-time and part-time Guard members.

Matthews, an Air National Guard officer who is Utah's adjutant general, is in Des Moines for a conference of the Adjutant Generals Association of the United States. He said he prefers to see Congress leave intact the basic structures of Guard and reserve units so that military officials don't have to start from scratch when mobilizing large numbers of forces in a national emergency.

"History has invariably shown that we will need to expand our forces again in the future," he said.

Despite budget worries, Matthews and Robert Frank Jr., executive director of the National Guard Association, said they have had good relationships with Defense Department officials under the Clinton administration.

Frank said former Defense Secretary Les Aspin brought many of his staffers to the Defense Department when he left his chairmanship of the House Armed Services Committee, and National Guard supporters have had extensive experience working with those people.

In contrast, "we had very little access" to Defense Department officials under President George Bush, Frank said. He noted that under Bush, military officials proposed cutting the National Guard by one-third, which would have meant closing 1,000 armories nationwide.

"The fact is that sometimes liberals — in the broad definition of liberals — are sometimes more supportive of the National Guard forces than the active duty forces," Matthews said. "I think part of the reason for that has to do with the role the National Guard has to play in hometown emergencies."

President Clinton was very supportive of the National Guard as Arkansas' governor "and we have found significant support from the current administration, although that doesn't mean we have had total support," Matthews said.

'NO PROGRESS'

GOP grows impatient on Whitewater

House Democratic leaders are being pushed to set a date for hearings.

By JANE NORMAN
OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — A group of House Republicans, including Rep. Jim Leach of Iowa, demanded Tuesday that Democratic House leaders set Whitewater hearings for no later than mid-August.

Under a resolution sponsored by Rep. John Doolittle, R-Calif., hearings would be held by five committees — agriculture, banking, judiciary, small business and government operations.

The hearings would scrutinize not just the Whitewater real estate development in Arkansas but also commodities trading engaged in by first lady Hillary Rodham Clinton.

Republicans said they want hearings beginning no later than Aug. 15. Written findings would be submitted before adjournment of this year's session.

The House has approved another resolution that members set a timetable for hearings on Whitewater, but Democrats have said they want to hold off until special counsel Robert Fiske concludes the first phase of his investigation. Reports have said Fiske is nearing that point.

But House Minority Whip Newt Gingrich, R-Ga., said he has seen "no progress" by Democrats toward establishing a schedule and a format for hearings. Doolittle said "the public is asking questions" about Whitewater that should be answered.

The Republicans said the five committees should accommodate Fiske and not grant immunity to any witnesses if he objects.

The resolution says allegations have been reported "concerning the possibility of unethical or illegal conduct" in connection with the Whitewater real estate development and Madison Guaranty Savings and Loan of Little Rock, Ark., owned by the Clintons' partner in Whitewater.

The resolution also names as a target Ray E. Friedman & Co., the business through which Hillary Rodham Clinton did her commodities trading.

"This is not a terribly happy day," said Leach, the senior Republican on the banking panel and one of the president's chief critics on Whitewater. "What's at issue here is full disclosure."

Leach said the White House, on a separate issue, is now arguing the president is immune from lawsuits related to actions before taking office, in connection with a sexual harassment suit filed by an Arkansas woman. "If this doctrine holds up it makes the issue of disclosure even more important," Leach said.

Rep. Jim Nussle, R-Ia., is one of the 92 co-sponsors of the resolution.

The Des Moines Register - Wednesday, May 25, 1994

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BC-USA-MCDOUGAL
WHITEWATER FIGURE LOSES RACE IN ARKANSAS

LITTLE ROCK, Ark, May 25 (Reuter) - Jim McDougal, a key figure in the Whitewater controversy involving President Clinton and Hillary Rodham Clinton, lost his bid for a seat in Congress Tuesday, finishing third in a three-candidate Arkansas Democratic primary.

Jay Bradford, a veteran member of the Arkansas State Senate, led the Democratic ticket for the right to oppose first-term Republican incumbent Jay Dickey in a district that encompasses the southern third of Arkansas.

McDougal portrayed himself in speeches and campaign advertising as a staunch Democrat victimised by Republicans, including Presidents Ronald Reagan and George Bush and their appointees in the thrift regulatory agencies.

In the late 1980s, McDougal was removed by federal regulators as chairman and chief executive of Madison Guaranty Savings and Loan, which eventually failed at a cost to taxpayers of at least $47 million.

President and Mrs Clinton, who were friends of McDougal and his wife, joined them in 1978 as investors in a real estate development called Whitewater, which Madison Guaranty underwrote.

A special prosecutor, Robert B. Fiske, is presently investigating allegations that depositor funds were improperly diverted from Madison to the Whitewater account and to Clinton's 1986 Arkansas gubernatorial campaign.

The Clintons, McDougal and McDougal's former wife, Susan, have all denied any impropriety in their Whitewater investment.

McDougal was indicted but acquitted of bank fraud in the collapse of Madison Guaranty. McDougal's attorney has said, however, that he expects McDougal will be indicted again.

REUTER

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In Kentucky, GOP strategy test: Give all opponents a face – Clinton's

By William M. Welch
USA TODAY

The stark, black-and-white image on the TV depicts a wan Bill Clinton. In seconds, his face transforms seamlessly into the face of Joe Prather, a Democratic House candidate in Kentucky.

"Nowadays it seems like all professional politicians are the same," an announcer intones. "If you like Bill Clinton, you'll love Joe Prather."

That bit of sophisticated computer trickery has been playing on television screens across western Kentucky for the past 10 days, part of a $220,000 barrage by national Republicans on behalf of Ron Lewis, the Republican in today's special election.

Courier-Journal
PRATHER: Democratic candidate

The ad, a technical advance in the science of media campaigning, is a major test by Republicans of their 1994 strategy: pound Clinton relentlessly and tie Democratic congressional candidates to him.

Courier-Journal
LEWIS: GOP opponent in today's vote

"This is the first instance ... of a complete and direct tying of a Democratic congressional candidate to Bill Clinton," says Stuart Rothenberg, publisher of a political newsletter.

"I suspect we're going to see plenty of these attempts from now until November.... This is the tipoff."

Win or lose in Kentucky's vote to replace the late Democratic Rep. William Natcher, Republicans intend to continue linking Clinton to Democratic congressional candidates in districts, such as this one, where polling shows the president is particularly weak.

"No Democrat is going to be able to hide anymore," says Rep. Bill Paxon, R-N.Y., head of the GOP House campaign committee and architect of the attack. "To win, Democrats feel compelled to run away from the president."

Political analyst Charlie Cook says the strategy carries a risk, too. "I think they have to be selective," he says. "Clinton's (poll) numbers are not so low this kind of campaign will work across the board."

Paxon and other GOP officials were emboldened by success earlier this month in a special election to fill an open House seat in Oklahoma.

Republican Frank Lucas, attacking his opponent as a Washington insider, won despite a 2-1 voter registration disadvantage.

Republicans immediately commissioned a poll of the next district at stake, Kentucky's 2nd.

They found Lewis, a conservative Christian bookstore owner, far behind Prather, a veteran state legislator. But they found Clinton weak — only 30% said they would vote for him today, Paxon says — and decided to pour money into their anti-Clinton strategy.

The district has been won easily for 40 years by Natcher, who died in March. It is heavily Democratic in registration, but George Bush carried it twice.

"I think we've caught the Democrats flat-footed," says Dan Leonard, who produced the ad with a colleague at the National Republican Campaign Committee.

Democrats, however, contend the district is unique because Prather handicapped himself by refusing national Democratic help, out-of-state money and contributions from political action committees.

Prather has spent about $180,000, including $50,000 from his pocket.

"Prather for better or worse made a decision to run a campaign in the old Natcher style," says Mike Casey, spokesman for the Democratic Congressional Campaign Committee.

That suits Lewis just fine. He's attacked Clinton — and Prather — on everything from higher taxes to "socialized medicine" to homosexuals in the military to Whitewater.

"We consider this a referendum on Bill Clinton," Lewis says.

TUESDAY, MAY 24, 1994 · USA TODAY

ALSO IN WASHINGTON

53% believe in Jones 'incident'

A USA TODAY/CNN/Gallup Poll shows most of those surveyed believe "some incident" took place between President Clinton and ex-Arkansas state worker Paula Jones, but more than two out of three say it's irrelevant to judging Clinton's performance.

The weekend poll of 1,005 adults finds most people are generally skeptical of Jones' accusations that Clinton tried to engage her in oral sex in May 1991 when he was governor of Arkansas:

▶ 53% say "some incident" occurred; of those, 50% say the encounter as described by Jones should not be considered sexual harassment, while 40% say it should.

▶ 71% say questions about Clinton's character are not relevant to judging his job performance; 29% say they are relevant.

▶ 57% say Jones' charges are mostly or completely false; 27% say they are mostly or completely true. The poll has an error margin of 3 percentage points.
— *Richard Benedetto*

CHILD SAFETY: The House passed the Child Safety Protection Act, requiring warning labels for toys that present a choking hazard to children and establishing a uniform safety standard for bicycle helmets. The bill goes to the Senate. The House also approved:

▶ Banning U.S. dumping of all radioactive waste into the oceans. Current law prohibits only dumping of high-level radioactive waste. The bill now goes to the Senate.

▶ Authorizing $63 million for the Office of Minority Health in the Public Health Service, a new center to improve the ability of health-care providers to serve limited English-speaking groups. The bill now goes to conference with the Senate, which passed a different version.

CHINA TRADE: Agriculture Secretary Mike Espy became the latest Cabinet member calling for renewal of most-favored-nation trade status to China, calling China "one of our most important agriculture markets." Secretary of State Warren Christopher is taking Congress' pulse on the issue before making a recommendation to President Clinton.

Whitewater figures in Ark. primaries

Two Whitewater figures and a Native American are among the candidates in primaries today.

In Arkansas, where voters embark on their first gubernatorial election season without Bill Clinton in 16 years:

▶ Sheffield Nelson leads two opponents vying for the Republican gubernatorial nomination to face Democratic Gov. Jim Guy Tucker, who took over from Clinton and who has no opposition.

Nelson still must face anger from some critics over his role in supplying reporters with a steady flow of tips on Whitewater — a story widely seen as having blasphemed not just the Clintons but all of Arkansas.

▶ James McDougal, Clinton's partner in Whitewater, is among three candidates for the Democratic House nomination in the 4th District, the only congressional primary. The winner faces incumbent Republican Jay Dickey, who is unopposed.

In Idaho, Attorney General Larry EchoHawk is expected to coast to the Democratic gubernatorial nomination, the first step toward becoming the nation's first Indian governor. Phil Batt has a huge lead over three challengers for the Republican nomination.

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Cowboys owner profits from Madison deal

FORT WORTH, Texas, May 23 (UPI) Dallas Cowboys owner Jerry Jones made a profit on an investment involving the thrift at the center of the Whitewater affair after the institution failed, a newspaper reported Monday.

The Canadian land deal was not directly involved in Whitewater, but the Fort Worth Star-Telegram reported that the investment is under scrutiny because it involved a venture by Madison Guaranty Savings and Loan of Little Rock.

In 1984, Jones and longtime Arkansas partner Sheffield Nelson invested $450,000 in the venture on Campobello Island, off the coast of Maine between the Canadian Provinces of New Brunswick and Nova Scotia.

Jones and Nelson, with a 25 percent stake, were limited parters and a Madison Guaranty subsidiary was the general partner and had a 75 percent stake.

The duo got out of the deal in 1988 when then-insolvent Madison wrote Jones and Nelson a check for $725,000, according to the Star-Telegram.

Jones said he is a supporter and admirer of President Clinton but knows of no connection between the chief executive and the Campobello project, the newspaper reported.

The Campobello venture caught the interest of Fiske and congressional investigators because it was the single largest investment by Madison and the project's losses forced the thrift into insolvency, the newspaper reported.

All of Madison owner James McDougal's ventures are under investigation, including his Whitewater Development Corp. partnership with the president and first lady Hillary Rodham Clinton.

Questions have arisen over how Madison an insolvent thrift under the direction of federal managers since 1986 justified the payment.

William Seidman, who headed the Federal Deposit Insurance Corp. and the Resolution Trust Corp. from 1985 to 1991, was shocked to learn of the payout.

``I can't believe it,'' Seidman said. ``It's an extraordinary event. It smells. It could be legit, but I doubt it.'' Seidman did not oversee thrifts at the time of the Madison payout.

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BC-CLINTON HILLARY-MAGAZINE

HILLARY RESISTED WHITEWATER INVESTIGATION-MAGAZINE

NEW YORK, May 22 (Reuter) - Hillary Rodham Clinton was behind what has been described as one of the most ill-advised moves by President Clinton -- resisting the appointment of an independent counsel for the controversial Whitewater land deal, the New Yorker magazine reported Sunday.

``It was Hillary who made the decision,'' Bev Lindsey, who worked with Mrs Clinton on the presidential campaign, was quoted as saying in a wide-ranging profile of the first lady.

``I think they both felt that they could tell people there was nothing there and people would believe it.''

The independent counsel into the failed real estate deal was eventually appointed and is now addressing questions of whether funds were improperly channelled from a failed government-backed savings and loan institution to Whitewater or to Clinton's campaign for governor of Arkansas.

The core issue behind the controversial investment that has dogged Clinton's presidency is whether the couple made money with the help of people who stood to gain from favourable treatment by the state while Clinton was governor.

The Clintons have denied any impropriety.

Of the couple, the article says, Mrs Clinton was the one more actively involved in the Whitewater deal, taking out a $30,000 loan to build a house on the property.

Whitewater, plus questions over a venture by Hillary Clinton into the risky commodities futures market that earned her almost $100,000 on a $1,000 investment have diverted attention from key policy initiatives, including the health care reform in which the first lady has taken a leading role.

In a wide-ranging piece based on extensive interviews, staff writer Connie Bruck paints a portrait of a woman who while sincerely idealistic and strikingly capable, is more driven and calculatingly ambitious than her populist husband.

In the article, she describes the seeming autonomy with which Mrs Clinton has made decisions on health care policy that could affect criticial White House initiatives.

Although Clinton says he doubts whether his wife would ever run for the presidency, the article quotes White House insiders who say plans are being made for her to run if Bill Clinton's two-term constitutional limit runs out.

``There are a great many people talking very seriously about her succeeding him,'' said Betsey Wright, once President Clinton's most important political adviser.

``Their staff will say, 'We have to do it this way and that way, and then we'll be here at least 12 years.' And it's not just the staff. Friends, Democrats, people out across the country think it's a very viable plan of action,'' Wright said.

While Bruck was given almost two hours with President Clinton, the first lady herself was not available.

Bruck quotes classmates at Yale Law School saying that Hillary, who became a widely respected lawyer, was clear even then in her desire to be an important political figure. One friend described her as having a ``religious zeal.''

``When one talks to her friends and her husband, one hears it described in varying ways but they are all facets of the same intensely insular and unbending characteristic,'' Bruck wrote.

She quoted the president as saying of his wife: ``Once in a while she'll come in and say, 'I want to talk about such-and-such.' And you know,'' Clinton said gesturing toward the massive oak desk in the oval office, ``I might as well try to lift that desk up and throw it through the window as to change her mind.''

``It's been really hard for her,'' Clinton said, referring to the media scrutiny and public pressure on his wife over the past few months.

While Hillary Clinton has exhibited many of the character and professional traits admired in her male colleagues, she has been criticised by some politicians and ordinary Americans who feel she should play a less powerful role as first lady.

A virtual parade of women and witnesses over the past few years claiming to have been involved in Bill Clinton's alleged philandering have also put his wife in a difficult position and have dogged his political career.

``He always had a weakness for bleached blondes with big jewelry, in short skirts, their figures shown off to best advantage,'' the New Yorker quotes an unnamed friend as saying.

It also quotes an Arkansas insider as saying Clinton backed out of his first bid for the presidency in 1987 because he feared it would be haunted by reports of extra-marital affairs.

``Clearly he was saying he had done things and he didn't know at what point it would be safe to run,'' said Max Brantley, editor of the weekly Arkansas Times, recalling a conversation with Clinton shortly before he announced he was dropping out.

``By that time there was long-rumoured trouble on the woman issue ... it was clear to me -- hearing his voice, seeing how he looked -- that it was the major reason for his choosing not to run,'' Brantley said.

Asked by Bruck how he deals with the pain the constant allegations of philandering must cause his wife, Clinton said: ``Well we deal with it .... Someday I may even talk about it.

``Just, well there is a story there and not the one that's been told and maybe someday it will be, but I ... I'm president,
I have to do my job, I have to deal with America's business now ... and that's what I'm doing.''

REUTER

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The Washington Post SUNDAY, MAY 22, 1994

nautics, is at least $82.3 billion. Subtract the $10.2 billion that NASA claims to have spent on the space station so far and you get $72.1 billion. Divide that by the 54 shuttle flights in this period and the result is $1.33 billion per flight.

Even *that* does not include all the costs of the shuttle. In fact, development costs should be added to operational costs, just as you would include the purchase price of your car as part of your transportation costs. The $19 billion to develop the shuttle through 1982 would convert to $34 billion in 1993 dollars. Amortized over 54 flights, that adds another $630 million per flight. In round numbers, this comes to about ***$2 billion per shuttle flight.***

Looked at another way—and counting just the operational costs—Americans must pay $26,600 a pound to put a payload into low Earth orbit. Compare this with the $333 a pound (in 1993 dollars) that NASA promised when selling the shuttle in 1972. As it turned out, they were off by almost two orders of magnitude—not a comforting margin of error for a technical agency.

Far from opening up the space frontier, the shuttle has made it less accessible. At $26,600 just to get a pound of material into orbit, nothing is going to be manufactured economically in space. Nothing is going to be routine about spaceflight. No tourism will appear. No opportunities will present themselves for the United States to reenter the commercial market for heavy launch services.

It is against this background that we must consider the space station numbers. When President Reagan proposed the station in 1984, the price tag was $8 billion (that is $10.7 billion in 1993 dollars). The station was to be fully manned by 1994. Ten years, seven redesigns and $10.2 billion later, not a single element is in orbit. Indeed, barely a piece of metal has been bent. NASA now guarantees that the latest version of the station will be in orbit in 2002 at a total cost of $17.9 billion—*not counting launch costs.*

There are two reasons to be suspicious. First, NASA's average cost overrun on projects historically has been 77 percent. There is little reason to believe that it will do better on this complicated undertaking. Second, the launch costs are greater than NASA's projected cost for the entire station. The 16 launches required to put it in orbit will cost $21.3 billion. Additionally, along the way, NASA plans to make 10 visits to the Russian Mir space station: this adds another $13.3 billion.

The worst is yet to come. Should the station ever get into orbit, the United States will be saddled with using and maintaining it for 20 years or more. A 1990 NASA study projecting maintenance costs for space station Freedom estimated that 3,700 hours of spacewalks would be required annually. Since U.S. astronauts have accumulated less than 500 hours of spacewalking in their first 33 years of flight, the burden of maintenance on the station looms large. And of course the shuttle flights to and from the station will continue to rise in cost as the 20-year-old shuttle technology ages.

A 1991 projection of the Mars rover/return mission pegged the cost of the most elaborate version at $7.7 billion. Adding the historic 77 percent for cost overruns and 30 percent for overhead, the mission comes in at $17.7 billion, or $18.7 billion in 1993 dollars. This is a tidy sum, but just a fraction of the $500 billion estimated for a manned mission to Mars. It is also a fraction of the real price of a space station—probably in excess of $100 billion. And that is just to get the station up there. Then the real costs of maintaining this project settle upon the NASA budget as an entitlement for the next two or three decades.

We have been at manned spaceflight for 33 years now, and the truth is that the pot of gold we expected humans to find in space has returned to lead. There is nothing there worth the risk and the cost. It is time to call a halt.

As a general rule, scientific satellites in Earth orbit cost hundreds of millions. Complex space probes cost billions. The most significant and ambitious unmanned missions can cost $10 to $20 billion. And the real innovations in spaceflight, the true exploration of the unknown, are being conducted by the cheaper, unmanned missions.

Should a useful role ever be found for astronauts, we will have the technology to exploit it. For now, however, we need to direct our resources to new and more promising endeavors. That, after all, was the original promise of space.

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cret meetings . . . This litany of stonewalling . . . An abuse of power . . . Interfering with an independent investigation." But Kinsley is determined to force D'Amato to address his own history of ethical problems, a long and tangled list of allegations that once led a Democratic opponent to label him a "walking quid pro quo." If you are so big on full disclosure, Kinsley tells D'Amato, "why don't you allow the release of your testimony before the ethics committee a couple of years ago, when they were investigating your brother's use of your office for influence peddling?"

D'Amato's gaze is steady. He's been through this before.

"Let me say this, Mike, and you know very well, that we cooperated 1,010 percent. That we made available 250 boxes of documents, a million pages. That I was cleared of wrongdoing—"

"You were not," Kinsley says.

"I absolutely was, Michael," D'Amato says, lips tightening.

"You were charged," Kinsley says with a slight smirk, "and your brother was convicted."

The senator's tone turns to barely suppressed outrage. "Michael, Michael, *don't you dare* distort the record as it relates to what the committee found. They did find as it related to the operation of the office, we were negligent with respect to allowing my brother access. We've taken care of that."

Having backed off from his "cleared of wrongdoing" assertion, D'Amato slows his cadence slightly: "I took my hit. I went before the voters. The voters elected me. Now the fact of the matter is—"

"Why don't you release the documents?" Kinsley interrupts again, shaking a blue pen at the camera.

D'Amato suddenly turns patronizing: "Michael, you asked me a question, give me a chance to answer. *Don't be rude* and *embarrass* yourself by interrupting me." The senator allows himself a small smile. He bounces slightly in his seat. He's enjoying this.

"Now! The fact of the matter is, this is merely an attempt to divert attention from what is my constitutional job as ranking member of the Banking Committee."

Drowning out two more attempts by Kinsley to regain the floor, D'Amato declares: "No! Yours is nothing more than an attempt to divert attention from the real issue. And the issue is"—his voice is booming now—"has there been an abuse of power by the White House in attempting to keep a legitimate investigation from going forward?"

Pat Buchanan steps in like a referee separating two fighters, and soon it's time for a commercial break. D'Amato may be scratched, scarred, even bloodied in places, but he has clearly won the round.

As for Kinsley, he got letters from nuns accusing him of being unfair to Al D'Amato.

IN POLITICAL WASHINGTON, where past lives are shed like so much excess skin, anything is possible. Even Alfonse D'Amato, crusader for ethics in government.

D'Amato is the capital's reigning champion of the politics of expediency, a time-honored philosophy in which public life is seen less as an intellectual or moral debate over the role of government than as a sweaty street brawl. In the arena of expediency, the politician's goal is not so much reducing crime or improving health care as scoring rhetorical points and slam-dunking the opponent. In other words, doing whatever it takes to win.

Thus, when Al D'Amato is accused of improprieties, he lashes out at his accusers. When charged with doing favors for campaign contributors, he boasts that every constituent is entitled to representation. When running for reelection, he assails his opponents as ethical pygmies. He does all this with an in-your-face Long Island bravado, betraying not the slightest trace of embarrassment.

When Al D'Amato is accused of improprieties, he lashes out at his accusers. When charged with doing favors for campaign contributors, he boasts that every constituent is entitled to representation.

And it works. It works because the press, which has the attention span of an infant, gives him a platform. It works because television loves conflict, which D'Amato provides in spades. It works because the 56-year-old senator knows how to beat journalists, even those who hold him in low regard, at their own shortsighted game. It works because D'Amato's political peers don't hold him to a higher standard. It works because the voters buy—or at least tolerate—his act.

Washington is the ideal venue for D'Amato's pugilistic approach, for it is a city built upon the politics of expediency. Yesterday's campaign promise is today's lily-livered compromise. Positions shift with the ebb and flow of punditry and polls. Quick-fix solutions are hyped as panaceas. Partisan sniping is cloaked in the rhetorical garb of high principle. And everyone, including the media, has an interest in pretending that routine mud fights are really grand constitutional struggles.

On the Beltway battlefield, tactical advantage is everything; intellectual consistency means nothing. Eighteen months ago, the Republicans managed to block Congress from extending the Watergate-era special prosecutor law. After watching Reagan and Bush aides dragged through lengthy investigations on everything from Iran-contra to passport-file abuse, they had amassed lofty legal arguments as to why the executive branch should be placed beyond the reach of court-appointed prosecutors.

Once the Clintons were knee-deep in Whitewater, however, these lawyerly objections quickly evaporated. The Republicans clamored for a special prosecutor as the only way to assure an independent probe—the very argument they had dismissed when their party controlled the White House. And the press, caught up in the political drama, did not make much of this brazen flip-flop.

Democrats play the same game, of course. The president resisted the notion of a Whitewater prosecutor for weeks, insisting that there was no wrongdoing to investigate. Once he bowed to political pressure and the administration hired Robert Fiske, however, Clinton began citing that very appointment as evidence of his desire for a full investigation—and as justi-

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It was a sound bite designed to make the news, and it did.

Next D'Amato made sure that Roger Altman, the acting RTC chief, was asked whether he had discussed the Madison probe with anyone at the White House. When Texas Republican Phil Gramm popped the question, he struck paydirt.

"I've had one substantive contact with White House staff," Altman replied. D'Amato followed up with a series of questions about who else was in the meeting. The Washington Post later reported two other such meetings involving Altman. Whitewater, which had been fueled by earlier press disclosures, was now launched into the media stratosphere. And Al D'Amato was along for the ride.

By this time D'Amato had established himself as one of the Republican Party's two leading Whitewater critics. The other was Jim Leach, the sweater-wearing Iowa congressman, who projects an image of soft-spoken, bipartisan high-mindedness. D'Amato, by contrast, comes across as a Long Island loudmouth, a "charming rogue," in the words of Newsday columnist Sydney Schanberg, whose own view of the senator is far dimmer than that.

As Whitewater gathered steam, D'Amato missed no opportunity to exploit his new-found prominence. When Associate Attorney General Webster Hubbell, another Rose Law Firm alumnus, resigned over disputed billings at the firm, D'Amato called him "a political hack" and said "good riddance . . . The stench that started in Little Rock has made its presence felt here."

Soon D'Amato was all over the media map: "Nightline." "Good Morning America." "CBS This Morning." "Meet the Press." On "Donahue," he fenced with Phil over his past ethics problems, at one point accusing Donahue of a "cheap shot."

As the program was ending, Jay Rockefeller, the Democratic senator from West Virginia, could no longer contain himself. "I think that Al D'Amato's having more fun than he's ever had in his entire life," Rockefeller said. "He's making a spectacle of this."

"Oh, you're out of line!" D'Amato snapped. "You're out of line, Jack. You really are . . . You'd—you'd be pressing for hearings if George Bush were there. Believe me, you would."

"No, I would not," Rockefeller replied.

"Oh, of course you would."

Some Republicans cringed. "I think they're acutely embarrassed by Al D'Amato," Rockefeller says. Sure enough, when D'Amato met with Fiske to discuss whether congressional hearings would hurt the Whitewater probe, he took along the exquisitely moderate senator William Cohen as cover. Soon the Republicans were talking of creating a select committee for Whitewater hearings, rather than keeping them in the Banking Committee, where D'Amato would be the lead attack dog.

"I don't think anyone has said, 'D'Amato's been hauled through the ethics committee, why do we want to have him out front?' " a knowledgeable Republican said. "Obviously that's going to be an issue. But he's not the kind of guy where you say, 'Hey, you're being too tough.' Alfonse would just take that and be tougher."

"A lot of weaker souls would have anticipated what would come down and would've stayed away from Whitewater," says Susan Molinari, the GOP congresswoman from Staten Island, who portrays the controversy as a test of D'Amato's character. "That is just so typical of Alfonse's persona. He saw an issue and would not be put off by potential threats of bringing up his past."

"That matter's over; it's a specious issue," D'Amato says of the ethics probe. "What I did or didn't do, et cetera, becomes irrelevant." The Democrats, he says, are trying to "attack the messenger" to neutralize his assaults. "I'm not going to hang my head . . . and say that for all times as a senator I can never raise any questions. That's preposterous."

He certainly wasn't put off by a little ridicule in "Doonesbury." Last month, D'Amato's crusade simply became too much for Garry Trudeau. The cartoonist had his patrician congresswoman, Lacey Davenport, tut-tut to the senator that his "little lapses . . . on the ethics front are rather a problem for us. Lest we appear merely vindictive, it might be best if you kept a low profile during the actual hearings." Say, in Cleveland or Seattle.

A man of lesser chutzpah might have succumbed to embarrassment. Not D'Amato. Cartoons in hand, he strode onto the Senate floor and read Lacey Davenport's lines.

" 'But if there is no real scandal at the center of Whitewater,' " he said, affecting a falsetto voice, " ' . . . we should ask ourselves honestly: Why are we doing this?' " In his own deep voice, he delivered the punch line Trudeau had scripted for him: " 'Because it's payback time, baby!' "

Then came the counterpunch.

"Mr. President," D'Amato bellowed, addressing his Senate colleagues and the C-SPAN cameras, "the only payback I have seen is to watch President Clinton pay his back taxes."

Democrat David Pryor of Arkansas quickly took the floor to note that Richard Nixon, Ronald Reagan and George Bush all had to pay back taxes while in office. "Where was the senator from New York when these back taxes were paid? Where was his outcry?" Pryor asked.

Next came George Mitchell, the Senate majority leader, assailing D'Amato for making "false" statements, for endeavoring "to embarrass the president, apparently to cause political damage to the president."

Photograph by Reuter

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D'AMATO

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No mystery here: Puerto Rico was under the jurisdiction of HUD's New York regional office. The head of the office, Joseph Monticciolo, was appointed on D'Amato's recommendation. Monticciolo had a speed-dial button on his phone with D'Amato's number and, according to an aide, generally "cleared" his decisions with the senator. An internal HUD memo discovered by the Wall Street Journal said that D'Amato had personally pushed for several Puerto Rican housing projects.

A major beneficiary of these HUD grants was Eduardo Lopez Ballori, a Puerto Rican advertising executive. During the same period, as it happens, Lopez Ballori made $75,000 in illegal political contributions, mostly to D'Amato's campaign. Lopez Ballori circumvented the federal limit on individual contributions by donating the money in the names of 27 friends, relatives and associates and later reimbursing them. He made a $700,000 profit on public relations work for the HUD projects.

D'Amato said he had indeed lobbied for more HUD grants for Puerto Rico—on behalf of the more than 1 million Puerto Rican New Yorkers, naturally—but insisted he had not pushed for any particular project. He said Joe Monticciolo, his protege, had "misplaced the confidence which I gave to him" and "probably used my name" in connection with the Puerto Rican projects. "And he shouldn't have. It was wrong."

New evidence emerged when the HUD scandal erupted in 1989. A department official had written to Pierce's aide Deborah Gore Dean—who was later convicted in the scandal—that Monticciolo was "putting me in contact with a group in Old San Juan that is working on units through Joe and D'Amato." When Lopez Ballori went on trial, he testified that D'Amato had him write a "white paper" on the problems that he and other Puerto Rican developers were facing and how the senator could help. A judge acquitted Ballori of filing false campaign reports after an earlier trial ended with a hung jury.

The list of murky activities goes on and on: D'Amato received more than $30,000 in secret contributions from the scandal-plagued Wedtech Corp. while helping the Bronx company win contracts, according to a former Wedtech executive. (D'Amato denied any knowledge of the donations.) D'Amato dropped a junk-bond amendment opposed by Drexel Burnham Lambert during a period when he received more than $88,000 in donations from Drexel executives. D'Amato received $8,500 in contributions from sugar refiners and supported legislation to help the

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mean, this is a joke!" he barks. He whips out a copy of his standard letter passing on constituent complaints. "You think I saw this thing?"

(This was not the first time D'Amato had intervened for persons of less than pristine character. New York Mayor Rudy Giuliani has said that when he was the federal prosecutor in Manhattan, D'Amato called him on behalf of two mobsters, in one case asking him to review murder charges against Paul Castellano. D'Amato said he was acting at a friend's behest and did not know the particulars of the case.)

Listening to D'Amato's they're-out-to-get-me spiel, one would assume he knows how damaging an unsubstantiated charge can be. And yet, despite repeated complaints that he is the subject of unfair innuendo (that he should not be blamed, for example, just because his office sent out lobbying letters for a client that paid his brother $120,000), D'Amato is remarkably quick to toss out reckless allegations about others.

Especially when he is beating the Whitewater drums.

"At least one person . . . may have lost his life in this situation, and I'm not talking about Vince Foster," he says ominously. "I'm talking about the former security guard. His death sounds like an execution to me." Luther Parks, the owner of an Arkansas security firm that was hired to guard the Clinton campaign in 1992, was shot to death in Little Rock last September. His death remains unexplained, but there is no evidence linking the murder with the Whitewater case.

D'Amato doesn't stop there. He rips into a White House official named Patsy Thomasson. "I have to know how it is that a former drug dealer's executive assistant—who ran his business when he was in prison for two years—can come out and be the head of administration for the White House . . . What was she doing in that place? She didn't know he was a coke dealer?"

Thomasson, an old pal of the Clintons, worked for an Arkansas bond trader named Dan Lasater, another Friend of Bill who drew media scrutiny after his drug conviction in 1986.

"The normal rules of decency seem not to apply to Senator D'Amato," a White House official says. "Even when he hurls obviously false charges designed to hurt people, the press will let him get away with just about anything, and it only encourages him."

D'Amato, for his part, brushes off suggestions that he is tarring Thomasson with a guilt-by-association brush.

He suddenly remembers that Thomasson has not responded to his request for more biographical data. He orders his press secretary to get an aide on the phone.

"You know that thing we asked for on Patsy Thomasson? . . . You stay on top of that! You hear me? All right, baby!"

WHAT, IN THE END, are we to make of Al D'Amato, born-again ethicist?

The easy answer is supplied by D'Amato's Democratic detractors, who have been vying to come up with the best jokes about the senator's new role.

"Being attacked on ethics by Al D'Amato is like being called ugly by a frog," says Democratic Chairman David Wilhelm.

"I guess Bob Packwood was busy," says Sen. John Kerry of Massachusetts.

"Every single time Senator D'Amato attacks the president on ethics, the press should bring up the senator's own sorry record," says Clinton political adviser Paul Begala, who appeared with D'Amato on "Crossfire." The networks "should almost have a chyron under his name: *'Sen. D'Amato. Republican. Spent his life under an ethical cloud.'* Like they do on daytime talk shows: *'Son dated father's gay lover.'*

"Why the Republicans would put him out there is beyond me," Begala adds. "If this were a court of law, he'd be laughed out."

But Whitewater is being tried in the court of public opinion, and D'Amato may yet have the last laugh. For much of the public has come to believe that *all* politicians live under an ethical cloud, that "read my lips" and "I didn't inhale" define the standard of public discourse, that influence-peddling and Willie Horton-style sleaze have become business as usual.

The public is on to something here. Al D'Amato's career, rooted in the pay-to-play atmosphere of Nassau County, may feature an extraordinary number of transactions that push the edge of the ethics envelope, but D'Amato is hardly the only lawmaker to give off an unsavory aroma.

The Keating Five—Alan Cranston, Donald Riegle, John Glenn, Dennis DeConcini and John McCain—became national symbols of influence-peddling when they pressed federal regulators on behalf of savings-and-loan kingpin Charles Keating, who had contributed to their campaigns and causes (and whose bankrupt thrift wound up costing the taxpayers $2.6 billion). Arkansas senators David Pryor and Dale Bumpers complained to top Clinton administration officials last year about the RTC's treatment of Seth Ward, a Madison Guaranty employee and the father-in-law of Webb Hubbell. Dan Rostenkowski came under investigation for, among other things, larding his House payroll with Chicago friends and neighbors who say they did little or no government work. Minnesota senator David Durenberger was indicted for falsifying his Senate expense accounts.

Under the American political system, politicians are required to raise vast sums to get elected, yet must pretend that this palm-greasing makes absolutely no difference when the fixers and favor-seekers come around. D'Amato may be less sensitive to appearances than his more refined colleagues, but at bottom they are playing the same game.

Meanwhile, slash-and-burn attacks and bizarre contortions of the truth have become so commonplace that they have lost the power to shock and offend. Oliver North lies to Congress, gets off on a technicality and uses his resulting fame to launch a Senate candidacy. Republican rival Jim Miller dares North to release records of his post-Vietnam psychiatric treatment, only to be forced to admit that he himself once consulted a psychiatrist. Chuck Robb says he didn't lie when he insisted he "hadn't slept with anyone" but refuses to deny reports that he had oral sex with half a dozen women. Bob Packwood denies making sexual advances to numerous women and tries to discredit some of them, but once safely reelected he apologizes and checks into an alcohol treatment clinic.

What tends to get lost here is that corruption and dishonesty remain only part of our political culture. There are still plenty of folks trying to do good work, plenty of politicians who haven't succumbed completely to "the system." And it's here that the news media—with their love of colorful copy and incendiary sound bites, their historical amnesia and their notorious difficulty in keeping ethical questions in proportion—must share the blame for the public cynicism.

Because the politics of expediency can't exist without the journalism of expediency. And the kind of journalism that's obsessed with mudslinging and name-calling has been very, very good to Al D'Amato.

"We had him on once before," says "Crossfire's" Michael Kinsley, who sees D'Amato as a master of manufactured outrage. "He was screaming and yelling. Then during the break he turns to me and says, 'So, is this what you want?' "

Michael, Michael, let's not distort the record here. The answer to the senator's question is yes. ■

Howard Kurtz, who covers the media for The Post, is a frequent contributor to the Magazine.

5/5 8

Long Island Newsday Sunday, May 22, 1994

Those Bennett Brothers of D.C.

Potent forces, often in opposite directions

By Susan Page
WASHINGTON BUREAU

Washington — When he heard that a classmate at Holy Cross Boys School in Brooklyn had hit his younger brother, Bobby Bennett got neatly dressed, went over to the boy's house, knocked on the door, politely asked his mother to send him out — and then punched him.

"Don't ever touch my brother again," he warned.

Four decades later, Robert S. Bennett, 54, has perfected the verbal version of that combative left hook in the courtroom. That's one reason he was hired this month by President Bill Clinton to defend him in the sexual harassment lawsuit filed by Paula Jones and to advise him if Congress holds hearings on the first family's Whitewater investments.

Which is of more than passing interest to that younger brother, William J. Bennett, 50, a former cabinet member in Republican administrations who is now deciding whether to seek the Republican nomination against Clinton in 1996.

If Bob Bennett is trying to save Clinton's bacon, brother Bill is more interested in frying it.

They are a big, blustery pair — two boys from Brooklyn whose bonds "were forged in fire and blood" during a difficult childhood, Bill Bennett says. And they deny that there is anything awkward about Bob Bennett representing Clinton at $450 an hour in the court case while Bill Bennett blasts the president in $30,000-a-pop speeches on the lecture circuit. After all, Bob is the capital's pre-eminent defense attorney for white-collar defendants; Bill is one of the Republican Party's leading intellectuals and author of a current best-seller, "The Book of Virtues: A Treasury of Great Moral Stories."

"If I was a doctor, would you ask me, do I treat Democrats?" Bob Bennett said in an interview at the plush Washington offices of his law firm, Skadden, Arps, Slate, Meagher & Flom, with its stunning view up Pennsylvania Avenue of the White House and Lafayette Park. "Does that make it difficult for Bill if I do? I'm a kind of doctor for legal problems."

Bill Bennett certainly hasn't begun to pull his punches for his brother's most famous client. "I think he's got a serious problem with the truth," Bill said of Clinton later in the day as he sat in the downtown offices of Empower America, a Republican think tank he helped found.

Bob Bennett was the name White House Counsel Lloyd Cutler and other senior aides brought Clinton when it was clear he would face a lawsuit from Jones, who alleges that while she was an Arkansas state employee in 1991, Clinton crudely propositioned her. Bennett already was and remains the lawyer in Washington's second-most-celebrated political case, representing House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) against a possible indictment on corruption charges. Bennett also had been hired by Deputy White House Chief of Staff Harold Ickes and White House Staff Secretary John Podesta to represent them when they were subpoenaed by Whitewater special counsel Robert Fiske.

In the Whitewater case, the lawyer representing the president and Hillary Rodham Clinton was David Kendall, a highly respected but intensely private attorney. In the Jones case, aides said, Bill Clinton wanted a lawyer who could handle the politics as well as the law, orchestrating an aggressive public response aimed at minimizing the political damage. After a White House meeting with both Clintons, Bennett was hired.

"This is 90 percent politics and 10 percent a lawsuit," Bob Bennett scoffed over lunch at his office, devouring a tuna and potato-chip sandwich and drinking a Diet Coke. "I think what's happened is two interests have joined up here — a financial interest, an interest in celebrity . . . and some partisan political interests of Clinton-haters."

On the day the lawsuit was filed, Bennett held a mobbed news conference at his firm's offices and dubbed the allegations "tabloid trash with a legal caption." He already had released an affidavit from a Little Rock businessman who said Jones' former lawyer had told him "his case was weak" but would embarrass Clinton unless he paid her money or helped her get a job.

The Bennett Brothers

Robert Stephen Bennett

Born: Aug. 2, 1939, in Brooklyn.
Education: Bachelor's degree, Georgetown University, 1961; law degree, Georgetown University, 1964; master's law degree, Harvard University, 1965.
Career: Law clerk, Judge Howard F. Corcoran, U.S. District Court, 1965-67; assistant U.S. attorney, 1967-70; associate, Hogan & Hartson, 1970-75; partner, Dunnels, Duvall, Bennett & Porter, 1975-1990; partner, Skadden, Arps, Slate, Meagher & Flom, 1990-present.
Clients: President Bill Clinton, Rep. Dan Rostenkowski (D-Ill.), Cincinnati Reds owner Marge Schott, former Defense Secretary Clark Clifford; former Defense Secretary Caspar Weinberger, Chief counsel, Senate Ethics Committee, Keating 5 case.
Family: Wife, Ellen, and three children: Catherine, Peggy and Sarah.
Hobbies: Fishing at his second home on the Yellowstone River near Livingston, Mont.

William John Bennett

Born: July 31, 1943 in Brooklyn.
Education: Bachelor's degree, Williams College, 1965; PhD, philosophy University of Texas, 1970; law degree, Harvard University, 1971.
Career: Assistant to the president, Boston University, 1972-76; executive director, National Humanities Center in North Carolina, 1976-79; president and director, 1979-81; associate professor, North Carolina State University and the University of North Carolina, 1979-81; chairman, National Endowment for the Humanities, 1981-85; secretary of education, 1985-1988; White House drug czar, 1989-90.
Books: "The Book of Virtues: A Treasury of Great Moral Stories," "Counting by Race: Equality from the Founding Fathers to Bakke" (with Terry Eastland), "Our Children and Our Country: Improving America's Schools and Affirming the Common Culture," "The De-Valuing of America: The Fight for Our Culture and Our Children."
Family: Wife, Elayne; two children: John and Joseph.
Hobbies: Touch football, rock and roll.

"We're engaged in the politics of paralysis and the politics of political destruction," Bennett raged at the news conference, flatly denying the charges. When reporters failed to ask about Jones' promise to donate any damages awarded to charity, he answered the question anyway. "It's not too much to give away what you don't ever expect to get," he said, urging reporters to ask what she would do with profits from TV appearances, book contracts and movie rights.

From the start, Bob was the fighter and Bill the bookworm. "If anybody touched Bill, Bob was right there," remembered Lois Bost Bennett, their stepmother, now in her 80s and recovering from a stroke at her Manhattan apartment. "And Bill, he absolutely never took his eyes off a book. He read, read, read all the time."

They were born in Flatbush, to Nancy Bennett and F. Robert Bennett, who worked for [illegible] Bank, then Manufacturers Trust Co. and, after its merger, for Manufacturers Hanover Trust Co. But their parents were divorced when Bob was 9 and Bill was 5. When the boys were teenagers, they moved to suburban Washington, D.C., with their mother and grandmother, Irene Sealey.

"It was tough in that my mother had to support us," often working two jobs as a medical receptionist, Bill Bennett said. She also had a series of failed marriages — five in all. "Several of the people she was married to were not the most pleasant people to us," he went on. "There was tension and there was fighting and there was argument, and these were unsteady relationships."

Big Names, High Stakes

Some of Robert S. Bennett's prominent clients:

[illegible]	Outcome
President Bill Clinton	Lawsuit pending by former Arkansas employee Paula Jones alleging sex harassment
Dan Rostenkowski (D-Ill.), Chairman House Ways and Means	Awaiting decision by Justice Dept. whether to indict on corruption charges
Caspar Weinberger, Defense secretary for President Reagan	Indicted in the Iran-contra affair but pardoned by President Bush before trial
Marge Schott, owner, Cincinnati Reds	Suspended for one season for making racially insensitive remarks
Clark Clifford, Truman's White House counsel, LBJ's defense secretary	Prosecutors dropped charges in BCCI bank fraud case citing his age, 87

That may be why Bob became Bill's protector. When their mother was dying, Bob handled her affairs so Bill could concentrate on completing Harvard Law School; Bob already had gotten a law degree from Georgetown University and a master's law degree from Harvard. When Bill considered joining the radical Students for a Democratic Society at Williams College, Bob talked him out of it.

Even now, Bob Bennett remains very much the older brother.

"I would think that we should regard ourselves as equals, but for him, it just doesn't change," Bill Bennett said. "He's the older brother, and I am still much in need of instruction. He called me when I was, I would say, around 35 years old, and said, 'I don't remember us growing up if I ever talked to you about the facts of life.' I said, 'You didn't.' He said, 'Did someone? Is it covered?' I said, 'Bob, I'm 35. I've figured this out. . . .'"

At 6-foot-2, Bill Bennett is perhaps five inches taller than his older brother, but they share the beefy build, rumpled suits and boisterous laughs of men who enjoy good food and loud music. Both families will vacation together in August.

"Watching the two of them at the Palm (a restaurant known for its substantial portions) is really something else," said William Kristol, a Republican strategist who worked as Bill Bennett's chief of staff when Bennett was secretary of education in the Reagan administration. "My main thought about Bill and Bob together is that they could make cows into an endangered species."

But while Bill Bennett is passionately political — arguing conservative principles and policies in jobs that have included heading the National Endowment for the Humanities and serving as President George Bush's drug czar — Bob Bennett is almost apolitical in his personal views. He declined to give his party affiliation or say whom he had supported for president in 1992, describing himself [illegible] people on both sides of the aisle," he said. "My only politics is getting the best results for my clients." Indeed, his clients have crossed the political spectrum — from LBJ's defense secretary, Clark Clifford, to Reagan's defense secretary, Caspar Weinberger. The Senate Ethics Committee hired him as chief counsel in the Keating Five case.

"I like to take a person who has a problem . . . and try to figure out how to solve it," he said. "The bigger the problem, the happier I am."

Arkansas Democrat-Gazette

GOP says Democrats stalling RTC hearing

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Republicans on Thursday accused Democrats of illegally delaying a House Banking Committee hearing where questions involving the Whitewater Development Corp. affair are expected.

For the third time in a year, committee Chairman Henry Gonzalez, D-Texas, plans to ignore the deadline for holding a congressionally mandated oversight hearing into the Resolution Trust Corp., Republicans said.

"Clearly there is a lack of accountability to the taxpayers," the committee's 20 Republicans said in a letter to Gonzalez.

Gonzalez has opposed holding the RTC hearing because Republicans plan a political "witch hunt" into Whitewater and Madison Guaranty Savings and Loan Association, [illegible] said.

The RTC is charged with disposing of the assets of failed savings and loans, such as Madison.

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

Allegations that money was illegally transferred between Madison and Whitewater are among the issues being investigated by Robert Fiske Jr., the special counsel.

House Republicans want to raise Whitewater-related questions during the Banking Committee's RTC hearing.

Any crop insurance must key on regions, Marianna farmer says

BY JANE FULLERTON AND TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — A Marianna farmer raised questions at a Senate hearing Thursday about reforming the nation's crop insurance program.

Robert McGinnis urged Sen. David Pryor, D-Ark., and other members of a Senate Agriculture subcommittee to avoid a "one-size-fits-all" policy on crop insurance.

The Clinton administration has proposed a plan that would save $750 million in the next five years.

The proposal includes eliminating some federal disaster funding for crops. In return, farmers participating in federal commodity programs or Farmers Home Administration loan programs would be required to take out catastrophe insurance.

McGinnis said commodity groups support President Clinton's general crop plan, but they "are skeptical that a workable crop insurance program can be developed."

* * *

Washington notebook

The U.S. Postal Service has canceled plans to seek a rate increase for some small newspapers and will propose a slight reduction instead.

Pryor said Thursday the Postal Service will propose a 1.5 percent cut in mail rates for "in-county" newspapers that circulate in one county. Earlier, a 34.1 percent increase had been proposed.

Pryor, a former newspaper publisher, said postal officials discovered their rate hike was based on erroneous cost figures.

* * *

Sen. Dale Bumpers, D-Ark., contends a new government plan for handling the nation's vaccines is so flawed he may introduce legislation to stop it from being implemented.

Bumpers made his comments to officials of the Centers for Disease Control during a Senate Appropriations subcommittee hearing Wednesday.

According to Bumpers, the plan would require the CDC to purchase large quantities of vaccines from manufacturers. More than 75 percent of the vaccines then would be stored in a single facility before being shipped nationwide.

Bumpers questioned whether the CDC has the personnel and equipment to complete the plan by its Oct. 1 deadline.

* * *

A Little Rock teacher was honored this week in Washington for her work in environmental education.

Katherine Snyder of Booker T. Washington Math/Science Magnet School was among 12 teachers recognized nationally by Project Learning Tree. Snyder is an intermediate science specialist at the elementary school.

Unexampled Scrutiny of Clinton Will Echo Down the Years

To the Editor:

Your call for a special prosecutor to investigate President Clinton (editorial, Jan. 4) might be better received if you at least acknowledged that the rules are being changed. No sitting President has ever been so steadily attacked for what he allegedly did before holding office.

No one examined Lyndon B. Johnson's finances or how the coterie promoting Ronald Reagan provided support. Even Richard M. Nixon was granted a clean slate upon assuming office. These men were then judged by what they did as President. But the smash-and-destroy campaign against President Clinton will use anything that works.

If the smash-and-destroy campaign succeeds, the Republican who takes Mr. Clinton's place had better have a record that withstands a very intense scrutiny and possibly even a few malevolent lies.

If that is the way the game is to be played, is there any doubt that both sides can play it? And will that be an improvement?

WILLIAM A. BAKER
Bloomfield, N.J., Jan. 7, 1994

Oregon outcome

Former Rep. Denny Smith, a conservative, won the GOP gubernatorial nomination in Oregon's primary, defeating moderate Craig Berkman, former state party chairman, by 50 percent to 40 percent in a bitter contest.

Dr. John Kitzhaber easily won the Democratic nomination. The physician, author of the state's health-rationing plan, defeated Paul Wells, who did not campaign and described himself in election documents as a housewife.

In other races, anti-homosexual-rights measures were approved in at least four of the five cities where they were on the ballot — Roseburg, Cottage Grove, Veneta and Oakridge.

The contest was too close to call in the Portland suburb of Gresham. None of the initiatives is enforceable because of a 1993 state law banning such measures.

Dr. Kitzhaber's path to the nomination was cleared when Gov. Barbara Roberts dropped her re-election bid, in large part because of the former legislator's popularity. He is the clear front-runner for the governorship.

In congressional races, Jackson County Commissioner Sue Kupillas won the Democratic nomination in Eastern Oregon's rural 2nd District, where Republican Bob Smith is retiring after six terms. The GOP race was too close to call.

In the 5th District, sandwiched between Portland and Eugene, Democratic state Sen. Catherine Webber will face Republican state Sen. Jim Bunn in the fall. Democrat Mike Kopetski is leaving the House after two terms.

The leaks

In an interview, George Stephanopoulos, senior White House adviser, lamented the internal speculation that leads to stories about President Clinton's "perceived indecisiveness":

"What is really discouraging to a lot of us ... is the fact that these articles could not be written if people here in the White House, using the cover of being anonymous sources, were not helping them along, and somehow make themselves look good at the expense of the president."

Justice

At a conference at the Ronald Reagan Presidential Library on "Do Conservatives Have a Sense of Humor?" Lyn Nofziger recalled that Herbert Hoover said of reporters, "Every president should be allowed to shoot two a year, without explanation."

Kennedy overture

The health care proposal Sen. Edward M. Kennedy unveiled last week seemed to signal to Republicans and moderate Democrats that "the old war horse of the left" is willing to negotiate, the Los Angeles Times reported.

Few takers, though. "I thought it would have come closer to the bipartisan middle. It's got an awful lot of regulation in it," said Sen. Dave Durenberger, Minnesota Republican and moderate GOP bellwether.

Mr. Kennedy told the Times' Karen Tumulty that he is not concerned: "There's always a tightening up of emotion and feeling as you come closer to the time of decision-making. But eventually the process moves forward."

He cautioned against reading too much into what happens in committee: "This has been a long process ... toward the ultimate resolution, which I think will be on the Senate floor sometime in the late spring or early summer.

"That will be the defining

Quota origins

With some dismay ("incredible but true"), David Seligman in his "Keeping Up" column in Fortune magazine traces employment quotas in American business to the presidency of Richard M. Nixon.

"It was Nixon's Department of Labor, then run by George Shultz, that in 1970 issued Order No. 4, making things all too clear:

"Affirmative action required companies to create goals and timetables for the increased hiring of minority-group members, who they were presumed to be discriminatorily 'underutilizing.'

"A Revised Order No. 4 in 1971 extended this deal to women."

Why would Mr. Nixon do this? Mr. Seligman asks rhetorically. He then provides his own answer: "For rather idealistic reasons."

"Nixon certainly had nothing to gain politically by installing racial preferences in labor markets. Quotas were never popular and during the 1972 campaign, even George McGovern disavowed them."

Mr. Seligman says he satisfied himself at the time that the Nixon administration genuinely wished to combat job discrimination, although by 1972 much of its leadership was convinced they had made a ghastly mistake.

Airport parking

The fact that senators voted to keep their free airport parking does not mean they operate with callous disregard of public sentiment, wrote USA Today columnist Joe Urschel.

"They understand how upset their constituents get when they see a sign that says that congressmen, Supreme Court justices and diplomats are entitled to the best parking places at the airport." So the sign now reads: "Restricted Parking — Authorized Users Only."

"What do you suppose they call the House bank now?" Mr. Urschel wondered.

Reversal

In reacting to an increase in short-term interest rates by the Federal Reserve, President Clinton seemed to some to change his mind and agree that controlling inflation is more important than rapid growth.

Economist David Jones: "The view of the White House is 'the sooner the better — if we can shave a little bit of growth off maybe it will keep this recovery going until 1996.' And with the White House, 1996 rings a bell."

'Sick culture'

President Clinton got support from an unusual source yesterday in his defense against a sexual harassment lawsuit: the normally combative and partisan House minority leader, Newt Gingrich of Georgia.

Although the harassment charges by former Arkansas state employee Paula Jones are "serious and should be litigated," Mr. Gingrich said that the American public and media pay too much attention to such matters, Scott Shepard of Cox News Service reports.

"I think we have gone way overboard as a society in, on the one hand, wanting the deepest prurient interest in every public person's private life and, on the other hand, tolerating levels of behavior that are grotesque," he said in a breakfast interview with reporters.

"We have become a very weird and, in some ways, sick culture," Mr. Gingrich said. "I think this is a society that is destroying the institution of the presidency as an important symbol binding us together."

Despite his political differences with the president, Mr. Gingrich said he was particularly offended by a recent skit on NBC's "Saturday Night Live" depicting Arkansas state troopers accompanying a womanizing Mr. Clinton. "I thought it was sick," he said.

Mr. Gingrich also said Republicans who did not come to the support of Anita Hill in her sexual harassment allegations against Clarence Thomas have no right rallying behind Mr. Clinton's accuser.

"Republicans who were screaming about Anita Hill are hardly in a position to turn now and run around brandishing Paula Jones," he said.

Whitewater at home

This fall's gubernatorial election in Arkansas may hinge on the local reverberations from the Whitewater-Madison affair, report Viveca Novak and Ellen Joan Pollock of the Wall Street Journal.

Gov. Jim Guy Tucker is "hip deep in the affair," linked through a series of deals to Clinton co-investor James McDougal and to David Hale, a former municipal judge under suspicion in Whitewater-related matters.

Unless he is upset in Tuesday's primary by state Sen. Steve Luelf, the GOP candidate will be Sheffield Nelson, a longtime opponent of President Clinton and an important early press source on Whitewater.

With Mr. Tucker under a cloud and Mr. Nelson believed to be the author of some of the state's Whitewater publicity, the race has become highly uncertain. Mr. Tucker, once considered a shoo-in, is running scared.

No fault

Talking to Larry King on CNN, White House Counsel Lloyd Cutler said of the Vince Foster inquiry: "It's impossible to fault anyone for what you do when a person as high in government as Vincent Foster ... commits suicide. There's no book of how you handle that kind of a suicide."

Welfare reform

Two-thirds of longtime welfare recipients quit their first job in three to six months, according to one study cited by the Boston Globe in its report on the difficulties of welfare reform.

"All reform plans hinge on getting people off the rolls and into jobs. But that critical transition — from welfare to work — is a time-consuming, difficult and costly process," wrote the Globe's Anthony Flint and Gloria Negri.

"This issue of jobs has created a fundamental rift in the welfare reform debate, a rift that been brought into sharper relief as President Clinton prepares to unveil his reform plan this month."

There are two camps: [illegible] who emphasize training, co[illegible]ing and placement and those who say that getting work for 5 million single mothers with no skills and little education is costly to be worth huge effort.

"Getting off welfare and into a job isn't an event," said one expert. "It's a process."

Laundering charges

An indictment against former Missouri Treasurer Wendell Bailey was dismissed after the U.S. Attorney's Office requested the move for procedural reasons.

Mr. Bailey, a former Missouri congressman who was treasurer from 1985 to 1993, was charged with misusing the services of state workers and equipment worth at least $5,000 in his u[illegible]cessful 1992 gubernatorial bid.

In addition, the government alleged he engaged in money laundering in 1992 by converting political campaign funds to his personal use. Officials said the investigation continues.

The only choice

It wasn't easy, but Montana Gov. Marc Racicot delivered his commencement address as p[illegible]ised. And the graduating appreciated all he went through to get there — all one of

"I just wanted someone special to come to my graduation," 14-year-old Cory Rieber, an eighth-grader at the Reichle School in Glen, told the Associated Press. "He was pretty much my [illegible] choice."

Bad weather forced Mr. Racicot to make the 100-mile trip from Helena by car instead of plane. The last stretch [illegible] him over a muddy country [illegible] to the tiny ranching community in southwestern Montana.

About 60 people — and all 17 students at the two-room school — turned out. The school children in kindergarten through eighth grade. The message? "We're all in this together," the governor told the 14-year-old.

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Whitewater counsel: Delay staff interviews

By Judy Keen
USA TODAY

Whitewater special counsel Robert Fiske has asked the White House not to begin staff interviews to prepare for congressional hearings on the probe until he gives permission.

Fiske wouldn't comment Wednesday on why he wants the interviews delayed.

However, Fiske is allowing the administration to review Treasury Department papers related to contacts between White House and Treasury aides about the Whitewater affair.

Since issuing a broad new subpoena May 5 for papers found in Vincent Foster's office after his suicide, Fiske has been interviewing White House officials about events in the late deputy counsel's office after his death.

White House deputy counsel Joel Klein says transfer of the Foster papers sought by Fiske in the May 5 subpoena was completed Wednesday.

On May 12, counsel Lloyd Cutler's office sent a memo to White House staff seeking documents that were in Foster's office and papers "received from or sent to Foster relating to Whitewater" and Madison Guaranty Savings & Loan.

Several inches of documents were found and sent to Fiske.

Fiske's subpoena also requested computer disks from Foster's office, but the special counsel has told the White House he doesn't need them at this time.

He has instructed White House lawyers to ensure they're not destroyed.

Foster's pager, also sought in the subpoena, had already been assigned to another White House worker.

Aides to President Clinton believe Fiske's probe of Foster's death is finished and concludes it was suicide. That report is expected in two or three weeks.

The current focus of Fiske's work: the handling of Foster's papers, whether White House aides tried to impede law enforcement investigations and the Treasury-White House contacts. Clinton aides believe the "contacts" report will be finished in perhaps a month.

Once Fiske's reports are released, Democratic congressional leaders say they'll schedule hearings.

"We're starting to prepare," says Klein.

The White House is assembling a chronology, reviewing documents and hoping Congress — and the public — will be distracted by health-care reform or other issues when hearings begin.

Meanwhile, Clinton aides say internal worries over Whitewater, which built to a frenzy in March when eight testified before a grand jury, have eased.

White House aides now believe no will be indicted and public interest in the Clintons' financial past and Foster's death has peaked and won't erupt again.

Independent counsel bill before Congress

House-Senate negotiators have agreed on legislation to revive the law permitting independent counsels to investigate top public officials.

A provision was added to make Whitewater special counsel Robert Fiske, now a Justice Department employee, a court-appointed independent counsel if it's determined that's necessary when the law takes effect.

Both houses of Congress must still approve the bill.

The bill imposes new controls on the counsels, such as restrictions on staff, travel and office expenses. And it allows independent counsels to investigate members of Congress, if the attorney general decides it would be in the public interest.

ELSEWHERE IN THE WORLD

A military vote of loyalty from S. African whites

South Africa's white military chiefs offered an effective "no coup" pledge on Wednesday to their new black political masters, the African National Congress, in a public declaration of loyalty. It was the most striking sign yet that the old apartheid state's war machine is under the command of its former black enemies.

Gen. Georg Meiring, who made the pledge, heads the renamed South African National Defense Force, which is integrating ex-guerrillas into its 70,000-strong force.

Meanwhile, an ambitious ANC health plan released Wednesday would allow abortion on demand and provide free medical care to children. The plan addresses campaign promises made by President Nelson Mandela during the nation's first all-race election.

RWANDA STANDOFF: Rwandan rebels dismissed the United Nations as incompetent and said they would capture the capital Kigali before the world body can send 5,500 troops to provide relief and stop mass killings.

EX-GI KILLED: A decorated U.S. Army veteran who settled in Germany was shot dead on an overnight train in a robbery — a grim mirror image of the gunshot death earlier this week of a German woman in California's San Jacinto Mountains. Police in Bremen, Germany, say William Bledsoe, 46, a former Army chief warrant officer, who worked for the U.S. military hospital system, was shot aboard the Stuttgart-Hamburg train.

BOSNIA IMPATIENCE: Serbs ended a six-week standoff with France by freeing 11 French relief workers, as major powers showing increasing impatience with the slow progress toward peace in Bosnia-Herzegovina, now entering its third year of civil war.

ALSO . . . Canadian officials seized 26.5 tons of hashish — street value $261 million — aboard a freighter arriving in Montreal from South Africa. No arrests were made. ... Independent election monitors cast doubt on the legitimacy of President Joaquin Balaguer's election victory in the Dominican Republic because of widespread problems distributing ballots and counting votes. ... Italian Premier Silvio Berlusconi's conservative coalition overcame concern about neo-fascist influences to squeak through a Senate vote of confidence.

IN WASHINGTON

Next stop for Haitians may be British islands

President Clinton has asked Britain for help in establishing a center in the Caribbean to process Haitian refugees trying to reach the USA, U.S. officials say.

Clinton has his eye on a center in the Turks and Caicos islands, a British colony. The Turks and Caicos are a chain of about 30 islands near the southeast end of the Bahamas. Only six of the larger islands are inhabited.

The processing center would allow U.S. authorities to interview Haitian refugees to determine whether they qualified for political asylum.

NUCLEAR FEARS: Nuclear fuel dumped in rusting Russian submarines could spell trouble for the far north, Norwegian Prime Minister Harlem Gro Brundtland said in a speech during a visit to Washington. She said the Kola peninsula, Russian territory just east of Norway, is the base for the world's largest nuclear-powered fleet, including about 100 operational and 60 retired submarines. She sees a big ecological threat. "Russian naval commanders have voiced fears that decommissioned subs which are in poor condition and manned by unmotivated crews may sink at dockside and cause an ecological disaster. ... The situation is alarming."

Reuters

BRUNDTLAND: Rusting subs trouble

JONES SUIT: The White House asked the Justice Department to do research whether a president can be sued for acts committed before taking office, a move that could bear on the sexual harassment lawsuit filed against President Clinton by former Arkansas state employee Paula Corbin Jones. The White House paints it as a move to protect any chief executive. "There are institutional implications for this," says press secretary Dee Dee Myers. "Certainly this will affect not just this president but future presidents."

EXCUSED: Hillary Rodham Clinton has been excused from jury duty in Pulaski County, Ark. She told Judge John Langston she was living out of state.

Letters to the Editor

The New War on Drugs

As a former police officer who walked the beat and ran three major police departments, I have witnessed firsthand the pain, despair and lawlessness surrounding the drug trade. It is in sadness rather than in anger that I elaborate on the recent criticism in editorials and editorial-page articles.

You have observed that drugs are the source of many of our nation's crime, health and welfare problems, and that the degree to which drugs fuel these social ills is a matter of moral import. As the nation's drug director, I couldn't agree more. That is why the 1994 National Drug Control Strategy builds its foundation on four elements: 1) we must reduce demand, especially chronic, hardcore drug use; 2) we must reduce drug-related violence; 3) we must support community-based programs; and 4) we must provide international leadership. In the past, our efforts failed to address adequately chronic, hardcore drug use—the major source of the crime, health and welfare problems. Unfortunately, while the "Just Say No" and "Zero Tolerance" campaigns affected casual drug use, they did nothing about hard-core drug use.

The president's 1994 National Drug Control Strategy incorporates the largest budget commitment to drug policy in the history of this office—$12.2 billion, at a time of austere budgets with many agencies experiencing cuts. In fact, the drug budget requests $1 billion more in fiscal 1995, mostly for demand reduction programs. Consider the facts. For the first time:

- The drug office is accorded cabinet-level status and as such plays a more active and substantive role in formulating drug policy and coordinating antidrug efforts than in previous administrations.
- The drug office is not staffed with scores of political appointees, being so honored for political services rendered.
- The drug control budget is in line with real drug control program needs, with resources devoted to demand reduction exceeding 40% of the total federal drug control budget.
- The problems of hard-core drug use are recognized and a major treatment effort is proposed to address the needs of an additional 140,000 chronic, hard-core drug users.
- Drug policy is viewed as an integral part of domestic policy, linked to health care, welfare reform and economic reform.
- Efforts to secure permanent success against casual use are under way through a coordinated, nationwide prevention effort.
- Action supplants rhetoric in how we work with communities in the drug-control efforts—community policing, the Empowerment Program and National Service are just a few of the major efforts underway to enable and empower neighborhoods to deal with the multifaceted nature of the drug problem.
- The strategy promotes programs that work and rejects those that don't—consider for example the controlled shift of supply reduction program emphasis from the random patrols in the transit zone to source countries.

Clearly, the effectiveness of drug policy is enhanced by greater expenditures. More important, it is enhanced by linking it to other domestic policies. For years, national leaders have characterized drug use as a serious problem that requires long-term, dedicated efforts to overcome. The Clinton administration is the first to address it in this manner. Effective, continuing control of substance abuse will be possible only if homelessness, joblessness and other sources of social distress are addressed.

Your continuing criticism of administration policies is not unexpected. What was unexpected was the gratuitous and erroneous partisan statement (Review & Outlook, May 3) regarding drug use by our young people. You told your readers that drug use by 8th, 10th, and 12th graders had been in a steady, 10-year decline until 1993, and then risen. The obvious inference is that the previous administrations had effectively reduced drug use and that this administration was failing to do so from the beginning. The truth, of course, is that use of some drugs by this group was rising in the 1991-92 school year and continued to do so in the 1992-93 school year. This was well before when we took office.

As someone who has dedicated his life to public safety, I have never sought political gain from the crime and drug issue. This administration has taken the same tact, and the reason is simple: our children are using drugs. This is not a partisan matter. But it is one that calls for bipartisan action.

LEE P. BROWN
Director
Office of National Drug Control Policy
Washington

THE WALL STREET JOURNAL THURSDAY, MAY 19, 1994

The Silent Minority

To develop Whitewater or for that matter any other issue, Republicans will have to start showing more spunk than they did on the Senate Commerce Committee Tuesday. The committee was considering the nomination of Lauri Fitz-Pegado as director general of the U.S. Foreign and Commercial Service. Far from a trivial post, the job of directing American commercial efforts abroad has the potential to turn the Commerce and State Departments into a big ADFA, the business development/political fund-raising operation Mr. Clinton used so successfully in Arkansas.

As we've previously noted, Mrs. Fitz-Pegado has stonewalled inquiries about potential conflicts of interest with her husband's business dealings ("Who Is Lauri Fitz-Pegado?" May 13). She also has a long record of deceiving Congress, first by engineering phony testimony about Iraqi atrocities in Kuwait and later by covering up her employment at a disreputable PR firm.

But when committee Chairman Fritz Hollings asked if anyone objected to her nomination, there was only silence. Committee Republicans who stood silent included Trent Lott (the GOP's designated point man on nominations), Jack Danforth, Bob Packwood, Slade Gorton, Kay Bailey Hutchison, Ted Stevens. Senators Conrad Burns, John McCain and Larry Pressler didn't even show up. Whether because the nomination was "too sensitive" or Republicans feared wheeler/dealer issues of their own or whatever, Mrs. Fitz-Pegado's nomination sailed through on an unrecorded voice vote.

So Senate Republicans have made themselves silent partners in the ethics of the Ron Brown no-disclosure crew at Commerce. To avoid that, Republicans need at least to ask enough questions to make a public record.

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REVIEW & OUTLOOK

The Congressional Coverup

In *U.S. v. Nixon*, the landmark Watergate case, a unanimous Supreme Court ruled that the President does not have blanket power to withhold pertinent information from the courts and Congress. Brushing aside the argument that this was purely a political dispute, Chief Justice Burger cited *Marbury v. Madison* in writing, "We therefore reaffirm that it is 'emphatically the province and the duty' of this court 'to say what the law is' with respect to the claim of privilege presented in this case."

The courts will have another opportunity to revisit the coverup issue in *Leach v. RTC*, now before Judge Charles Richey in Federal District Court in Washington. Rep. Jim Leach, ranking minority member of the House Banking Committee, has sued the Resolution Trust Corp. and Office of Thrift Supervision for release of documents on the handling of Madison Guaranty, the Whitewater S&L. Regulators at those agencies have denied him these documents, at the behest, presumably among others, of House Banking Chairman Henry Gonzalez.

Henry Gonzalez

To get some idea of what the thrift regulators and the Clinton Administration have to hide, study the accompanying documents, first released back in the midst of the torrent of publicity over Rep. Leach's pre-recess floor speech and President Clinton's press conference. The handling of the Madison referral has political fingerprints all over it; the only question is precisely whose. The documents constitute a prima facie case demanding a serious Congressional inquiry into such questions as:

(1) Was Charles Banks, U.S. Attorney in Little Rock under the Bush Administration, correct in referring Case #C0004 to main Justice in Washington?

(2) Who reviewed the case there?

(3) Is it accurate, as Justice's Donna Henneman told the RTC's Jean Lewis, that all referrals with "political ramifications" go to the Attorney General? What kind of justice is this?

(4) Is Paula Casey, current U.S. Attorney in Little Rock, correct in suggesting that someone else made the decision to decline the referral? If so, who takes responsibility for the decision?

(5) Since Ms. Casey, a longtime Clinton friend, ultimately recused herself from Whitewater matters, why didn't she do so initially *before* she participated in refusing the referral?

(6) Who in Justice made the unprecedented decision to fire all sitting U.S. Attorneys, which facilitated Ms. Casey's appointment, and why?

(7) Why was Ms. Lewis removed from the case 10 days after her letter to Ms. Casey? Who made this decision?

(8) What instructions was FDIC attorney April Breslaw given before her Feb. 2 interview with Ms. Lewis, and by whom? How was Ms. Breslaw chosen for this task?

(9) Is it true that Ms. Breslaw was instrumental in hiring the Rose Law Firm for the Madison case in 1989, despite objections by other government attorneys, and how does she presently regard that decision?

(9) Ms. Breslaw has "categorically denied" she said anyone in Washington favored any particular findings, and dismissed Ms. Lewis's account as a "complete fabrication." Rep. Leach says Ms. Lewis's account is supported by tape recordings. What is the truth?

(10) What instructions were given to RTC Kansas City investigators about interviews with Robert Fiske's investigators? What are the implications of Ms. Lewis seeking the protections of whistleblower status?

With all this on the table, the RTC stonewall can only be described as outrageous. Requests for similar documents by the Congressional minority were honored in the investigations of Columbia Savings & Loan, Lincoln Savings & Loan, Silverado Savings & Loan and Centrust Savings & Loan. Criminal investigations proceeded concurrently in all these cases. A presidential directive instructs departments and agencies to provide information to Congress upon request unless the President himself invokes executive privilege, which in Whitewater would be a burlesque. Yet in the Madison case the regulators plead the need for privacy and trade secrets.

And of course, Congress is not fighting the coverup but leading it. The point man is Chairman Gonzalez. He canceled the Whitewater hearings he once promised. He's also canceled oversight hearings on RTC reports, which are required by law. And he has written the RTC and the OTS explicitly instructing these executive branch agencies not to cooperate with other members of Congress.

Coverup Henry is aided and abetted on the Senate side by Majority Leader George Mitchell. Two months ago, the Senate piously voted 98-0 to hold hearings on Whitewater, but none have been scheduled. Sen. Mitchell is the master of stalling tactics, and negotiations for a hearings mechanism have bogged down. In particular, he has insisted that any inquiry focus narrowly on banking committee matters, though the list above shows that the most serious questions concern the Department of Justice.

The issue here is whether the Congressional majority can simply disenfranchise the minority. If the majority fails to raise pertinent questions about an administration led by its own party, can the minority be prevented from raising them in an informed and effective way? It will also be the issue before Judge Richey and eventually, we assume, appellate judges. They will have to decide about whether to intervene, as the Burger Court did in Watergate, or simply say the minority's redress is with the voters.

Rep. Leach himself said after return from recess that Whitewater deserves a respite. And Republicans have been largely silent as the news columns were filled with Paula Jones and $100,000 commodity trading profits from 1979. The commodity trades deserve their own investigation, since unexamined records still exist at the Chicago Merc. But the Madison referral is not about sexual titillation or decades-old records; it is about the administration of justice by the Clinton Presidency in the here and now. It is entirely appropriate that Rep. Leach asks for the help of the courts in the responsibilities he was elected to discharge.

George Mitchell

At least as important, though, the time is rapidly coming when the Republicans have a responsibility to make Madison and Whitewater an election issue, asking whether the voters want to return a majority that has had complicity in a coverup. Senator Malcolm Wallop took to the floor Tuesday to issue the first complaint, quoting New York Times Executive Editor Max Frankel about "a massive blockade" of the facts.

Rep. Gonzalez and Senator Mitchell are making themselves part of the Whitewater scandal by promoting a Congressional coverup. This is the same Congress that huffed and puffed over other failed thrifts, not to mention the fiction of the "October Surprise." The Democratic administration, its appointees at the RTC and its Congressional allies are circling the wagons to prevent embarrassing disclosures. Now that the Congressional Democrats have a Democratic President, they don't want oversight, they want a stonewall.

Republicans turn up the heat to speed Whitewater hearings

By Jerry Seper
THE WASHINGTON TIMES

A1

Republicans yesterday sought to ensure that congressional hearings on Whitewater-Madison begin soon, as special counsel Robert B. Fiske Jr. neared the end of the first phase of his investigation into the affair linked to President Clinton.

House Minority Leader Robert H. Michel, noting that "a considerable amount of time" had passed since a March 22 resolution calling for the hearings to begin, asked House Speaker Thomas S. Foley to call for planning sessions to get under way.

"According to the resolution,

see HEARINGS, page A13

HEARINGS

From page A1

we are to meet to determine the appropriate timetable, procedures and forum for appropriate congressional oversight, including hearings," Mr. Michel said in a letter. "As you know, no such meeting has taken place, despite my requests that one be held as soon as possible."

The Illinois Republican said several House committees have the "jurisdictional basis" to conduct Whitewater-Madison hearings and "can clearly begin working on compiling the relevant background material" to conduct them.

"This work has not been done, nor have you given me any sign when or if appropriate investigations and public hearings are to be held," Mr. Michel said. "I'm compelled to renew my request to know when, if ever, the majority plans to investigate and report to the American people exactly what took place during the Whitewater affair."

Senate Minority Leader Bob Dole also has begun a push for hearings, saying he does not intend to wait indefinitely for them to begin. But the Kansas Republican, after a meeting this week with Senate Majority Leader George Mitchell of Maine, said he was hopeful hearing details could be worked out soon.

Mr. Foley, Washington Democrat, told reporters Tuesday that Whitewater-Madison hearings will be "considered" once Mr. Fiske indicates that the first phase of his investigation has been fully completed and will begin "when we are ready."

"We have a resolution that calls for [hearings] when it is also consistent with Mr. Fiske's investigation," he said. "That is the condition that the House resolution imposed upon the hearings, so when Mr. Fiske indicates that his investigation is over, or that phase, we will consider the scheduling of hearings."

The speaker said no decisions had been made about the focus of the hearings, "but I assume we would look into the matters that relate to that portion of Mr. Fiske's investigation that had to do with" possible improper contacts between the Treasury Department and the White House over the Whitewater-Madison probe.

Mr. Foley said scheduling for any hearings would be the responsibility of the committees involved.

Whitewater-Madison hearings have been approved by both the House and the Senate. They were to begin after the leadership determined they would not jeopardize the ongoing Fiske inquiry.

On Monday, Mr. Fiske said he was nearing the end of the first phase of his investigation, although it had not yet been completed. His comments were in response to requests by the White House for permission to review Treasury Department documents relating to some aspects of the Whitewater-Madison probe.

Those documents, which the White House said it wants so it can prepare for the hearings, describe meetings between Treasury Department officers, including Deputy Treasury Secretary Roger C. Altman, and Clinton administration officials over the Resolution Trust Corp. (RTC) investigation of Madison Guaranty Savings and Loan Association.

The RTC, a Treasury Department agency, had forwarded to the Justice Department nine criminal referrals in the Madison case, suggesting possible financial improprieties involving Madison, its owner, James B. McDougal, Mr. Clinton and first lady Hillary Rodham Clinton.

The RTC-White House contacts were described by Mr. Altman as a "heads-up."

Madison failed in 1989 at a cost to taxpayers of $50 million. Mr. McDougal, his wife, Susan, and the Clintons were partners in Whitewater Development Corp., a northern Arkansas real estate venture that also eventually failed.

Madison and Mr. McDougal are the major focus of the Fiske inquiry.

Mr. Fiske said the release to the White House of the Treasury Department documents at this point of the first phase of his investigation — which includes a look into the RTC-White House contacts — would not interfere with his inquiry.

It was not certain yesterday whether Republicans, also looking to prepare for the hearings, would have access to the same documents. A Treasury Department spokeswoman said the department had not received any requests from Republicans in the House or the Senate for the records. She said if one is made, it will be reviewed by department lawyers.

Mr. Michel's office said the congressman was not sure which Treasury Department records would be available or who would get them. "It's something we're looking at now," a spokeswoman said.

The documents are separate from those being sought by Rep. Jim Leach, ranking GOP member of the House Banking Committee. The Iowa Republican, a leading proponent of Whitewater-Madison hearings, has sued the RTC and the Office of Thrift Supervison, which oversees the RTC, for the release of records in the government's Whitewater-Madison investigation.

"We will request them," Mr. Leach said yesterday. "We think the case would appear to be compelling that we should be provided the same documents for the same reasons. Do I expect to get them? That will be up to the government."

The Washington Times THURSDAY, MAY 19, 1994

Case #C0004: Nothing to Investigate

In an editorial nearby, we discuss the lawsuit by Rep. Jim Leach (R., Iowa) to obtain documents from regulators on Madison Guaranty, the Arkansas savings and loan with connections to the Clinton Whitewater affair.

The following are documentary materials released by Rep. Leach on March 24, in conjunction with his speech on the House floor. Under Chairman Henry Gonzalez, the House Banking Committee has refused to investigate the matter; Chairman Gonzalez has also written the regulators advising them to deny Rep. Leach the information and further documents he has requested.

According to the chronology prepared by investigators in the Kansas City office of the Resolution Trust Corp., Criminal Referral Number C0004, concerning Madison Guaranty Savings & Loan, was forwarded to Charles A. Banks, U.S. attorney in Little Rock, and Steve Irons, head of the local FBI office, on Sept. 2, 1992.

No acknowledgment had been received by November of that year, so RTC Kansas City investigators began a series of verbal inquiries. On Jan. 4, 1993, a letter from Don K. Pettus of the FBI said the referral had been received, and directed inquiries to Assistant U.S. Attorney Floyd Mac Dodson. On May 4, investigators sent a letter to Acting U.S. Attorney Richard Pence, who responded that the referral had been sent in September to the Office of Legal Counsel at Justice in Washington.

* * *

An RTC e-mail message by L. Jean Lewis, senior criminal investigator in the RTC Kansas City office, May 19, 1993:

In following up on the suggestion that Mr. Daniel Koffsky, Acting Assistant Attorney General, be sent a copy of Madison referral #C0004, I contacted the Office of Legal Counsel to verify the correct address. In speaking with Dyone Mitchell of that office, I reiterated the address provided by US Atty Richard Pence which reads:

Office of Legal Counsel
Executive Office for the U.S. Attorneys
U.S. Justice Department
Washington, D.C. 20530

The letter provided the phone number (202) 514-2041.

Ms. Mitchell advised that the Office of Legal Counsel and the Executive Office for the U.S. Attorney's were two separate sections, and that the referral may have been forwarded to the Executive Office instead of Legal Counsel. She then connected me with the operator, who put me through to the Executive Office where I spoke with Stephanie Kennedy. I explained to Ms. Kennedy what I was looking for, and she said she would get back to me this afternoon.

She called me back at 3:30, and advised that she had forwarded the matter on to Donna Henneman in "Legal Counsel", who would check it out and call me back tomorrow. I then contacted Ms. Henneman to offer background information on what I was looking for. When I explained that it was a referral out of Madison Guaranty, forwarded to that office by Chuck Banks, she had immediate knowledge, stating "oh, the one involving the President and his wife." She then stated that the referral had been sent to that office (exactly which office is still unclear to me) as a special report for the attention of the Attorney General, and not as a referral for prosecution. She then stated that "anytime a referral comes in that would make the department look bad, or has political ramifications, it goes to the Attorney General." She further added that the referral had been submitted to that office "because of the political ramifications and political motivations", and then told me that referrals were not prosecuted out of that office. She then stated that the referral had been declined. I advised her that the referral had not been declined, and read her the letter sent to this office by U.S. Attorney Richard Pence. She acknowledged that she was confused, and told me she would speak with her supervisor, Deborah Westbrook, and have her call me back tomorrow. I then asked for Ms. Henneman's title, and she informed me that she was the Ethics Program Manager. I thanked her and ended the conversation.

I'll keep you posted if and when I hear from Ms. Westbrook.

* * *

A letter from Paula J. Casey, U.S. Attorney in Little Rock, to Ms. Lewis, Oct. 27, 1993:

Re: #7236 Madison Guaranty Savings and Loan

Criminal Referral Number C0004

Dear Ms. Lewis:

I am writing at the request of the Office of Legal Counsel, Executive Office for U.S. Attorneys of the U.S. Department of Justice to let you know the status of this referral.

As you know, this referral was reviewed by the Criminal Division of the U.S. Department of Justice at the request of the previous United States Attorney for the Eastern District of Arkansas. The matter was concluded before I began working in this office, and I was unaware that you had not been told until I was contacted by the Office of Legal Counsel. After receiving the call from Legal Counsel I reviewed the referral, and I concur with the opinion of the Department attorneys that there is insufficient information in the referral to sustain many of the allegations made by the investigators or to warrant the initiation of a criminal investigation.

Although I am declining to take further substantive action on this referral, my decision does not foreclose future prosecutions about the matters covered by the referral or related matters in the event that my office and the FBI are given access to records or information indicating that prosecutable cases can be made.

Sincerely,
PAULA J. CASEY
United States Attorney
cc: Debra [sic] Westbrook, Office of Legal Counsel

* * *

A letter from Ms. Lewis to Ms. Casey, Nov. 1, 1993:

I have received your October 27, 1993 letter regarding the above captioned thrift and referral. On the basis of comments contained within your letter, I am interpreting that correspondence as a formal declination to prosecute referral #C0004. You stipulated in your letter that this matter was concluded prior to the beginning of your tenure as the United States Attorney for the Eastern District of Arkansas. Prior to the receipt of your letter, RTC Investigations was not advised that the matter had been formally concluded.

Between September 1, 1992 and today's date, this office has received a total of three letters with regard to the aforementioned referral, including your letter of declination. The other two letters were from FBI/SAC Don Pettus, 12/15/92, Richard Pence, 5/10/93, advising this office that he was unaware of the referral status as it had been forwarded to the Executive Office for United States Attorney's by former United States Attorney Chuck Banks.

If there were other documents produced that are relative to the conclusion of this matter, I would appreciate receiving the appropriate copies. . . .

Very truly yours,
L. JEAN LEWIS
Senior Criminal Investigator
cc: Debra Westbrook /Office of Legal Counsel
L. Richard Iorio /Field Investigations Officer/KCO
Lee Ausen /Supervisory Investigator-/KCO

* * *

An RTC e-mail message by Ms. Lewis, Nov. 10, 1993:

Hey you! Just a heads up to let you know that Mike Caron, Senior Criminal Investigator, is now the lead investigator on Madison . . . so anymore faxes you send should come to Mike's attention, and any further communication about Madison should go to him, too. The Powers That Be have decided that I'm better off out of the line of fire (and I ain't arguing), but please let me assure you, that we are leaving you in very capable hands! Got any questions beyond that, ask Lee or Richard. . . .

* * *

A Nov. 15, 1993, RTC e-mail message by L. Richard Iorio of Kansas City investigations:

On Thursday, November 11, 1993, there was an article that appeared in the Washington Post concerning declination of prosecution on the first Madison referral that was transmitted to the Department of Justice (DOJ) on August 31, 1992.

Contained in the article was information that the referral had been reviewed by DOJ and that a decision had been made early on to decline on this referral and that when Paula Casey US Attorney, Little Rock, Arkansas, in fact issued the declination in October 1993, she was simply bringing this matter to a close.

The document attached clearly refutes this train of thought. In fact, it appears that no thorough review of the document had been conducted as late as June 23, 1993, some ten months after the referral had been initially transmitted. It was not until September 29, 1993 that this office was advised that the referral would be reviewed.

The whole issue might not be important, however, for purposes of credibility with regard to the RTC's efforts in this area, this memo and attachment are submitted for factual clarity.

[The attachment is a chronology of the RTC investigation and contacts with Justice, partially summarized above. It also summarizes the documents printed above and concludes:]

On November 11, 1993, RTC Investigations learned through an article in the Washington Post that Paula Casey had recused herself and her staff from any further dealing with the Madison referrals.

* * *

Notes by Ms. Lewis on her conversation with FDIC attorney April Breslaw, Feb. 2, 1994:

- April stated that "the people at the top" keep getting asked about Whitewater, which seems to have become a catch all phrase for Madison and it's [sic] related investigations. She said that eventually "this group" is going to have to make a statement about whether or not Whitewater caused a loss to Madison, but the fact that Whitewater had no loan at Madison provided less potential for a loss. April stated very clearly that Ryan and Kulka [Jack Ryan, deputy chief executive of the RTC and head of the agency on this matter following the recusal of Roger Altman;

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

• April felt that it would have been difficult to determine exactly what happened with the Whitewater account, because so many checks had gone in and out of the account, and made a reference to the end resulting [sic] netting itself out. She asked about Greg Young's work papers on the Maple Creek Farms reserve for development analysis, and how it didn't seem to have any apparent tie to Whitewater. I concurred that it didn't have any legitimately defined tie, which is precisely why it was included in the referral.

• She inquired about the $30,000 check to Jim McDougal from Whitewater in 5/85, and about the disposition of the funds, I explained the transaction as I know it: the $30,000 had been converted to a MGS&L cashier's check, which was subsequently endorsed by [blacked out in document] and deposited to Riggs National Bank. I explained that when the check was force paid, the Whitewater account was overdrawn by over $28,000 which was then subsequently covered by the payment of a $30,000 bonus from MFC to Jim McDougal, deposited directly to Whitewater on McDougal's orders.

• She asked how we could get to a clear cut answer as to whether or not Whitewater caused a loss to Madison. I stated that, as far as I am concerned, there is a clear cut loss. I also stated that any attempt to extract Whitewater as one entity from the rest of the McDougal controlled entities involved in the alleged check kite will distort the entire picture. I further pointed out that I would produce the answers that were available, but that I would not facilitate providing "the people at the top" with the "politically correct answers just to get them off the hook".

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

• I stated that if she wanted me to tell her, unequivocally, that Whitewater didn't cause a loss, I could not do that. I could only reiterate the allegations contained in the referral, which are based on fact, and that it is my opinion and belief that Whitewater did, in fact, cause a loss to Madison because of the amount of the unauthorized loans that McDougal made, through the check kite, to entities in which he was a primary party and beneficiary. I also pointed out that this ultimately benefited his business partners—the same business partners that knew they had real estate ventures that were not cash flowing, but that also knew their mortgages and/or notes were somehow being paid. I pointed out that these business partners are intelligent individuals, the majority of them being attorneys, who must have concluded that McDougal was making the payments for their benefit. I posed the question to her, if you know that your mortgages are being paid, but you aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used to your benefit? Would you just assume that your partner was making these multi-thousand dollar payments out of the goodness of his heart? Wouldn't you wonder even more if you knew that your business partner's main source of income, an s&l, was in serious financial difficulty, which by 1985 was fairly common knowledge?

I would not facilitate providing "the people at the top" with the "politically correct answers just to get them off the hook."

We discussed the initiation of the MGSL investigation, and how evidence of the check kite came to light. I explained that after reviewing a series of checks, all of which noted "loan" in the memo field, I discerned a pattern that looked like a check kite, and proceeded to trace funds through the various accounts, which is a standard investigations procedures [sic]. The end result was the referral alleging a massive check kite. I also advised April that I had been told by both the U.S. Attorney's office (Mac Dodson) and the FBI (Steve Irons) that this was a highly prosecutable case of check kiting. I also told her that I disputed the declination of that referral on the basis of "insufficient information". She commented that "that's what Grand Juries are for", and I pointed out that it generally seemed to be the policy of the U.S. Attorney to agree to open a case before they would start Grand Jury proceedings. I also noted that I found the treatment of that particular referral by the Justice Department to be highly unusual. This concluded our discussion.

THE WALL STREET JOURNAL THURSDAY, MAY 19, 1994

Republicans plan to turn up heat on Whitewater affair

They allege Democrats are making no progress on plans to hold hearings

By Richard Whittle
Washington Bureau of The Dallas Morning News

WASHINGTON — Republicans in Congress are working on a new campaign to force the Democrats to hold hearings on the Whitewater affair.

"Nothing is happening on the Democratic side, so Republicans are planning to turn up the heat this week a little bit in the Senate through a series of floor speeches and requests for hearings," Eric Ueland, the Senate Republican Policy Committee press secretary, said Tuesday.

"We've given about six weeks' worth of quiet a chance and nothing's happened on the Democratic side, so now we're going to work a little bit more at making some noise and reminding the American people that there're a fair number of unanswered questions out there."

Democrats in both chambers adopted resolutions earlier this year binding them to negotiate with Republicans to hold hearings on Whitewater Development Corp., a real estate venture in which Bill and Hillary Rodham Clinton invested in the 1980s.

In addition, White House officials have asked special counsel Robert Fiske Jr.'s permission to collect certain documents from the Treasury Department, indicating they are getting ready for hearings.

But Republicans in both chambers complain that the Democrats who run Congress have shown no inclination to proceed with hearings. [illegible]

"The Democratic leadership in the Senate is hoping for a Fiske report that would be exculpatory and shut the whole issue down," Mr. Ueland said.

Mr. Fiske has promised an interim report on whether Whitewater-related meetings at the White House were proper.

Senate Majority Leader George Mitchell, D-Maine, said Tuesday that the Senate would hold hearings "in the near future," so long as they did not interfere with Mr. Fiske's investigation.

But Rep. Jim Leach of Iowa, the senior Republican on the House Banking Committee, expressed similar doubts Tuesday.

On Capitol Hill, however, House Speaker Tom Foley, D-Wash., said that "when Mr. Fiske indicates that his investigation is over, or that (initial) phase (is over), we will consider the scheduling of hearings."

The special counsel's broad mandate is to investigate the failure of Madison Guaranty Savings and Loan Association of Arkansas, which went under in 1989 at a cost of as much as $60 million to taxpayers. Madison's owner was partners with President and Mrs. Clinton in Whitewater, a real estate deal that went sour.

An investigation of Madison by the federal Resolution Trust Corp., an agency created to liquidate failed thrift institutions, has led to allegations that funds from the S&L flowed improperly to the Whitewater venture and to Mr. Clinton's 1984 campaign for governor of Arkansas.

Mr. Clinton has denied [illegible]edge of any such improprieties.

The Washington side of Mr. Fiske's investigation centers on the propriety of meetings last fall and winter between officials at the White House and the Treasury Department, which oversees the RTC.

Mr. Leach said he wanted hearings so the public could hear from witnesses such as the investigators who work in Kansas City, Mo.

"Let others tell their tales," Mr. Leach said. "And I think the tale that would unwind would be a [illegible]nating one. And not the end of the world for the president."

Advocates for homeless hail $1.7 billion aid plan

By Kendall Anderson
Staff Writer of The Dallas Morning News

The federal government's announcement Tuesday of a massive $1.7 billion plan to eliminate homelessness means more than increased funds and decreased red tape, say advocates for the homeless.

The proposal to double funding for the Housing and Urban Development Department's homeless assistance budget in 1995 signals a long-awaited change in national priorities, said Keith Mitchell, spokesman for Community for Creative Non-Violence. The Washington, D.C., homeless advocacy group runs the nation's largest homeless shelter.

"Finally we've got an administration looking at the figures realistically, looking at the problem realistically," Mr. Mitchell said. "The only negative I can say about it is that it took so long to happen."

Besides committing an unprecedented level of money to help the homeless, the plan would streamline the HUD grant application process and tie federal funding to local cooperation.

Supporters of the Interagency Task Force on Homelessness' plan said it also breaks new ground in the federal government's acknowledgment of the homeless problem.

"[illegible] to see the full scale of the homeless problem acknowledged in Washington," said John Fullinwider, director of Common Ground, a [illegible] housing group based in Dallas. "In the past they [illegible] the figure and deny the full extent of the problem. [illegible]"

The task force, which laid out the plan in a [illegible] report, estimates [illegible] there [illegible] million homeless people in the United States — a [illegible] number than previous [illegible] estimated. [illegible] broader definition of homelessness to include recently evicted people and others on the fringe of down-and-out homelessness. [illegible]

The report was unveiled Tuesday by HUD Secretary Henry Cisneros, Health and Human Services Secretary Donna Shalala, Veterans Affairs Secretary Jesse Brown and Tipper Gore, the wife of Vice President Al Gore. [illegible]

The plan, which will be submitted to President Clinton, was the combined effort of 17 government and nonprofit agencies. [illegible]

Mr. Clinton called the plan "a thorough and honest examination of homelessness that would work hand-in-hand with welfare and health care reform to "give every American the opportunity to break the cycle of dependence."

This is the first time the government has addressed the homeless problem in its entirety, said Jacquie Lawing, deputy assistant HUD secretary for homeless services.

"Homelessness is not just a housing problem," Mr. Cisneros said Tuesday, "but a condition that can result from poverty, substance abuse, a lack of affordable housing or the collapse of institutions that once cared for persons with mental and physical disabilities."

To address the root causes of homelessness, the plan calls for a "continuum of care" that would provide everything from emergency shelter needs to long-term job training to chemical abuse counseling. [illegible]

The Rev. Bobbie Dailey, co-director of the Austin Street Shelter in Dallas, welcomed that [illegible].

"Until you address the root problems of [illegible] people are out there on the street, nothing is going to change [illegible]," said Ms. Dailey. "It's great to hear, but let's wait and see where it goes."

The Associated Press contributed to this report.

Leach continues to be outspoken on the Whitewater investigation

By JANE NORMAN
OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Remember Whitewater? Remember the hue and cry just two months ago for congressional hearings to delve into President Clinton's Arkansas finances?

Rep. Jim Leach of Iowa, the president's premier critic on the convoluted issue, certainly does. Leach last week filed suit seeking related documents from two government regulatory agencies and has pursued his own investigation, even as press and public interest in Whitewater appeared to lessen in recent weeks.

But at the same time, the moderate, low-key ranking Republican on the House Banking Committee appeared as uncomfortable as ever with his leading role in the Whitewater drama, as was illustrated at a breakfast here with reporters Tuesday.

"Not The Largest Scandal"

He said Whitewater "is not the largest scandal," particularly in comparison to those in other countries.

But moments later he told reporters that a "multithousand-dollar conflict of interest" resulted in millions of dollars in losses for taxpayers. Leach has said money from a failed Arkansas thrift was transferred to the Whitewater real-estate development, in which then-Gov. Clinton and his wife were partners.

Leach said there is unanimity within the Republican Party that congressional hearings on Whitewater are needed. But he pointed out that he called a month ago for a "respite" on the debate over hearings until special counsel Robert Fiske concludes his own Whitewater investigation.

Close to the End

Leach said he has tried to show deference to Fiske and not push for

Jim Leach
Public "tired" of Whitewater

hearings until at least the first portion of that investigation is over.

That may be nearing. The Washington Post said Tuesday that Fiske has told White House officials he is close to the end of the first phase of his investigation, opening the way for the White House to prepare for congressional hearings this summer.

The public, Leach acknowledged, "is a little tired of the issue; enough is enough." But he said the problem lies with the White House. "The awkwardness is the candor isn't there, the facts have not been acknowledged, political responsibility has not been accepted — therefore how can I fold up the tent?"

Leach said the press ought to be "extremely cautious" in dealing with allegations raised about critics of the president. The May 23 edition of Newsweek magazine includes an article about Jean Lewis, an investigator for the Resolution Trust Corp. in Kansas City, Mo., upon whom Leach has relied as a source for his charges that Resolution Trust investigators have been "gagged and coerced" as they tried to probe Whitewater.

Newsweek reported that Lewis, 40, is not a lawyer or accountant and "she has little experience in law enforcement of any sort." The magazine quoted unnamed sources as saying Lewis "tended to be conspiracy-minded — a zealous amateur sleuth who sometimes made 'grand leaps' even when others felt the evidence was thin."

Leach defended Lewis. "The modus operandi of this particular White House is to attack and undercut those who raise charges rather than respond to those charges," he said.

Leach said that "what's at issue are the facts," and those facts are included in documents Lewis has provided Leach on the movement of money between the failed thrift and Whitewater, as well as notes on a taped conversation with a top Resolution Trust lawyer.

Leach discloses finances

FROM THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Rep. Jim Leach of Iowa, his wife and children have assets ranging in value from \$4.9 million to more than \$6 million, according to a financial disclosure report filed this week by Leach.

The Davenport Republican also reported that he took nine trips paid for by private organizations or institutions, including the Iowa Independent Bankers and the Ohio Bankers Association. Leach in 1993 became the senior Republican on the House Banking Committee.

Financial disclosure reports are filed annually by members of Congress, and require an estimated value be placed on members' assets. Personal residences and spouses' incomes are excluded. This report reflects 1993 activities.

Leach is the wealthiest Iowa congressman, although he is not the only millionaire. He reported he and his family have more than \$1 million in assets in four entities: Adel Wholesalers, a family corporation; Foxley Cattle; the Lois Hill Leach Trust and the James A. Leach Trust.

Paid travel accepted by Leach included:

Parliamentarians for Global Action, train travel from Washington to New York, air travel from New York to Washington, food provided, Jan. 9; U.S. Commission on Improving the Effectiveness of the United Nations, travel from Los Angeles to San Francisco, food and lodging provided, Jan. 30-Feb. 2; Princeton Republican Conference, roundtrip travel Washington to Princeton, N.J., food and lodging provided for Leach and relative, Feb. 25-27; Twentieth Century Fund, round trip travel Washington to Williamsburg, Va., food and lodging provided for Leach and relative, April 24-25; Iowa Independent Bankers meeting, travel Cedar Rapids to Lake Okoboji to Davenport, food and lodging provided, July 16-17; Ohio Bankers Association, Columbus, Ohio, roundtrip travel Davenport to Cleveland, food and lodging provided, Aug. 24; Rotary Club of Des Moines, travel Cedar Rapids to Des Moines to Washington, food and lodging provided, Sept. 1 2; Twentieth Century Fund, roundtrip travel Washington to New York, food and lodging provided, Oct. 28-29; Kettering Foundation, roundtrip travel Washington to Dayton, Ohio, food provided, Dec. 3

The Des Moines Register

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Taxpayers could foot Clinton's Whitewater-Madison bills

By Michael Hedges
THE WASHINGTON TIMES

Resurrected Independent Counsel Act has provision for legal expenses

Taxpayers may pick up the tab for President Clinton's Whitewater-Madison legal bills under a provision approved yesterday by House-Senate conferees in the final version of the resurrected Independent Counsel Act.

The change, requested by the Justice Department, is designed to allow Whitewater-Madison special counsel Robert B. Fiske Jr. to continue his investigation — but as a judicially appointed independent counsel.

Congressional staff members familiar with the independent counsel provision — which was not in either the Senate or House bills originally passed — said it could also end up benefiting all of those in the White House now under scrutiny, including aides.

It would allow Mr. Clinton, if not indicted, to use taxpayer funds to defend himself against charges arising from Whitewater-Madison. Some experts have suggested the tab may run hundreds of thousands of dollars.

"It definitely raises the chance that down the road the president will petition to have his legal bills paid, which wouldn't happen otherwise," said one congressional staff member.

Several White House staff members also have hired lawyers to represent them in Whitewater-related matters.

At least one member of Congress, Rep. Henry J. Hyde, Illinois Republican, is concerned about the provision.

"If you carry it out to its logical consequences, you'd have to say this is a proposal that hands a huge bill for Mr. Clinton's legal fees to the taxpayer," Mr. Hyde said. "I can't believe an administration with concern for the taxpayer would want them to pick up a big bill because Mr. Clinton's activities in Arkansas and perhaps afterward are now subject of an investigation."

White House Counsel Lloyd Cutler said last night, "We have not been involved in that, it has been handled by the Justice Department, so I have to say no comment."

Carl Stern, spokesman for the Justice Department, said that as far back as January Attorney General Janet Reno was concerned that her appointment of Mr. Fiske as a regulatory special counsel would create problems if and when the independent counsel law was passed.

"[The Justice Department] felt there needed to be a mechanism in place to allow for stability in Mr. Fiske's investigation," he said.

That mechanism, designed by staff members of Sen. Carl Levin, Michigan Democrat, and Justice Department legislative affairs staff members, would permit Mr. Fiske to transition from a regulatory to a statutory independent counsel investigator if the Justice Department requested it and a three-judge panel deemed that appropriate.

The measure passed a House-Senate conference committee last night after being offered by the Senate conferees and accepted by the House members on a 4-3 vote.

Mr. Fiske, who is probing President Clinton and Hillary Rodham Clinton's involvement in financial dealings between a failed Arkansas thrift and a real estate venture, was appointed special counsel by Miss Reno on Jan. 20. The salaries and expenses of Mr. Fiske and his staff are paid by the Justice Department — and are expected to cost taxpayers $2 million through September and the probe is expected to continue through 1995.

The independent counsel law has a provision that allows those investigated — but not indicted — to seek reimbursement of legal bills that would not have been incurred except in defense of an independent counsel's probe.

There is a difference of opinion among legal experts as to whether the change in the law would cover legal bills accrued from the time of Mr. Fiske's appointment to the time the bill becomes law.

Some people investigated by independent counsels, including former Attorney General Edwin Meese III, have had substantial legal bills reimbursed.

There is no such provision covering the legal expenses of those investigated by a special counsel appointed by the attorney general.

For the president to benefit, congressional experts said, several things would have to happen. First, the law would have to pass both houses of Congress with the added provision. Congressional experts called that likely yesterday.

Then, Miss Reno would have to determine that the circumstances of Whitewater-Madison required an independent counsel. Again, those following the law said that is highly probable.

At that point, a three-judge federal panel could choose anyone to be the independent counsel. But experts said they would likely appoint Mr. Fiske to avoid a lengthy disruption of a complicated probe.

If that happened, and Mr. Fiske's probe did not ultimately lead to the indictment of Mr. Clinton, congressional experts said the president could then petition the court panel overseeing the provisions of the independent counsel law to reimburse his legal fees.

Mr. Clinton also has legal bills defending himself against a sexual misconduct suit brought by former Arkansas state employee Paula Corbin Jones. These expenses would not be covered under the new law.

The independent counsel reauthorization bill expired in December 1992. Under the law, the independent counsel office has to be reauthorized every five years.

The Washington Times WEDNESDAY, MAY 18, 1994

Cardinal pressures Clinton on Elders

By Larry Witham
THE WASHINGTON TIMES

A Roman Catholic cardinal has written President Clinton a second letter to ask that he "disavow" Surgeon General Joycelyn Elders' public support of homosexual sex and her criticism of certain religious groups.

"Once again I respectfully urge you to disavow publicly the views expressed by your Surgeon General," Cardinal James A. Hickey, archbishop of Washington, wrote Monday to Mr. Clinton.

"Dr. Elders, as a federal official, continues to advocate a re-definition of the family," Cardinal Hickey wrote. "All Americans have a right to know whether or not Dr. Elders is speaking for your administration."

The president was sent the first letter in late March, but in his reply, 1½ months later, he did not address Dr. Elders' specific remarks or his views about them, according to a copy of the letter.

In a March interview with the Advocate, a magazine for homosexuals, Dr. Elders said sex is a "wonderful" and "healthy part of our being, whether it is homosexual or heterosexual."

She also endorsed homosexual adoptions and called the Boy Scouts' ban on homosexual Scouts and Scout leaders "unfair."

Mr. Clinton, in his April 4th reply to Cardinal Hickey, emphasized that the president's job is to build a society that promotes tolerance and acceptance of diversity.

"Recognition of differing opinions on difficult social issues does not, and should not, imply endorsement of any particular response to a matter of such complexity," Mr. Clinton said.

He added that the federal government does not have a say in "domestic relations, including adoption," because they are state and local issues.

"I believe that our common good is better served when we encourage creative and innovative solutions to questions that have the potential to divide us," Mr. Clinton wrote.

In his second letter, released by the archdiocese yesterday, Cardinal Hickey said he "remained disturbed" at Dr. Elders' public criticism of Catholics and the "religious right" who disagree with her on moral and health issues.

"I hope you will agree that in our system of government it is highly inappropriate for civil officials . . . to attack any specific religion or to single out for ridicule the views of any religious group," the cardinal wrote.

Leach: RTC may fire prober

By Ann McFeatters
SCRIPPS HOWARD NEWS SERVICE

Rep. Jim Leach, Republican point man on the Whitewater-Madison affair, says he fears the government's chief investigator is about to lose her job.

Mr. Leach, ranking GOP member on the House Banking Committee, said yesterday he is concerned that the contract of Jean Lewis may not be renewed when it comes up in June.

Mrs. Lewis works for the Resolution Trust Corp. (RTC) in Kansas City, Mo., and has been investigating the failed Madison Guaranty Savings and Loan Association in Little Rock and its connection to the Clintons' Whitewater real estate venture.

Whitewater-Madison special counsel Robert B. Fiske Jr. also is conducting a federal grand jury investigation into the financial links between Madison and Whitewater Development Corp. President Clinton and Hillary Rodham Clinton were partners in Whitewater with Madison owner James B. McDougal and his former wife, Susan.

Mrs. Lewis' belief that Whitewater took $1.5 million out of Madison in a check-kiting scheme has helped to convince Mr. Leach crimes may have been committed.

"The modus operandi of this White House is to attack those who raise charges," Mr. Leach told reporters. "But she's not a maverick working alone. . . . You'll find her to be an extremely credible witness."

Mr. Leach, a nine-term Iowa congressman, said Mrs. Lewis started as a "quasi-whistleblower" for the government in the S&L industry and has won acclaim and a merit bonus as a "dedicated professional" whose work has led to indictments and convictions. But she is zealous without having formal training as a lawyer or accountant, for which she has been criticized.

He said the evidence Mrs. Lewis has accumulated about Madison is a "black-and-white paper trail" and legally is a "pretty powerful case."

But he stressed that that does not necessarily mean there is any evidence that the Clintons had improper dealings with Madison. The Clintons say they lost money; Mr. Leach thinks they benefited from the investment.

Despite Mr. Fiske's probe, Mr. Leach wants hearings in Congress. Whether they are held and when, he said, is up to Democrats, who control both the House and Senate.

Mr. Leach agreed the public is losing interest in Whitewater but insists taxpayers should know if there were any ethical or criminal violations. But he said there is no reason to think anything new will emerge about Whitewater-Madison that would seriously damage the administration.

He said a public airing about Whitewater and Madison in 1992 might have kept Mr. Clinton off the Democratic ticket.

Mr. Leach blames President Bush's campaign in part for knowing about Madison but not wanting to raise savings and loan issues. Mr. Bush's son, Neil, was involved in the failed Silverado Savings and Loan in Colorado. Mr. Leach also charges the press was more interested in Mr. Clinton's personal life in 1992 than in pursuing complicated financial dealings.

The Iowa Republican, who has filed a lawsuit seeking RTC documents about Whitewater and Madison, said he has gotten to know Mrs. Lewis. "Jean would like to keep her job," he said.

Asked if he believes her job is in jeopardy, he said, "Yes, I do."

The Washington Times WEDNESDAY, MAY 18, 1994

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Californians may try to 'save state' from illegal entries

By Sally Ann Stewart
USA TODAY

LOS ANGELES — Ezola Foster is fed up with the steady stream of illegal immigrants who've been pouring into the Golden State.

"Illegal immigration will destroy us if it continues," says Foster, 55, president of Black Americans for Family Values.

A teacher for 30 years, Foster is among the supporters of "Save Our State," a likely November ballot initiative aimed at denying state services — including prenatal care and education — to undocumented immigrants.

Initiative sponsors this week turned in petition signatures to county registrars throughout the state. They need 384,974 signatures to put the measure before voters.

"We submitted close to 600,000" signatures, says political strategist Robert Kiley, who's heading the initiative campaign. He'll know within a month if the measure earns a spot on the ballot.

A *Los Angeles Times* poll in March showed 62% favor the initiative, including a majority of Democrats.

But that doesn't guarantee the initiative will pass.

"A vote for the status quo, the 'No' side, has the upper hand," says pollster Mark DiCamillo. "It's such a broad and complex initiative that the 'No' campaign can focus in on the weakest link."

Already, Hispanic and Asian groups are jointly raising money for anti-S.O.S. ads.

Kiley is confident anyway. "We got signatures from every one of the 58 counties," he says. "I think the people have spoken."

Indeed, just about everybody here is talking about immigration, one of the hottest political issues in the state.

Last weekend, Gov. Pete Wilson, a Republican who has hinted he'll likely campaign for the initiative, unveiled a new election-year TV spot, in which he talks tough about illegal immigration while standing in San Diego near the Mexico border.

Democrats immediately began faxing statements accusing Wilson of race-baiting.

"Pete Wilson is using immigration the same way George Bush used Willie Horton," says state Democratic Party Chairman Bill Press. "Every time he wants his poll numbers to go up, he starts immigrant-bashing."

Wilson has joined Florida Gov. Lawton Chiles and Arizona Gov. Fife Symington in filing lawsuits to force the federal government to reimburse states for costs of illegal immigrants.

There are an estimated 3.2 million illegal immigrants nationwide, according to the federal government, and nearly half are in California.

The S.O.S. initiative — cowritten by former Immigration and Naturalization Service officials Alan Nelson and Harold Ezell — would exclude illegal immigrants from collecting welfare benefits or receiving medical care — except for emergency aid.

Illegal immigrants can't get welfare now, but the state does provide emergency medical assistance. And pregnant illegal immigrants get prenatal care.

But the initiative also would require schools to check students' citizenship status and exclude illegal immigrant children. Police and schools also would be required to report children and parents suspected of being here illegally.

The initiative is likely to end up in the courts. The U.S. Supreme Court has said that illegal immigrant children cannot be denied education. And civil rights lawyer Leo Terrell says the initiative could violate the constitutional right to be free from unreasonable searches.

"In California, the tradition is that an initiative will be voted on, and then, if there's a court challenge, it'll be decided afterward," says Daniel Rabovsky, of the state's Legislative Analyst Office.

WASHINGTON

Extend China status, say 106 in Congress

President Clinton should extend China's most favored nation trade benefits and create a joint commission to monitor human rights in China, 106 Congress members wrote Tuesday to Clinton. The letter said a bilateral U.S.-Chinese human rights commission would be a "constructive and effective alternative" to an annual confrontation over renewal of the trade privileges. Clinton must decide by June 3 whether to give China another year of lowered tariffs.

Under an order Clinton signed last year, the tariff break is contingent on China making significant progress on human rights. Critics say Beijing has fallen short.

COURT NOMINEE: Senators rolled out the praise for Supreme Court nominee Judge Stephen Breyer during a Capitol Hill tour in preparation for an expected easy confirmation to the Supreme Court. Breyer, 55, said he was delighted at the widespread, bipartisan support that has greeted his nomination. Senate Majority Leader George Mitchell, D-Maine, predicted the Senate would give Breyer "an overwhelming vote of confidence." Senate Minority Leader Robert Dole, R-Kan., said, "The president's made a good choice." Sen. Joseph Biden Jr., D-Del., head of the Judiciary Committee, which will vote first on Breyer, joked: "Judge Breyer has announced his withdrawal. He doesn't want us to be denied a difficult fight."

By John Duricka, AP

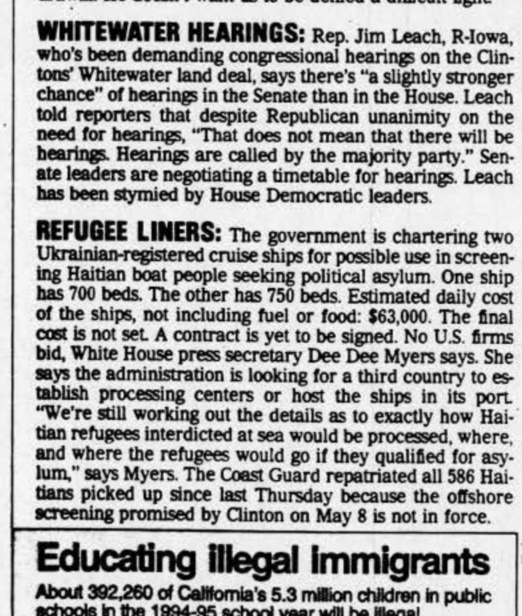
BREYER: Meets with Sen. Joseph Biden, right.

WHITEWATER HEARINGS: Rep. Jim Leach, R-Iowa, who's been demanding congressional hearings on the Clintons' Whitewater land deal, says there's "a slightly stronger chance" of hearings in the Senate than in the House. Leach told reporters that despite Republican unanimity on the need for hearings, "That does not mean that there will be hearings. Hearings are called by the majority party." Senate leaders are negotiating a timetable for hearings. Leach has been stymied by House Democratic leaders.

REFUGEE LINERS: The government is chartering two Ukrainian-registered cruise ships for possible use in screening Haitian boat people seeking political asylum. One ship has 700 beds. The other has 750 beds. Estimated daily cost of the ships, not including fuel or food: $63,000. The final cost is not set. A contract is yet to be signed. No U.S. firms bid, White House press secretary Dee Dee Myers says. She says the administration is looking for a third country to establish processing centers or host the ships in its port. "We're still working out the details as to exactly how Haitian refugees interdicted at sea would be processed, where, and where the refugees would go if they qualified for asylum," says Myers. The Coast Guard repatriated all 586 Haitians picked up since last Thursday because the offshore screening promised by Clinton on May 8 is not in force.

Educating illegal immigrants

About 392,260 of California's 5.3 million children in public schools in the 1994-95 school year will be illegal immigrants. The cost of educating the children of illegal immigrants and the number of such children in California:



Source: California Department of Finance

By Stephen Conley, USA TODAY

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Whitewater Goes Back to Its Source, Threatening To Tip Boats in Race for Governor of Arkansas√

By VIVECA NOVAK
And ELLEN JOAN POLLOCK
Staff Reporters of THE WALL STREET JOURNAL

CHIDESTER, Ark. – "I think people around here are tired of that word 'Whitewater,'" says David Butler, a part-time local prosecutor, as he listens to political stump speeches in front of Barbara's Super Suds Washeteria and Bolt's Mercantile.

Mr. Butler may be right, but Arkansans aren't likely to rid themselves of Whitewater any time soon. In fact, this fall's gubernatorial election may well hinge on the reverberations of the unsuccessful real-estate venture that counted among its investors Bill and Hillary Clinton.

Jim Guy Tucker

On the one side is incumbent Democratic Gov. Jim Guy Tucker. He is hip-deep in the affair, having been linked through a series of complex deals to Clinton co-investor James McDougal and to David Hale, a former municipal judge who recently pleaded guilty to two unrelated felonies and is cooperating with Robert Fiske, the Whitewater special prosecutor. Newspapers reported this week that Mr. Tucker was named in a criminal referral by the Resolution Trust Corp. in the fall.

On the other side, barring an upset in Tuesday's Republican primary, is Sheffield Nelson, the business executive and onetime Clinton booster turned virulent enemy. A conduit of Whitewater scoops to the press ever since the 1992 presidential campaign, Mr. Nelson has his own political baggage, including the fact that many Arkansans feel he has shamed their state just when it should be riding high.

Mr. Tucker, a former congressman, was lieutenant governor when Mr. Clinton won the presidency. "I understand the reason I ended up being governor is because Bill Clinton carried California and New York and George Bush threw up on the prime minister of Japan," he tells his audience here. "But that's OK. I'll take it any way I can get it."

The governor had been considered a shoo-in to win election in November; many Arkansans seem to prefer his straightforward style to Mr. Clinton's efforts to please everyone. But since Whitewater blossomed, he has been running scared. At the heart of his worries are roughly $300,000 in federally backed loans that Mr. Hale's company made to Tucker-owned companies. The loans were supposed to go to disadvantaged businesses, although the governor says he didn't know that, and they have attracted Mr. Fiske's attention.

Meanwhile, the Kansas City Star reported Sunday that the RTC has asked the Justice Department to look into allegations that Mr. Tucker illegally diverted part of a $260,000 loan from Mr. McDougal's Madison Guaranty Savings & Loan in 1985.

John Haley, Mr. Tucker's lawyer, says that the governor "had a pretty complex life." He concedes that although nothing has been proved, the dealings may look suspicious to voters. "There are some people who feel if it's simple, it's OK; if it's complex, it's sinister," he says.

To discourage potential gubernatorial challengers, Mr. Tucker amassed a $1 million war chest for this year's campaign. But seven days before the filing deadline, Mr. Nelson jumped in. Once, Mr. Nelson, the former chairman of Arkla Inc., now Noram Energy Corp., was a Democrat who backed Mr. Tucker's run for a U.S. Senate seat in 1978 and supported Gov. Clinton. But when Mr. Clinton went back on what Mr. Nelson considered a promise not to run again in 1990, Mr. Nelson switched parties, won the Republican gubernatorial nomination and waged a bitter campaign against him.

His anti-Clinton crusade continued into the presidential campaign. It was he who put a New York Times reporter in touch with Mr. McDougal, leading to the first Whitewater story; a transcript of a *tete a tete* between Messrs. Nelson and McDougal about alleged improprieties in Mr. Tucker's business has been circulated widely.

Mr. Nelson turned off the spigot of Whitewater information after polls showed his own negative rating creeping upward. "People would like to blame someone for all the information that has come out," says campaign aide Betsy Pilgrim. "Sheffield is taking the heat." Mr. Nelson says he wants to conduct a positive campaign, but he can't help noting that Whitewater "will be of interest" to voters.

His worry is that voters may also still be interested in questions about him, including a controversy that dogged him throughout the 1990 campaign concerning a decade-old natural-gas deal between Arkla and Jerry Jones, now the owner of the Dallas Cowboys. Mr. Nelson says he was "totally cleared" and that the controversy was "very political."

Sheffield Nelson

But some voters still remember. At an Optimists Club luncheon in Little Rock, where Mr. Nelson is the guest speaker, member Norman Mooney conspiratorially confides, "You know, Sheffield has his own Whitewater."

Attempting to cash in on Mr. Nelson's vulnerabilities in Tuesday's primary is Steve Luelf, a GOP state senator who's been dubbed "an ethics beacon" by the local press. With little money or name recognition, Mr. Luelf is at best a long shot. But earlier this week he was endorsed by former Rep. John Paul Hammerschmidt, a popular Republican who served in Washington for 26 years.

Mr. Luelf thinks voters will have trouble buying Mr. Nelson's promise about positive campaigning. He argues that the "public perception, particularly among Democrats" who make up most of the state's voters, is that Mr. Nelson has simply gone too far. Wrongdoing needs to be uncovered, but there are "all kinds of ways" to do it, Mr. Luelf says. "You can uncover it with concern or you can uncover it with glee. There's a line somewhere there."

HMO Quality √ Is Rated Similar To Other Care

By RON WINSLOW
Staff Reporter of THE WALL STREET JOURNAL

A new study suggests that elderly patients get roughly the same quality of care from health maintenance organizations as from traditional fee-for-service settings despite differences in treatment strategies.

The study, which compared treatment of two chronic medical conditions among Medicare beneficiaries, found one area where arthritis patients at HMOs reported worse results than their counterparts who weren't HMO members. But for three other measures, one also involving arthritis sufferers, and two relating to chest pain patients, patient outcomes were essentially equivalent, the study said.

"It's a mixed message," said Dolores G. Clement, an assistant professor at Virginia Commonwealth University, Richmond, and lead author of the study. "In one respect, care under these managed care organizations seems to be of a quality equal" to traditional care. But Dr. Clement and her colleagues speculated that less intensive care in the HMO could explain the "less satisfactory outcomes" among some joint pain patients. She added that there wasn't any clear explanation for the result.

The study appears in today's Journal of the American Medical Association. The findings are part of a larger evaluation of the Medicare Risk program, a project of the Health Care Financing Administration, or HCFA, to allow Medicare beneficiaries to enroll in managed care plans, and to encourage HMOs to enroll such members. HCFA is the administrator of the federal Medicare program.

The findings are based on a random telephone survey done in 1990 of Medicare beneficiaries who reported joint pain or chest pain during the previous 12 months. The analysis included 2,243 HMO members and 2,009 nonmembers with joint pain and 556 HMO members and 524 nonmembers with chest pain.

Researchers said those enrolled in HMOs got fewer referrals to specialists and were less likely to have follow-up care recommended than non-HMO patients. Patients with joint pain were more likely to get drug prescriptions and referrals to physical therapy if they were HMO members.

Despite such differences, similar numbers of both chest pain and joint pain patients in each setting reported complete elimination of symptoms. Chest pain patients whose pain wasn't fully relieved reported similar improvement in symptoms in both HMOs and traditional settings. But patients with joint pain, whose pain wasn't fully relieved, were less likely to report improvement in their symptoms if they were in an HMO.

She suggested the failure of some arthritis patients in HMOs to report the same symptom improvement as non-HMO members may reflect an overall lack of knowledge about the management of chronic illnesses in the elderly.

Jon Gabel, director of research at Group Health Association of America, a Washington trade group for HMOs, said the overall results supported several studies that indicate prepaid HMO care is generally as good as care delivered under fee-for-service payment arrangements.

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Whitewater Threatens To Tip Boats In Arkansas Governor Race

By Viveca Novak and Ellen Joan Pollock

Staff Reporters of The Wall Street Journal

CHIDESTER, Ark. -- "I think people around here are tired of that word `Whitewater,'" says David Butler, a part-time local prosecutor, as he listens to political stump speeches in front of Barbara's Super Suds Washeteria and Bolt's Mercantile.

Mr. Butler may be right, but Arkansans aren't likely to rid themselves of Whitewater any time soon. In fact, this fall's gubernatorial election may well hinge on the reverberations of the unsuccessful real-estate venture that counted among its investors Bill and Hillary Clinton.

On the one side is incumbent Democratic Gov. Jim Guy Tucker. He is hipdeep in the affair, having been linked through a series of complex deals to Clinton co-investor James McDougal and to David Hale, a former municipal judge who recently pleaded guilty to two unrelated felonies and is cooperating with Robert Fiske, the Whitewater special prosecutor. Newspapers reported this week that Mr. Tucker was named in a criminal referral by the Resolution Trust Corp. in the fall.

On the other side, barring an upset in Tuesday's Republican primary, is Sheffield Nelson, the business executive and onetime Clinton booster turned virulent enemy. A conduit of Whitewater scoops to the press ever since the 1992 presidential campaign, Mr. Nelson has his own political baggage, including the fact that many Arkansans feel he has shamed their state just when it should be riding high.

Mr. Tucker, a former congressman, was lieutenant governor when Mr. Clinton won the presidency. "I understand the reason I ended up being governor is because Bill Clinton carried California and New York and George Bush threw up on the prime minister of Japan," he tells his audience here. "But that's OK. I'll take it any way I can get it."

The governor had been considered a shoo-in to win election in November; many Arkansans seem to prefer his straightforward style to Mr. Clinton's efforts to please everyone. But since Whitewater blossomed, he has been running scared. At the heart of his worries are roughly $300,000 in federally backed loans that Mr. Hale's company made to Tucker-owned companies. The loans were supposed to go to disadvantaged businesses, although the governor says he didn't know that, and they have attracted Mr. Fiske's attention.

Meanwhile, the Kansas City Star reported Sunday that the RTC has asked the Justice Department to look into allegations that Mr. Tucker illegally diverted part of a $260,000 loan from Mr. McDougal's Madison Guaranty Savings & Loan in 1985.

John Haley, Mr. Tucker's lawyer, says that the governor "had a pretty complex life." He concedes that although nothing has been proved, the dealings may look suspicious to voters. "There are some people who feel if it's simple, it's OK; if it's complex, it's sinister," he says.

To discourage potential gubernatorial challengers, Mr. Tucker amassed a $1 million war chest for this year's campaign. But seven days before the filing deadline, Mr. Nelson jumped in. Once, Mr. Nelson, the former chairman of Arkla Inc., now Noram Energy Corp., was a Democrat who backed Mr. Tucker's run for a U.S. Senate seat in 1978 and supported Gov. Clinton. But when Mr. Clinton went back on what Mr. Nelson considered a promise not to run again in 1990, Mr. Nelson switched parties, won the Republican gubernatorial nomination and waged a bitter campaign against him.

His anti-Clinton crusade continued into the presidential campaign. It was he who put a New York Times reporter in touch with Mr. McDougal, leading to the first Whitewater story; a transcript of a tete a tete between Messrs. Nelson and McDougal about alleged improprieties in Mr. Tucker's business has been circulated widely.

5/18/94

Clinton to get update on health legislation

By J. Jennings Moss
THE WASHINGTON TIMES

With only one congressional committee set to finish its work on health care reform by Memorial Day, President Clinton is tentatively scheduled to meet with Democratic leaders and committee chairmen tomorrow to get an update on Congress' work.

Administration and congressional officials said the meeting does not reflect a change in the strategy of letting the committees do their work without interference from the White House.

White House Press Secretary Dee Dee Myers acknowledged the difficulty of getting a health bill passed this year.

"It's hard, but that doesn't mean it's impossible. The budget was hard. NAFTA was hard. The assault weapons ban was hard. We win those close fights," she said.

Mr. Clinton said earlier that he hoped that the key committees would act by the Memorial Day congressional recess. Now it appears that of the five committees, only the Senate Labor and Human Resources Committee — which begins formally writing a bill tomorrow — will meet that goal.

"It sounds to me as though the president wants to put a little pressure on the committees by staging a high-profile event, which is probably a good idea. I mean, nothing has really publicly put a high profile on these committees yet," said a Senate Democratic source.

Before an interview with health care reporters last week, Mr. Clinton said the White House's role at this point is to provide information to the committees and draw attention to key issues.

"I can't start really lobbying people until I know that we have an alternative out there that can be lobbied, but I expect that even once we get one, I think there will be a lot of heavy lifting to do," he said.

Yesterday, Mr. Clinton participated in a video conference call from the White House with employees at PictureTel in Peabody, Mass. The company's president endorsed the Clinton plan to require all businesses to pay part of the cost of their workers' health insurance.

"I want to again urge all of you, just do what you can to personally contact the members of Congress — and again without regard to party. Say this is an American problem; we need an American solution. We need to do it in 1994, not later," Mr. Clinton told PictureTel's workers.

Two key committees in the House — Ways and Means, and Energy and Commerce — have been unable to get a consensus among Democratic members on employer mandates and how to pay for reform.

An Energy and Commerce Committee source said prospects of agreeing on a formula that would win 23 Democratic votes — the number needed to get a bill through without Republican help — are "dismal."

Ways and Means Chairman Dan Rostenkowski will begin work on a bill in the full committee tomorrow. But instead of using his own legislative package, as he had hoped, as a base, he will be using a bill that passed the health subcommittee. That bill does not have majority support in the full committee.

Mr. Rostenkowski is awaiting financial estimates from the Congressional Budget Office for several health care options and could try to incorporate those alternatives into the final bill.

"Rostenkowksi is saying to the Clintons that by all means, keep the pressure up on Congress to get the job done.... But if you say you don't like what we're doing in the Ways and Means Committee, that slows down the process," a committee source said, arguing for Mr. Clinton to continue with his strategy.

Democrats on Capitol Hill said even though most of the committees will miss the Memorial Day deadline, the situation has not yet reached a crisis point.

"The chairs have said all along that they want to report it as quickly as possibly. But really, in the grand scheme of things, it's not terribly important, because the only important consideration is whether or not there will be a bill in October," said Energy

Whitewater-papers suit to get earlier court dates

By Jerry Seper
THE WASHINGTON TIMES

Rep. Jim Leach, who has unsuccessfully sought Whitewater-Madison documents for five months, and lawyers for two federal agencies he sued for the records yesterday agreed to accelerated court dates for legal arguments in the case.

The Iowa Republican, ranking GOP member of the House Banking Committee, sued the Resolution Trust Corp. (RTC) and the Office of Thrift Supervision (OTS) last week for documents on Madison Guaranty Savings and Loan Association and Whitewater Development Corp.

Mr. Leach, the leading proponent in Congress for hearings in the Whitewater-Madison affair, said in a lawsuit filed last Wednesday in U.S. District Court in Washington that efforts by his office to get the records had been rebuffed since December because of their potentially "embarrassing" content.

Madison, an Arkansas thrift owned by James B. McDougal that failed in 1989 at a cost to taxpayers of $50 million, and Whitewater, a northern Arkansas real estate venture involving President Clinton, Mr. McDougal and their wives, are the focus of an ongoing investigation by special counsel Robert B. Fiske Jr.

Mr. McDougal is suspected of diverting funds from Madison to several prominent Arkansas politicians, including Mr. Clinton, and of using Madison monies for the Whitewater project. Most of the accusations are outlined in RTC investigative reports turned over to the Justice Department in nine criminal referrals.

The accelerated court dates, agreed to yesterday, are no guarantee the government intends to back down on its denials to Mr. Leach's requests for the documents.

The RTC, which oversees failed S&Ls, has argued that Mr. Leach "failed to persuade" the agency he had the necessary authority to receive the documents.

"We are prohibited by statute from disclosing to an individual member of Congress information which may be protected by the Privacy Act," James Barker, RTC general counsel for field operations, said in a letter to Mr. Leach.

"Case law refutes your staff's arguments that you, as an individual member of Congress, are to be afforded any special status under the [Freedom of Information Act] not afforded the general public," he wrote.

Jonathan L. Fiechter, acting director of OTS, also has taken issue with claims by Mr. Leach that his agency had handled the congressman's requests for information differently than others' — particularly to records on Lincoln Savings and Loan Association, in the so-called "Keating Five" case.

"In each of those instances, the requests were initiated by the House Banking Committee or the chairman, not an individual congressman," Mr. Fiechter said in a letter to Mr. Leach. "As we have said, we are prepared to provide the requested documents once the Banking Committee or the chairman endorses your request."

Mr. Fiechter said it was a "long-standing position of the federal banking agencies" not to provide confidential records to individual members of Congress outside of a formal request by a committee or its chairman.

"It is necessary to protect candid communications between examiners and their supervisors and between the agency and savings associations, because they are integral to effective regulation," he said.

Congressional hearings in the Whitewater-Madison affair are tentatively scheduled to begin this summer. It is up to the leadership of both houses to specifically call for the hearings to begin.

Mr. Leach had sought an accelerated court timetable in his suit, saying it was "imperative" that legal arguments be settled "well in advance" of pending Whitewater-Madison hearings in Congress in order to allow the release of the requested documents.

U.S. District Judge Charles Richey has told attorneys for Mr. Leach and the government that a motion for summary judgment and all legal briefs in the case are due by June 27, and that oral arguments would follow.

Fiske OKs review of Treasury papers

ASSOCIATED PRESS

Special counsel Robert B. Fiske Jr. said yesterday he has given the White House permission to review Treasury Department documents detailing contacts with regulators over the Whitewater-Madison affair.

Mr. Fiske described the action as a "limited step" to allow the White House to prepare for congressional hearings on the financial ties between Madison Guaranty Savings and Loan Association and Whitewater Development Corp. President Clinton and Hillary Rodham Clinton were partners in Whitewater with Madison owner James B. McDougal and his former wife, Susan.

But Mr. Fiske said allowing the White House to review the documents should not be interpreted as a sign that his review of the contacts is finished.

"We have told them that at this point of the investigation that won't interfere with it. But the investigation is not over. ... There's still more to do," he said in a telephone interview from Little Rock, Ark.

Mr. Fiske subpoenaed a dozen Clinton administration officials after it was revealed that Treasury Department regulators had briefed the White House on the status of an investigation into Mr. McDougal's failed Arkansas thrift.

Mr. Fiske said the White House agreed to take no actions that might jeopardize his investigation without first checking with him.

He said administration officials recently asked for permission to review the Treasury documents detailing the contacts and that he determined his investigation was far enough along to allow for such action.

White House Deputy Counsel Joel Klein said yesterday the White House was just beginning to prepare for congressional hearings, expected this summer, and had taken only a preliminary view of documents.

Mr. Fiske declined to discuss the status of the other part of his wide-ranging investigation.

The revelation that the White House and Treasury Department had discussions concerning the status of the Madison investigation touched off a political firestorm.

..s Phase of Whi ewa er nves iga on Is Near End, Fiske Tells White House

By Ann Devroy and Susan Schmidt
Washington Post Staff Writers

White House officials say Whitewater special counsel Robert B. Fiske Jr. has told them he is nearing the end of the first phase of his investigation, prompting their own internal investigation in preparation for summer congressional hearings.

White House Counsel Lloyd N. Cutler said yesterday that he has obtained an agreement from the Treasury Department for access to its documents related to contacts White House officials had with Treasury officials about Whitewater.

Fiske yesterday declined to say how close he is to determining whether those contacts were improper or illegal, but said, "It certainly isn't over."

Fiske said White House officials recently asked him whether they would be interfering with his investigation if they reviewed the Treasury documents. Fiske said he told them his investigation was at a point where such a review would not interfere.

"That's all we told them," said Fiske, adding that White House officials were not asking whether they should take such a step.

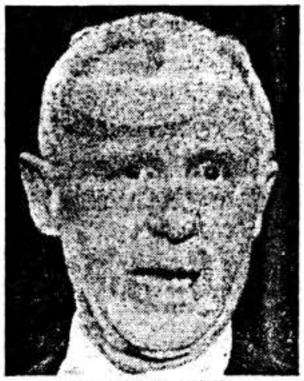
Political appointees at Treasury have been running the federal Resolution Trust Corp. and had access to information about the criminal and civil cases arising out of the failure of Madison Guaranty Savings & Loan in Arkansas. Madison was owned by James B. McDougal, joint owner with the Clintons of the Whitewater real estate venture in the Ozark Mountains.

Senior Treasury and White House officials had a series of meetings about the Madison-Whitewater investigation beginning last fall. Twelve officials in all have testified before a grand jury, and Fiske has subpoenaed all related documents.

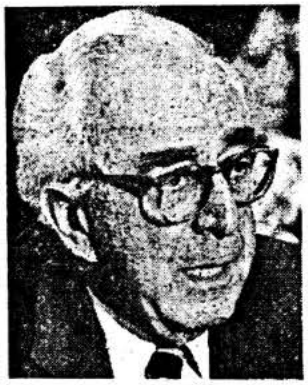
Cutler said yesterday that Fiske had "withdrawn any objection" to the White House obtaining from Treasury copies of documents, memos and other written material related to those contacts. Fiske originally had asked officials at the White House and at Treasury not to conduct internal investigations of the contacts because they could lead to coordinating statements and other actions that would not be conducive to a full investigation by Fiske.

Cutler and Treasury Secretary Lloyd Bentsen and top assistants worked out what Cutler said were procedures to keep from the White House any documents that involve the substance of the Whitewater federal investigation but include documents that relate to White House-Treasury discussions of it.

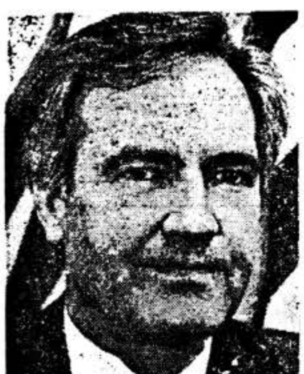
An administration official said Treasury "had qualms" about the White House request because of fears that any discussion with the White House would be seen as collusion. The qualms prompted what amounted to a legal negotiation between the White House and Treasury over the scope of the documents that would be made available. Cutler said the procedures were "worked out agreeably" and produced "a full understanding that will keep us from seeing documents that we should not be seeing."



ROBERT B. FISKE JR.
. . . probe likely to go into 1995



LLOYD N. CUTLER
. . . White House probe to begin



VINCENT FOSTER
. . . report on his death promised

Cutler said the White House's primary need for the documents was to prepare for congressional hearings where White House and Treasury officials might have to appear. The status of those hearings has been in limbo, awaiting word from Fiske that he would no longer object to at least a phase dealing with the White House-Treasury contacts.

While Fiske's overall investigation into Whitewater is expected to take a year or more, he has told congressional leaders that he was prepared to conclude the phase dealing with the contacts and with the death of White House deputy counsel Vincent Foster this spring or summer. Completing the investigation in phases would allow Congress to hold hearings, if it decided to proceed, in similar phases.

The Senate has voted to conduct hearings at a time and under circumstances that do not interfere with Fiske's investigation. Senate Majority Leader George J. Mitchell (D-Maine) said Sunday of hearings, "We are going to do it as promptly as we can, do it right after the conclusion of the first phase."

Mitchell and Senate Minority Leader Robert J. Dole (R-Kan.) have been engaged in periodic negotiations over the timing and scope of any congressional hearings.

Fiske said he planned to promptly issue a forensic report on Foster, putting to rest questions about whether there was foul play or if he committed suicide, as a Virginia medical examiner has ruled.

Some sources close to the White House say they expect the report to be issued soon and believe it will conclude Foster's death was a suicide. However, Fiske issued a broad subpoena two weeks ago that seeks to track documents that were in Foster's office at the time of his death. It could not be learned whether that information will be pursued separately or become part of the report on his death.

Fiske's investigation now seems likely to stretch well into 1995. Fiske is still adding to his staff of more than 30 lawyers and investigators: Two more lawyers were hired a week ago, and a message to FBI bureaus around the country last month said Fiske is seeking agents with backgrounds in financial and white-collar crime.

In addition to the Washington end of the probe, the special counsel's office has been investigating the affairs of Madison Guaranty and the Rose Law Firm. Former municipal judge David Hale, who pleaded guilty to fraud charges and is cooperating with Fiske, has appeared repeatedly before the grand jury in Little Rock, sources said.

Hale, who owned a venture capital company backed by the Small Business Administration, has alleged that he was pressured in the mid-1980s by then-Gov. Bill Clinton, McDougal and Jim Guy Tucker (D), current Arkansas governor, to make fraudulent loans. One loan, in the amount of $300,000, was issued to an advertising company owned by Susan McDougal, and at least some of that money ended up buying land in Whitewater's name.

Clinton and McDougal both say the Clintons did not know the SBA-backed loan was used for Whitewater land.

Hale, who made his allegations public last fall, has largely disappeared from view. Court officials in Little Rock said he has at times been placed under FBI protection.

In addition to pressing forward on the Hale allegations, Fiske's staff has been poring over records at the Rose Law Firm, where Foster, Hillary Rodham Clinton and former associate attorney general Webster L. Hubbell were all partners before coming to Washington.

Fiske recently delivered a 3½-page list of clients and case files, most related to Hubbell's activities at the firm, sources said. Among other things, the special counsel's office is investigating Hubbell's handling of a Madison-related lawsuit for the government and the legal bills he submitted.

TUESDAY, MAY 17, 1994 THE WASHINGTON POST

PM-Whitewater-Fiske,440
White House To Review Treasury Documents Related to Whitewater
By JOHN SOLOMON= Associated Press Writer=

WASHINGTON (AP) Whitewater special prosecutor Robert Fiske is allowing the White House to review Treasury Department documents detailing contacts with regulators over the politically sensitive savings and loan case.

The White House requested the documents to prepare for congressional hearings into the Whitewater affair.

Fiske said Monday he was giving the White House access to the documents but said his action should not be interpreted as a sign that his review of the contacts was finished.

``We have told them that at this point of the investigation that won't interfere with it. But the investigation is not over. ... There's still more to do,'' he said in a telephone interview from Little Rock, Ark.

Fiske subpoenaed a dozen Clinton administration officials after it was revealed Treasury Department regulators had briefed the White House on the status of an investigation into a failed Arkansas thrift owned by the Whitewater business partner of President Clinton and Hillary Rodham Clinton.

Fiske said the White House agreed to take no actions that might jeopardize his investigation without first checking with him.

He said administration officials recently asked for permission to review the Treasury documents detailing the contacts and that he determined his investigation was far enough along to allow for such action.

Deputy White House counsel Joel Klein said Monday the administration was just beginning to prepare for congressional hearings, expected this summer, and had taken only a preliminary view of documents.

Fiske declined to discuss the status of other part of his wide-ranging investigation.

The revelation about the White House-Treasury discussions touched off a political furor, leading to allegations the administration was trying to meddle in the probe.

They first were revealed during congressional testimony by Deputy Treasury Secretary Roger Altman in February. A dozen White House officials subsequently were subpoenaed to testify before a federal grand jury and White House counsel Bernard Nussbaum was fired.

Altman told a Senate committee he gave a ``heads up'' briefing to White House officials on the status of a regulatory investigation into the failure of Madison Guaranty Savings & Loan.

The S&L, which failed in 1989 at a cost of $47 million, was owned by James McDougal, the Clintons' business partner in the Whitewater land venture.

Regulators have alleged that depositor funds from Madison may have been improperly diverted in the mid-1980s to Whitewater and the Clinton gubernatorial campaign.

McDougal and the Clintons repeatedly have denied any wrongdoing.

**** filed by:APE-(--) on 05/17/94 at 00:20EDT ****
**** printed by:WHPR(JEL) on 05/17/94 at 09:06EDT ****

Leach Sues to Force Release of Whitewater Files

House Republican Asserts Thrift Regulators' Secrecy Shields Administration Officials

By Susan Schmidt
Washington Post Staff Writer

Rep. Jim Leach (R-Iowa) yesterday sued federal regulators for release of documents relating to the Whitewater investigation, saying they cannot choose to withhold the material just because it might be embarrassing to the president.

Leach, the ranking Republican on the House Banking Committee, for six months has been seeking documents relating to Whitewater and a failed Arkansas savings and loan, Madison Guaranty. Most of his requests have been denied on privacy or other grounds by the Office of Thrift Supervision, the agency that regulates S&Ls, and the Resolution Trust Corp., the agency created to dispose of hundreds of failed thrifts.

Leach said that in the past regulators routinely provided materials to the banking committee minority on many other S&Ls, including some that were the subjects of sensitive criminal investigations. Among them were Lincoln Savings and Loan, run by Charles H. Keating Jr., and Silverado Savings and Loan, where President George Bush's son Neil was a director.

"Apart from the involvement with Madison Guaranty of certain present and former high-ranking members of this administration, there would appear to be no justification for treating Madison Guaranty documents any differently from those of other failed thrifts," Leach wrote in a letter to RTC officials. He told reporters that regulators appear to want to "reduce executive branch embarrassment."

BY RAY LUSTIG—THE WASHINGTON POST

Rep. Jim Leach (R-Iowa) announces lawsuit at Capitol news conference. With him are lawyers Bobby R. Burchfield, left, and Jackson R. Sharman III.

The lawsuit, filed in U.S. District Court here, maintains that regulators are preventing Leach from fulfilling his oversight duties as the banking panel's ranking minority member.

OTS and RTC have said they would only provide Madison records if they are requested by the Banking Committee chairman, Rep. Henry B. Gonzalez (D-Tex.). Gonzalez has tried to block congressional investigation of Madison, going so far as writing to RTC and OTS officials to urge them not to provide materials to Leach.

Lawyers for Leach are seeking to have the lawsuit placed on a judicial fast track. Their early efforts met with success yesterday when U.S. District Judge Charles R. Richey asked Justice Department lawyers representing the RTC and OTS to appear in court Monday to discuss whether the case should be put on an expedited schedule.

Several lawyers from Covington & Burling are handling the lawsuit on a pro bono basis, including former Bush campaign general cou Bobby R. Burchfield.

Leach has asked for a wide range of Madison documents, including investigatory files, memos on suspected criminal activity, loan files, complete minutes of board meetings and many other documents. Regulators have denied his requests, citing possible interference with the ongoing criminal probe by special counsel Robert B. Fiske Jr. They also have said many of the documents are protected by privacy rules.

By law, the banking committee is required to hold an oversight hearing on the RTC by the end of this month, but there is no indication that Gonzalez plans to schedule one. Republicans had planned to such a hearing as a forum to ask questions about Madison and Whitewater.

President Clinton and Hillary Rodham Clinton were half owners of the Whitewater real estate venture in Arkansas along with Madison owner James B. McDougal and his wife. Leach wants to find out if Madison depositor funds were diverted to Whitewater, a question that is also being explored by Fiske.

THURSDAY, MAY 12, 1994 THE WASHINGTON POST

Longtime friend probed as source of Clinton funds

By Jerry Seper
THE WASHINGTON TIMES

A1

Special counsel Robert B. Fiske Jr. has expanded his Whitewater-Madison investigation into New Mexico, where FBI agents are looking into a bankrupt $20 million ski resort once owned by Dan R. Lasater, a convicted cocaine dealer and longtime friend and supporter of President Clinton.

The inquiry, according to federal law enforcement sources, is part of an overall look by the Fiske task force to see whether Mr. Lasater was a second source of money routed illegally to Mr. Clinton's 1984 campaign for re-election as Arkansas governor.

Investigators, the sources said, want to know whether Mr. Lasater, who contributed thousands of dollars to Mr. Clinton's campaigns, used a New Mexico resort called Angel Fire, or a Little Rock investment firm he owned, to funnel money to the candidate through accounts at Madison Guaranty Savings and Loan Association.

"Madison and Lasater both had access to tremendous amounts of money, and there is concern among federal authorities that the Clinton campaign may have been a direct beneficiary," says another law enforcement official close to the investigation.

Madison, owned by James B. McDougal, another longtime Clinton friend and business partner, earlier became the focus of suspicion in the Fiske inquiry. Investigators are looking into suspicions that Mr. McDougal illegally manipulated loans, using overdrawn Madison accounts, and diverted S&L funds to the Clinton campaign.

The Resolution Trust Corp., which oversees failed S&Ls, has questioned the diversion of other Madison deposits to Whitewater Development Corp., a failed real estate venture jointly owned by Mr. Clinton, Mr. McDougal and their wives.

State records show Mr. Lasater bought Angel Fire in 1984 from Tosco Corp. of Santa Monica, Calif., for $19.5 million. The resort later was taken over by the Phoenix Group Inc., a company also owned by Mr. Lasater. He sold the 22,000-acre development, 150 miles north of Albuquerque, in 1987 to the Sangre de Cristo Partnership of Dallas. The sale price was not revealed.

Patsy L. Thomasson, who was the executive vice president of a Little Rock investment firm known as Lasater and Co. Inc. and who now is the director of the White House office of administration, handled the sale. At the time, Mr. Lasater was serving a prison tence for conspiring to distribute cocaine.

In 1986, Mr. Clinton's name was used by Angel Fire in letters to the Arkansas Bar Association members and others as an inducement — along with Arkansas-born singer Glen Campbell — for a ski trip to New Mexico sponsored by the Lasater firm. The governor did not go on the ski trip.

The week's activities, according to the letters, included conferences on investment techniques and how to take tax deductions, in addition to skiing and other entertainment.

The Fiske inquiry into Angel Fire was first reported on Sunday by the Albuquerque Journal. The newspaper reported that Sen. Pete V. Domenici, New Mexico Republican, had confirmed that the special counsel was investigating the resort including "all aspects of Dan Lasater's affairs," but he did not elaborate.

Mr. Domenici did not return telephone calls for comment on the Journal article.

Mr. Lasater, 50, also declined comment. A receptionist at Phoenix Mortgage Co. in Little Rock, where Mr. Lasater is now chairman, said he does not talk to reporters.

Mr. Fiske's office has declined to comment on the investigation.

Angel Fire currently is in bankruptcy, with about $40 million in outstanding claims.

The Lasater-Madison connection has been of interest to federal investigators for several weeks. A confidential securities agreement signed by the two firms on June 21, 1984, included the establishment of a Madison account within the Lasater organization to buy and sell securities.

The single-page agreement, signed by Madison board member Susan H. McDougal, then Mr. McDougal's wife, was among documents seized in December by federal and congressional investigators looking into the Whitewater-Madison affair.

In a Jan. 31 letter to the Securities and Exchange Commission, Rep. Jim Leach, Iowa Republican and ranking GOP member of the House Banking Committee, also suggested a Lasater connection. In the letter to Arthur Levitt, chairman of the Securities and Exchange Commission, Mr. Leach asked for all related records in-firm.

"Madison and its institution-affiliated parties had significant dealings with Lasater & Co., a now-defunct Arkansas securities firm," Mr. Leach wrote. "It has been reported that Lasater & Co. was connected with significant abuses in the municipal securities market."

Mr. Lasater was sentenced in December 1986 to 30 months in prison on the cocaine conviction. He served four months at a half-way house and two months under house arrest. He was pardoned in November 1990 by Gov. Clinton and returned to live in Little Rock, where he eventually took over as chairman at Phoenix Mortgage.

While he was under investigation by Arkansas State Police in a cocaine-distribution operation involving Mr. Clinton's brother, Roger, Mr. Lasater received more than $664 million in Arkansas bond-sales contracts, all of which were approved by Mr. Clinton. The Lasater firm was paid $1.6 million in brokerage fees from two dozen separate tax-exempt state bonds.

In 1987, when Mr. Lasater surrendered to federal authorities to begin his prison sentence, he relinquished control of Lasater and Co. to Miss Thomasson. As late as 1991, she was listed as president of the Phoenix Group.

Now an aide to the president, she was one of three persons who searched the office of White House Deputy Counsel Vincent W. Foster Jr. less than three hours after his body was found in Fort Marcy Park, off the George Washington Memorial Parkway. The death was ruled a suicide.

In addition to the Angel Fire connection, Mr. Fiske's investigators are looking into several other matters involving Mr. Lasater, including:

- Mr. Clinton's personal lobbying of Arkansas legislators in 1985 to give Mr. Lasater a contract to sell $30.2 million in bonds for a state police radio system. The contract, ultimately approved, earned Mr. Lasater's firm $750,000.
- Mrs. Clinton's conflict of interest in representing the government in a $3.3 million Federal Deposit Insurance Corp. lawsuit against Mr. Lasater, which was settled out of court for $200,000. Mrs. Clinton, then a partner at the Rose Law Firm in Little Rock, represented the government, which had accused Mr. Lasater of fraud in the failure of First American Savings and Loan in Oak Brook, Ill.

By the time the suit was filed, Mr. Lasater had contributed thousands of dollars to Mr. Clinton's campaigns, sponsored campaign fund-raisers, and let both Mr. and Mrs. Clinton use his private airplane.

- The role of the Arkansas Development Finance Authority (ADFA) in the award of state tax-exempt bonds, underwriting contracts, and bond counsel fees for the Lasater firm and other investment groups, brokerage houses and law firms. ADFA was created in 1985 by Mr. Clinton to expand the state's authority to issue tax-exempt bonds to develop property in Arkansas.

Investment bankers in Arkansas, and a former ADFA official involved in government bond contracts, said it was "common knowledge" that companies headed by political supporters of Mr. Clinton received favored status for government awards, including business loans through ADFA bond issues.

The former official, who asked not to be identified, alleged in a letter to the FBI that Clinton appointees engaged in "power brokering" to guarantee "single source bids for services that ensure repeat business to the same people."

The letter said many ADFA bond sales were intended "as political favors or repayments for campaign support." FBI officials have declined comment on the letter.

Mr. Lasater acknowledged at his cocaine-conspiracy trial that he lent Roger Clinton $8,000 to pay a drug debt. Investigators said later that the debt actually was only $4,000 and Roger Clinton had pocketed half the cash.

Roger Clinton, who worked as Mr. Lasater's driver, pleaded guilty in January 1985 to separate cocaine-distribution charges and served one year of a two-year sentence in federal prison in Texas. He was an unindicted co-conspirator a year later in the Lasater case.

Miss Thomasson, whom Mr. Clinton appointed chairman of the Arkansas Highway Commission, was not implicated in the cocaine investigation. She has not returned calls to her office for comment.

The late-night search of Mr. Foster's office was conducted by White House Counsel Bernard Nussbaum, who was Mr. Foster's supervisor.

NEW FOCUS OF INQUIRY

Special counsel Robert B. Fiske Jr. is looking into Angel Fire, a bankrupt 22,000-acre ski resort once owned by convicted cocaine dealer Dan R. Lasater, a longtime friend and supporter of President Clinton.

The Washington Times

The Des Moines Register

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'SUN SHOULD BE ALLOWED TO SHINE'

Leach lawsuit demands S&L documents

The Iowa Republican wants two federal agencies to hand over all the paperwork on the thrift linked to the Whitewater controversy.

By JANE NORMAN
OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — In a lawsuit filed Wednesday, Rep. Jim Leach, R-Ia., sought to force two federal regulatory agencies to turn over all docu- s related to the failure of an Arkansas savings and loan embroiled in the Whitewater controversy.

Leach, the senior Republican on the House Banking Committee, has repeatedly requested the documents from the Resolution Trust Corp. and the Office of Thrift Supervision, beginning late last year.

Officials with the agencies turned down Leach, citing concerns over fidentiality. In addition, Rep. y Gonzalez, D-Texas, chairman of the committee, has instructed the RTC and OTS to resist Leach's requests.

At question is whether members of the minority party in Congress, in oversight capacity, are entitled to obtain documents related to a "particularly embarrassing circumstance" from an executive branch rolled by the majority party, said.

"What this is all about is full disclosure, nothing more, nothing less," Leach. "The sun should be allowed to shine in. Otherwise, abusive actions that cannot be reviewed w invite repetition."

Real Estate Venture

James McDougal, the owner of Madison Guaranty Savings and Loan in Little Rock, Ark., and his former wife, Susan, were partners in the Whitewater real estate venture with then-Gov. Bill Clinton and his wife, Hillary. Leach has said documents show funds from Madison were diverted to Whitewater.

A spokeswoman for the RTC said the agency does not comment on pending lawsuits. A spokesman for the OTS also declined to comment.

In past correspondence with Leach, RTC officials have said it would be "inappropriate" to hand over documents before a congressional hearing is scheduled. The House and Senate have both passed resolutions calling for hearings on Whitewater, but the dates and formats have not been set.

James Leach
Chief Whitewater critic

Leach's lawsuit was no surprise, since he had threatened to sue if the documents were not produced. But his appearance signaled a renewal of his visibility as the president's chief critic on Whitewater.

Leach said in a letter to the RTC dated Wednesday that he is obligated, as a member of Congress, to oversee the actions of the RTC and OTS and track the progress of the S&L bailout. "Clearly encompassed within this oversight responsibility is a duty to investigate allegations of wrongdoing at failed thrift institutions, such as Madison Guaranty," wrote Leach.

Violations Charged

Leach in his lawsuit claims the RTC and the OTS have violated the Freedom of Information Act, the Administrative Procedure Act and the Federal Home Loan Bank Act. He said a judge has been assigned to the case but no hearing date has been set.

Leach is represented by Bobby Burchfield and Jackson Sherman III, both members of the Washington firm of Covington and Burling. The lawyers are providing their services for free, although the lawsuit also asks the court to award Leach his costs and "reasonable" attorney's fees.

Burchfield worked for former President George Bush's campaign. Leach said he is a "distinguished attorney with a distinguished law firm," and his time with Bush should be viewed as "a point of credit, not of demerit."

John Brummett

It hurts to watch Bill Clinton make decisions, especially from the world's largest fish bowl and with aides running out to make leaks to reporters.

You see, Clinton never decides until he decides. What he says is not always what he means; signals of his leanings can be misread. In his body language, a nod can mean "no." And until a decision is advanced to the point of being beyond retrieval, it can always be rethought or even undone.

Who can forget the state trooper's late-night retrieval of a vetoed bill from beneath the door of the House clerk's office? I certainly can't, as I bring it up with a rather tiresome frequency.

Clinton finally makes a decision when an instinct feels right for an extended period of time, which might be no more than 24 hours.

"See, when I feel it *here*, I do fine," he said to Mack McLarty, his chief of staff, after deciding on Ruth Bader Ginsburg as his nominee for the Supreme Court last year. He pointed to his gut.

I had occasion last June to interview the president briefly for a special project. This was three days after he formally nominated Ginsburg, then blew a fuse when Brit Hume of ABC asked him about the "zigs and zags" of his decision-making process.

By prior arrangement, his comments to me that day were to be saved for use in the special project. But I think I can say this much: He lamented the leaking — that he was about to appoint Bruce Babbitt or Stephen Breyer — by people apparently in physical proximity to him, but not inside his head. George Stephanopoulos, the junior president who sat with us, remarked earnestly, "He never made a decision; these leakers didn't know."

At this writing, Wednesday morning, *The New York Times*, a rather credible newspaper, has reported a 95 percent certainty that Clinton will nominate Babbitt to fill the second Supreme Court vacancy to arise in his term. Reports are that Clinton might announce a decision today.

Babbitt may indeed be the nominee, and indeed it might come later this very day.

Actually, Clinton probably would have nominated Babbitt last year except that there were complications with his job as interior secretary. As I reported last week, Clinton wants to name a non-judge, a savvy politician, to the court. He thinks there are too many judges and not enough smooth facilitators and consensus builders on the court. He believes there is room, in fact a need, for a politician who just so happens to have a law license.

But these leaked signals about percentages of presidential certainty do not carry a great deal of weight with me when the president in question is Clinton. Someone is trying to read the president's mind, but Clinton hasn't finished writing, much less editing and proofreading.

At this moment, Richard Arnold is not anywhere near out of the running based on a leaked report that 95 percent of Clinton's mind is made up.

Even if the report is accurate, then 5 percent of Clinton's mind is still open. That's a veritable Grand Canyon of opportunity for another decision to emerge as the one that feels right in the pit of his stomach.

Quality television

You might remember the column three weeks ago generally lamenting the backwater culture of Arkansas television and specifically lamenting the decision by the Arkansas Educational Television Network to cancel the "Charlie Rose Show," a tasteful and topical interview show out of New York City.

Now I am happy to report that thanks to viewer outcry of a decibel level not often heard in regard to public affairs programming in these parts, the Rose show will return July 4 at its regular hour, 11 o'clock, every weeknight except Wednesday.

Next on our agenda is to shame KTHV, Channel 11, into showing "Sunday Morning" instead of bad movies, and KATV, Channel 7, into moving "Nightline" to its appropriate slot, at 10:30 week nights, just in time to switch over to "Charlie Rose."

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

Leach sues to obtain Whitewater papers

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Rep. Jim Leach, R-Iowa, filed a lawsuit Wednesday against two federal agencies for refusing to release documents related to the Whitewater Development Corp. affair.

"What this is about is full disclosure — no more, no less," Leach said. "The sun should shine in."

Leach, the House's leading Whitewater critic, said officials with the Resolution Trust Corp. and the Office of Thrift Supervision have repeatedly turned down his requests to release documents.

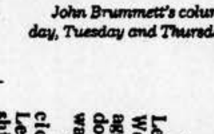
He said the situation is "at odds with historical precedence."

Previously, members of the minority party have been allowed access to federal records, Leach said.

He filed the lawsuit in U.S. District Court in Washington. The lawsuit seeks the release of documents under the Freedom of Information Act and other federal provisions.

The documents involve Madison Guaranty Savings & Loan Association and Whitewater.

President Clinton and first



Leach

lady Hillar Rodham Cli ton were par ners fro 1978-92 wit James and Su san McDoug in Whitewate a Mario County devel opment.

James Mc Dougal als owned Madison, which failed in 1989 at a cost to taxpayers of a least $47 million. McDougal, an Arkadelphia resident, is one o three Democrats running for Congress in the 4th District.

Allegations that money illegally was transferred between Madison and Whitewater accounts are among a series of issues being investigated by special counsel Robert Fiske Jr.

Leach said the documents being sought from the RTC and OTS would provide further evidence of financial transactions between Whitewater and Madison.

Leach, the ranking Republican on the House Banking, Finance and Urban Affairs Committee, has tried since December to obtain the documents.

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Whitewater, Jones suit may spur legal defense fund for Clintons

By Paul Bedard
THE WASHINGTON TIMES

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The White House is considering establishing a defense fund to cover President Clinton's and first lady Hillary Rodham Clinton's legal bills, which are soaring to $1 million as they fight Whitewater-Madison and sexual misconduct charges.

"There is simply an attempt to try to outline what the various options are that are available to a president for the payment of his legal fees," Clinton aide Bruce Lindsey told reporters before Mr. Clinton left the White House for a two-city swing to promote health care yesterday.

Mr. Clinton, who is not involved in planning for the defense fund, is said to be facing a $250,000 bill for lawyer David Kendall's handling of Whitewater-Madison issues and his work on questions arising from Mrs. Clinton's commodities trading.

In addition, Mr. Clinton could face another almost $240,000 tab in just a month as Washington superlawyer Robert S. Bennett and his associates prepare the Clinton defense to sexual misconduct charges made by former Arkansas state employee Paula Corbin Jones.

It could go even higher if Whitewater-Madison special counsel Robert B. Fiske Jr. prolongs and extends his probe.

"It could add up to $1 million in a short time, especially if the Jones case goes to court or Fiske stretches out his investigation, like it looks like he will," a Washington-based lawyer said yesterday.

While the Clintons have assets valued at about $1 million, together they earned an adjusted gross income of $293,757 last year and paid $62,670 of that in taxes, leaving $231,087.

At that rate, it would take four years of net income to cover the estimated legal bills the Clintons may face this year alone.

A senior Clinton administration official said Mr. Clinton is already on the "installment plan" with Mr. Kendall's 129-lawyer firm, Williams & Connolly, based in Washington. A source with the firm said Mr. Kendall is charging the White

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House his regular hourly rate of $350 to $400.

"No discounts," the source said.

Mr. Bennett's 45-lawyer firm, Skadden, Arps, Slate, Meagher & Flom, is charging the White House his regular rate of $450 an hour, a White House official said.

Mr. Lindsey said the president's legal bills were not huge yet "but they have the potential to be."

Asked if a legal defense fund will be established, Mr. Lindsey said, "It hasn't been decided or seriously discussed."

But other administration officials said the White House is trying to figure a way for the fund to be established "so it doesn't look like anyone is going to get a favor" from Mr. Clinton.

"We're looking into whether it can be set up without revealing contributors to you guys [the press] or the president. We don't know if it can," said one official, speaking on the condition of anonymity.

"I'm not sure if legally you have to do that, but clearly that would be an option. They would not know who was contributing, so there's no way people could give in return for . . . a favor," Mr. Lindsey said.

Mr. Lindsey said a legal defense fund can be established for a president but the White House cannot be involved.

He said White House lawyers are working on a memo about the legal defense fund for Mr. Clinton. One option would be to set a legal fee in lieu of paying hourly rates.

"It's in the very early stages. The process is very early on," said a Democratic Party adviser to the White House.

"Clearly, if we [the party] were asked to be helpful, we would be helpful in any way they want," the adviser said.

> *"Clearly, if we were asked to be helpful, we would be helpful in any way they want."*

Another official suggested that the Democrats may not be pressed into service because the administration does not want to make the fund-raising efforts appear to be partisan. The official said Republicans might even support a legal defense fund.

Mr. Bennett — and his $450 an hour — will probably be teamed with another partner making $300 an hour and two associates making up to $200 an hour each, according to other Washington lawyers. That would cost the Clintons $1,150 an hour.

"He probably has 30 days to answer Corbin's charges, so the legal team will probably work eight hours a day, six days a week as a minimum," said a former Bush administration lawyer now in private practice.

That adds up to $239,200 — and that is just for Mr. Bennett's work in the initial stages of the Jones lawsuit.

Legal observers said yesterday that Mr. Bennett would have to spend hours with reporters explaining his case. But his team must also interview all witnesses, including Mr. Clinton, research appropriate laws and map out a strategy.

Once that is done, Mr. Bennett must then prepare motions to dismiss the Jones case, prepare the basic response to Mrs. Jones' suit, try to put the case off until Mr. Clinton leaves office and try to seal all papers.

Mr. Kendall's expenses to defend the Clintons against Whitewater-Madison accusations would push the Clintons' legal tab even higher.

"I don't know how you do it for less. They've got to be working it to get it ready, and when your client is the president, you don't cut corners," said a Washington lawyer.

Leonard Garment, who represented former Attorney General Edwin Meese III in an ethics investigation, told the Associated Press yesterday he rejected the idea of setting up a legal defense fund for Mr. Meese.

"Nobody would believe that there would be such a thing as a blind trust," said Mr. Garment, a former White House counsel for President Nixon, adding that it would have been too cumbersome to set up a fund with a low limit on contributions.

The investigation of Mr. Meese did not lead to an indictment, and the government paid his legal fees under the independent counsel law. That law has expired, and now there is no provision for the government to pay legal fees of federal officials investigated but not indicted.

Mr. Nixon's attorney, R. Stan Mortenson, said an independent legal defense fund was set up for the late president, but he believed it was not started until after Mr. Nixon left office in August 1974. Mr. Mortenson told the Associated Press the fund operated for a few years, and he did not recall how much money was raised. "It wasn't a significant portion" of Mr. Nixon's legal fees, he said.

THE NEW YORK TIMES, TUESDAY, MAY 10, 1994

Clinton Nears a Court Choice As Lobbying Becomes Intense

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, May 9 — From the moment that Justice Harry A. Blackmun announced his intention to retire at the end of the current Supreme Court term, several groups have rushed to press the White House on behalf of, and sometimes against, the candidates believed to be on a list of finalists.

White House officials said today that President Clinton was close to making his selection for the Supreme Court, and that he was scheduled to meet with his advisers again on Tuesday for what was to be a final discussion on the matter.

Modern nominations to the Supreme Court come with lots of behind-the-scenes lobbying of the President. Hispanic advocacy groups, for example, have pushed for Mr. Clinton to nominate Federal District Judge José A. Cabranes of Connecticut, who would be the first person of Hispanic heritage on the Court.

At the same time, several civil rights groups have urged the White House to nominate a second black to the Court, arguing that Justice Clarence Thomas, a conservative named to the bench by President George Bush, is not an appropriate successor to the late Justice Thurgood Marshall, the man he replaced.

A judge from Little Rock comes under criticism from some women's groups.

But the most sustained lobbying so far centered on Judge Richard S. Arnold of Little Rock, Ark., chief judge of the United States Court of Appeals for the Eighth Circuit.

Judge Arnold has aroused the opposition of some women's advocacy groups, especially those that promote abortion rights, because of some decisions in which he has participated.

At the same time, he has received rich praise from several lawyers and judges for his intellectual prowess. The White House is especially sensitive to how Judge Arnold's nomination would be received. Officials say they are aware of potential problems in selecting an acquaintance of the President's from Arkansas to such a highly visible post.

One Administration official said the reluctance to name Judge Arnold because of his ties to Arkansas is not so much because of the appearance of cronyism that has been suggested in published reports. Rather, the official said, it is because Mr. Clinton would not welcome the additional attention on Arkansas by news organizations that would inevitably follow the nomination as reporters took into Judge Arnold's history.

But the strongest opposition to Judge Arnold's appointment has come from women's groups who have criticized some of his judicial opinions. Marcy Wilder, the legal director of the National Abortion Rights Action League, said that her group had told the White House that the judge would be a poor choice to succeed Justice Blackmun, who wrote the majority opinion in Roe v. Wade, the 1973 case in which the Court first held that women have a constitutional right to choose abortion.

"We need a nominee who brings the wisdom, compassion and commitment to protecting women's rights that we saw in Justice Blackmun, and we have serious concerns about Judge Arnold's record in this area," she said.

Ms. Wilder cited Judge Arnold's opinion in a 1983 case in which he said the Jaycees had a First Amendment right to prevent women from joining the organization, and a 1988 ruling in which he joined six other judges upholding a Minnesota law that required a woman under 18 years of age to notify both parents before obtaining an abortion.

In a 7-to-3 ruling in which Judge Arnold was with the majority, the Eighth Circuit ruled that the law was consistent with Supreme Court rulings as long as it had a provision allowing the young woman to bypass notifying her parents by appealing to a judge.

The ruling was upheld by the Supreme Court. The Court reversed his opinion in the Jaycees case.

Support From Yale Classmate

Steven M. Umin, a Washington lawyer who went to Yale with Judge Arnold and who has advocated his nomination, said of the concerns of women's groups: "I think that's tragic. His opinions do not reflect anything but a lawyer-like approach to a First Amendment problem."

Mr. Umin said that if one were fair about Judge Arnold's jurisprudence, "you would never come out thinking this man is unfair to women in any way." To demonstrate that point, Mr. Umin distributed a legal analysis of the judge's opinions that he termed "of special concern to women."

Judge Arnold's principal supporter is Senator Dale Bumpers, an Arkansas Democrat who has reminded the White House that the judge graduated first in his class both at Yale College and Harvard Law School.

Judge Arnold's admirers include William J. Brennan Jr., the retired Supreme Court Justice for whom the judge clerked, and Judge A. Leon Higginbotham Jr. of the United States Court of Appeals for the Third Circuit, who is also retired.

Both paid tribute to Judge Arnold in a special issue of the Minnesota Law Review in which Judge Patricia M. Wald of the United States Court of Appeals for the District of Columbia Circuit told feminists that Judge Arnold's positions were more favorable to them than the current Court's.

Clinton Aides Consider Fund To Pay His Private Legal Fees

By DAVID JOHNSTON
Special to The New York Times

WASHINGTON, May 9 — White House aides are considering a legal defense fund and other ways to help President Clinton pay for lawyers he has hired to deal with both a sexual harassment suit and a special prosecutor's inquiry into his Arkansas land dealings.

Bruce Lindsey, a top aide to Mr. Clinton, told reporters today that White House lawyers would advise Mr. Clinton on how to pay bills that are likely to reach hundreds of thousands of dollars.

"There is simply an attempt to try to outline what the various options are that are available to a President for the payment of his legal fees," Mr. Lindsey said.

He suggested that the legal analysis was being prepared without orders from the President. "I don't think there's been any discussion with him about whether he'd have any interest," he said.

Contributions may be sought for bills reaching hundreds of thousands of dollars.

Details to Be Worked Out

But another aide said it was nearly certain that Mr. Clinton would set up a defense fund if important details can be worked out, like who would be its trustee and whether the names of contributors would be disclosed or kept secret from the President.

Mr. Clinton has hired Robert S. Bennett, a lawyer who charges $475 an hour, to defend him against charges by an Arkansas woman who has said that Mr. Clinton made an unwanted sexual advance in 1991. Mr. Clinton had earlier hired David E. Kendall, whose firm charges in the $400-an-hour range, to handle questions about the tangled investments of Mr. Clinton and his wife, Hillary Rodham Clinton.

Although the couple reported that their annual income was $293,000 in 1993, the cumulative legal bills could prove daunting.

At the same time, Gilbert K. Davis, a lawyer for Mr. Clinton's accuser in the harassment case, Paula C. Jones, said that she would be starting her own fund to receive contributions to help her proceed with the case. "Unless there are substantial contributions from outside, this case won't be able to be prosecuted as it should be," Mr. Davis said.

A $50 Contribution

Mr. Davis said he had already received an unsolicited $50 contribution for Ms. Jones. "I hope there are others without who would come forward to help her," he said.

Some lawyers interviewed today said they could not think of a previous instance in which a President had set up a fund to accept contributions to pay for nonofficial personal expenses, although some Presidents have lent their names to charitable efforts and some former Presidents have accepted fees from private organizations. Money left in Richard M. Nixon's 1972 Presidential campaign fund, for instance, was used to pay the legal bills of Watergate defendants.

Mr. Lindsey said White House lawyers had concluded that there was nothing to prevent a sitting President from setting up a defense fund or to stop him from negotiating a flat fee instead of paying an hourly rate. "He has the same rights a citizen would or a member of Congress," Mr. Lindsey said.

Government ethics lawyers said they had been discussing with the White House for weeks how Mr. Clinton might set up a legal defense fund. Mr. Clinton would probably transfer control to a trustee, someone outside the White House, who would collect contributions and make payments directly to the President's lawyers, said Donald E. Campbell, deputy director of the Office of Government Ethics.

Sums to Be Disclosed

He said Mr. Clinton would be required to list the amount of money paid to his lawyers as a gift reportable on his annual financial disclosure statement. Mr. Clinton would not be obligated to disclose the identities of individual contributors to the fund, Mr. Campbell said.

Mr. Lindsey said the White House would not be directly involved in raising funds, and he, too, suggested that the identities of contributors would be hidden from Mr. Clinton and from the public.

But other lawyers said it might prove difficult for Mr. Clinton to avoid disclosing the names of donors, simply because he might have difficulty convincing the public that he and all his aides could be insulated from knowledge about who was paying his legal bills. Moreover, these lawyers said Mr. Clinton would probably be required to pay taxes on any payments as income.

"I'm not sure if legally you have to do that, but clearly that would be an option," Mr. Lindsey said, referring to the nondisclosure of contributors. "They would not know who was contributing, so there's no way people could give in return for a favor."

House and Senate rules allow lawmakers to raise money for defense funds, and more than half a dozen of them have established such funds, including Representative Dan Rostenkowski, an Illinois Democrat, who is under investigation for improper use of his House expense account, and Senator Robert Packwood, Republican of Oregon, who has been accused of sexual misconduct.

Court Bars Tax on Tribes

SAN FRANCISCO, May 9 (AP) — The state cannot tax Indian tribes for off-track betting on reservations, a Federal appeals court ruled today.

The law prohibits California from imposing a license fee, the equivalent of a tax, on two Southern California tribes that sponsored betting on horse races televised from outside tracks said the United States Court of Ap peals for the Ninth Circuit.

George Foreman, a lawyer for the Sycuan Band of Mission Indians, said the ruling would substantially in crease the tribes' revenue from off track betting. He said the state had collected $750,000 in license fees in si months of off-track betting at th Sycuan reservation in San Dieg County and in a year of betting at facility run by the Cabazon Band c Mission Indians near Indio.

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White House Ponders Legal Defense Fund

By Ann Devroy A1
Washington Post Staff Writer

After rejecting the idea earlier this year, President Clinton's advisers are now researching how private donations could be solicited to help pay the president's legal fees, which aides say could easily top $1 million.

Bruce Lindsey, senior adviser to Clinton, said yesterday that lawyers in the White House counsel's office are researching "options" for obtaining private donations to pay the team of lawyers retained to defend the president in both the Whitewater special counsel's probe and the sexual harassment case filed against him last Friday by Paula Corbin Jones.

A presidential legal defense fund—at least one that is publicly acknowledged as such—seems to be without precedent and even the possibility has raised concern among public interest groups that monitor how politicians raise and spend money.

Ellen Miller of the Center for Responsive Politics called the idea a terrible one. "The economic interests that fund campaigns will turn around in a blink of an eye and fund this campaign, too," she said. "It's just another envelope for them to put cash into. Just because it is legal does not make it right."

But others say this president has already raised private funds for special personal needs—to build a jogging track at the White House—and the last two Republican presidents solicited private donations for redec-

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orating the White House, buying new White House china and the like.

Asking private donors for money to help the president out, they suggest, is becoming an American tradition. Unlike legal advice, the things presidents have recently sought private donors for have been left behind at the White House for future occupants.

"This is simply a process for setting forth what various options [for paying the bills] might be," Lindsey said. "It is something that now needs to be explored.'

Lindsey said in February that the White House would not consider a legal defense fund and that the Clintons would be footing their own legal bills. But that was when Clinton's legal bills were from primarily one lawyer, David Kendall, who is handling the president's interests in connection with special counsel Robert B. Fiske Jr.'s probe of Whitewater, and related personal presidential legal business.

When Jones began threatening to sue Clinton on a civil claim of sexual harassment, Clinton retained Washington lawyer Robert S. Bennett and also hired Little Rock lawyer Stephen Engstrom. Jones sued in federal court Friday, ensuring a lengthy legal proceeding on that front. Lawyers in Washington say the customary fees for both Kendall and Bennett are at least $400 an hour, and a senior White House official said yesterday that the Clintons "are looking at a million dollars easy" in legal fees if the legal work takes a year or more, which is likely.

The Clintons' net worth is estimated at between $700,000 and $1 million; their combined income in 1993 was about $293,000.

Massive legal fees paid by public officials defending themselves in special counsel and other probes have become the norm in Washington. Former attorney general Edwin Meese III got public reimbursement of nearly a half-million in legal fees after a special counsel's probe ended with no charges being filed against him. Former secretary of state George P. Shultz was reimbursed $280,000 in legal fees during the Iran-contra special counsel probe.

Legal defense funds for politicians are common. In the Reagan administration, Labor Secretary Raymond Donovan had one, as did National Security Council staffer Oliver L. North. Several House and Senate members also have such funds, including Sen. Bob Packwood (R-Ore.) and Rep. Dan Rostenkowski (D-Ill.). Congress has rules requiring reporting and disclosure of these funds, and members can—and do—use leftover campaign funds to pay personal legal costs.

Lindsey and others at the White House said yesterday that Clinton has made no decisions on whether to have such a fund or how it should be structured. Another senior official said the president has authorized the counsel's office to prepare a memo to answer how such a fund could be set up but that a debate over whether it should be set up has not taken place among senior advisers and the president.

Miller, of the Center for Responsive Politics, said Clinton has really no good ethical options if he seeks help in paying the bills. Putting off payment of Bennett's bill until Clinton leaves office, for example, she said, would raise ethical questions since Bennett's firm does some lobbying. Being beholden to a lobbying law firm, she and others said, is as questionable as having big corporate or individual donors paying the president's legal fees.

"It's a difficult dilemma and one without historic precedent," she said.

Lindsey said that one option was a fund run by outside friends whose donors were kept secret so Clinton did not know who they are. But Clinton's close associates would know and some of them, campaign funding officials say, would be in as good a position to provide access and other "chits" as the president.

"This is simply a process for setting forth what various options [for paying the bills] might be."

— Bruce Lindsey

One Republican lawyer who worked in a senior post in a prior administration said yesterday that if Clinton's fund was established and run by persons outside the White House, made public disclosures, limited the size of the donation to $1,000 or $2,000 and banned large corporate donations, the ethics problems could be solved. "Obviously, it is not very tasteful to have the president of the United States needing expensive legal advice for a case like this. It is tawdry. But I don't see what's wrong with it if it is fully disclosed."

Officials at various ethics groups and presidential history buffs could find no example of a presidential legal defense fund, suggesting that is the case because no president before Clinton has been sued for acts that were alleged to have occurred before he took office.

But they suggest that just because there was no fund set up does not mean lawyers have not routinely contributed to presidential legal issues by offering advice without fees or with lower fees, or that before more stringent reporting requirements, party organizations or campaign organizations did not pay presidential legal fees.

Former president Richard M. Nixon, for example, paid thousands of dollars of Watergate and other related legal fees from leftover funds from his 1972 reelection campaign. Courts have ruled such personal use is legal. But there was no Nixon legal defense fund operating while he was in office.

TUESDAY, MAY 10, 1994 THE WASHINGTON POST

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Hillary's keynote: It's all in the family

GW grads told life's biggest duty

By J. Jennings Moss
THE WASHINGTON TIMES

Hillary Rodham Clinton yesterday told George Washington University's class of 1994 that the biggest responsibility its members face in life is building solid families.

In an address to the university's 4,800 graduates, Mrs. Clinton linked family values to nearly every aspect of the graduates' lives, and said they served as the main motivation for the administration's health care reform plan. The commencent took place on the Ellipse.

"Remember as you go forth, no matter what a family unit looks like today, the family remains the essential ingredient in shaping our later lives, and you have no greater responsibility ahead of you," Mrs. Clinton said.

Quoting Winston Churchill's remarks at a commencement address, she said, "Never, never, never give up."

The combination of graduation day and Mother's Day led the first lady to reflect on the importance of the family as she told the graduates to think about how their mothers never gave up on them.

Even though she did not attend George Washington as a student, she said she lived on the Foggy Bottom campus during the summer of 1968, when she was an intern in Washington.

"Perhaps the most striking difference between this time and 26 years ago is that we had very different views of our social institutions and of our individual and collective roles in society. . . . It [1968] was a time of great passion and hope and also a time of great social dislocation," she said.

Graduates today, she said, may face a more uncertain world but also one with greater opportunities.

"What is marvelous and wonderful about coming of age in America today, despite all of the problems that we face, is you do have so many more choices to craft your own life than any generation had," Mrs. Clinton said.

The only political element to her speech was a pitch for the health care reform plan that she crafted as head of President Clinton's health care task force. She said America's families need the security of having health insurance and knowing it can not be taken away.

Mrs. Clinton received an honorary doctor of public science degree from the university.

Others receiving honorary degrees yesterday were Roderic Hollett Davison, a George Washington professor emeritus of European history; Elizabeth Drew, a political writer; John Hope Franklin, a professor at Duke University and scholar of black history; and Thaddeus Alphonse Lindner, a G.W. graduate and longtime university supporter.

Photo by Tracy A. Woodward/The Washington Times

Hillary Rodham Clinton greets graduates at George Washington University yesterday on her way to the stage.

Whitewater shadows Arkansas campaign

LITTLE ROCK, Ark. (AP) — Sheffield Nelson joked about going "head-to-head with Hillary" when he found his recent news conference competing with Hillary Rodham Clinton's nationally televised meeting with reporters to discuss Whitewater.

"So does that mean you're going to talk about Whitewater?" a reporter asked the Republican gubernatorial primary candidate, who lost to Bill Clinton in Arkansas' 1990 election.

"No! No!" Mr. Nelson replied emphatically. His news conference was to unveil TV commercials for his new campaign for governor and talk about crime and his millionaire business background.

There was no mention of Whitewater — the great unknown in Arkansas politics as the May 24 primary nears.

Some think Mr. Nelson, dubbed the "Pied Piper of Whitewater" by critics, will suffer from a backlash by voters who see the whole affair as partisan politics and Arkansas-bashing.

Others predict incumbent Gov. Jim Guy Tucker will be haunted by his own dealings with Clinton partner James B. McDougal and confessed defrauder David L. Hale.

Mr. McDougal himself is seeking the Democratic nomination for a seat in the Congress in which his testimony has been sought.

Whitewater — a long list of ethical and legal questions growing from President and Mrs. Clinton's northern Arkansas real estate investment with Mr. McDougal — has been a dominant topic in Arkansas for months. It not only involves the first Arkansan elected to the White House, but also many of his friends and political allies.

It also sometimes has led to derogatory comments in Congress and the national media about Arkansas ethics.

"I will not make it an issue," said Mr. Nelson, a Republican National Committee member. While claiming a "high-road campaign," he knows Whitewater will be kept alive because of continued investigations by federal officials, including special prosecutor Robert B. Fiske Jr.

Mr. Nelson says his role in the Whitewater saga consisted of a McDougal-requested, tape-recorded meeting in Little Rock in 1992 in which Mr. McDougal railed about his dealings with Mr. Tucker and the Clintons and subsequently putting a New York Times reporter in touch with Mr. McDougal. That led to the first national Whitewater story.

Mr. Nelson disputes talk of a backlash against him. "The only ones saying that are some of the Democrats who are really fearful of the Whitewater situation," he said.

However, Mr. Nelson's main primary opponent, state Sen. Steve Luelf, suggested that he'll have a better chance than Mr. Nelson of attracting Democratic votes against Mr. Tucker.

Mr. Tucker, who was elected lieutenant governor in 1990 and succeeded Mr. Clinton after the 1992 presidential election, has denied wrongdoing while generally keeping a low profile on Whitewater. There's been no Whitewater news conference, and he's resisted releasing tax and financial records.

"All the focus has been on the Clintons, and Gov. Tucker has been astute and adept at keeping it off him," said Susan Power, an Arkansas State University political science professor.

Mr. Tucker didn't invest in Whitewater but made other real estate deals with Mr. McDougal and invested in a development financed through Mr. McDougal's savings and loan. Mr. Tucker and his wife also had loans from Hale's company. In March, Hale pleaded guilty in connection with fraud against the Small Business Administration and agreed to cooperate with investigators.

Mr. Tucker has no primary opposition, has built a $1 million campaign fund already and remains a heavy favorite for November.

"It's kind of let's wait and " said Republican Party state Executive Director Marty Ryall. GOP candidates use a theme that Arkansas has been dominated too long by a Democratic inner circle.

Tucker spokeswoman Max Parker said the governor expects to face Whitewater questions during the campaign. "I think Nelson's record speaks for itself. He'll do whatever he thinks is necessary," she said.

Meanwhile, former wheeler-dealer McDougal wages a longshot campaign in the Democratic primary for the congressional : held by Republican freshman F Jay Dickey. Mr. McDougal suf fered a stroke in 1986 and was di agnosed as manic-depressive.

But he appears rejuvenated by all the Whitewater attention, ever though he remains under federa investigation for his running of the S&L, whose failure cost taxpayers $47 million.

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Fiske expects to spend $2.6 million √

Probe's cost will rise if it goes beyond September, results in any trials

SCRIPPS HOWARD NEWS SERVICE

The cost for special counsel Robert B. Fiske Jr.'s investigation of the Whitewater-Madison affair will reach more than $2.6 million through September, according to a projected budget prepared by Mr. Fiske's office.

The total could go substantially higher because Mr. Fiske has said the investigation may last 18 months. If any Whitewater-Madison trails lead to court, the costs will grow even more.

The budget shows that nearly $1 million will be spent on salaries and benefits for Mr. Fiske and his 20 employees in the wide-ranging probe that began Jan. 20.

Another $840,000 is earmarked for computer costs and office renovations. The budget also includes $333,000 for travel, $277,000 for rent and related costs for three offices, $173,000 for equipment, and $23,000 for supplies and materials.

The Whitewater-Madison probe includes examinations of possible interference by several Clinton administration officials in regulatory investigations; the death of White House Deputy Counsel Vincent W. Foster Jr.; and complicated real estate and other financial deals involving the Clintons and dozens of others in Arkansas.

Although taxpayers ultimately will foot the entire bill, part will come from FBI money rather than a special Justice Department fund set aside for independent counsel investigations, according to the budget breakdown, which was requested by Scripps Howard News Service under the Freedom of Information Act.

The FBI will pick up half of the rental costs and half of the estimated $619,000 for computer hardware and software support. The FBI also will pay for $34,000 in equipment costs.

According to the projected budget, the probe's Washington office will be the most expensive, with $176,000 for rent, communications, utilities and equipment. The Little Rock office is expected to cost $153,000, and the New York City office is projected to cost $121,000.

Working in those offices will be Mr. Fiske and 10 other lawyers, an administrative officer, a budget analyst, an office manager, four paralegals, and three staff assistants. Earlier, Mr. Fiske said 25 FBI agents and financial analysts would aid the investigation.

Personnel costs are expected to total $983,000 for the eight months, with Mr. Fiske getting an annual salary of $107,300. Salaries for the other lawyers range from $70,740 to $103,000. Two will receive significantly less because their appointments are for less than the full period.

Past special prosecutions have proved expensive. In 1986 a probe of Assistant Attorney General Theodore Olsen for possibly giving false testimony to Congress cost $1.5 million and resulted in no indictment.

That same year it cost about the same amount to prosecute Michael Deaver, a former White House aide convicted of conflict-of-interest violations. And an investigation of the Reagan administration's Housing and Urban Development Department, which began in 1990 and continues, has cost nearly $14 million.

The price of the seven-year Iran-Contra probe, which involved foreign travel and elaborate security measures to protect classified material, was about $40 million.

Ames' spying could hurt for years, CIA chief says

By Bill Gertz
THE WASHINGTON TIMES

CIA Director R. James Woolsey said yesterday that Aldrich Hazen Ames' spying was "shocking" to the CIA and it could take years to restore agency recruitment efforts in the former Soviet Union.

Mr. Woolsey, in a breakfast meeting with reporters and editors of The Washington Times, said that once the assessment of the damage caused by Ames is complete, the case "may be the most damaging in terms of human agent operations vs. the Soviet Union or Russia."

At least 12 agents working secretly for the CIA in Eastern Europe were compromised by Ames, who pleaded guilty to spying for Moscow last week. Four were executed. Others disappeared.

Asked if it will take years for the CIA to recover its ability to recruit secret agents, Mr. Woolsey said, "In some senses, because it has been a shock."

"It is a shocking matter that a CIA officer would betray his country," Mr. Woolsey said.

Sen. Malcolm Wallop, Wyoming Republican and member of the Senate Intelligence Committee, said it will be at least 10 years before the CIA has its full ability to recruit foreign agents.

"For a decade nobody is going to be willing to work for us without working for the other guy at the same time," Mr. Wallop said recently.

But Mr. Woolsey said the people who will have to "think twice" about spying are "any Americans or citizens of allied countries who are employed in positions with security clearances who think they can pick up some extra money by being employed on the side of a foreign or hostile intelligence service."

"One major lesson of the Ames case is even if it takes a long time, and even with an intelligence service that uses very good trade craft such as the Russians do, eventually we are going to catch the moles," Mr. Woolsey said.

The CIA director would not rule out the possibility that other moles burrowed into the U.S. or foreign governments.

"We're always looking, and we always will be looking, and it would be foolhardy for the head of any intelligence service, or for that matter any investigative agency, or the State Department, Defense Department, to say there are no more moles," he said.

Deputy Attorney General Jamie Gorelick said yesterday that other spy cases are under investigation.

"We are following concrete leads and will continue to do so," Mrs. Gorelick said at a news conference.

Ames pleaded guilty to spying April 28 and received a life prison term in a deal that calls for his cooperation in the damage assessment. His wife, Maria del Rosario Casas Ames, pleaded guilty to lesser spy charges and will be sentenced in August, probably to five years in prison.

Mr. Woolsey rejected Ames' court statement April 28 that CIA spying operations are a "sham" and that the agency espionage branch is staffed with self-serving bureaucrats.

Ames blamed conservative U.S. policies during the 1980s for driving him to spy as an expression of dissent.

Mr. Woolsey said Ames' statement was an attempt to deflect attention from his prime motivation for spying: the more than $2.5 million Moscow paid him.

"I think he did whatever he could to try to damage the CIA and American intelligence in what he said," Mr. Woolsey said. "I think it was a very contrived and self-serving statement."

Mr. Woolsey said CIA Inspector General Frederick Hitz is investigating whether CIA friends of Ames' late father, Carleton, who worked for the agency in the 1960s and '70s, protected the spy.

"I hope that doesn't turn out to be the case," he said. "If it does turn out to be the case . . . that's something I will take strong action on."

Mr. Woolsey declined to comment on specific cases of agents who were executed by the Russians because of Ames' spying. Information about the lost spies may be made public when the damage assessment is complete, he said.

FRIDAY, MAY 6, 1994 The Washington Times

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Fiske Subpoenas White House for Data On Foster, With Focus on Nussbaum Role

By JEFFREY H. BIRNBAUM
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Whitewater Special Counsel Robert Fiske has subpoenaed the White House for documents concerning Vincent Foster, the deputy counsel who committed suicide last summer.

The subpoena appeared to focus largely on the activities of then-White House Counsel Bernard Nussbaum, who entered Mr. Foster's office the night of his death and later divided up and distributed the files from the office.

The White House said it will comply with the subpoena fully.

The subpoena, which the White House received yesterday morning, seeks all documents or communications written to or relating to Mr. Foster. But Joel Klein, the current deputy counsel, said the special counsel's office was zeroing in on documents that were removed from Mr. Foster's office and Foster-related documents that were kept in a safe in the White House counsel's suite of offices.

Specifically, Mr. Klein said, the special prosecutor wants to know "where the documents were, where they went to, and what happened to them." But Mr. Klein emphasized, "I don't think there's any suggestion that Bernie [Nussbaum] destroyed anything."

Mr. Nussbaum has steadfastly defended his actions after Mr. Foster's death. He has said that he removed nothing from Mr. Foster's office the night of the suicide and distributed his files properly, some to the Clintons' personal attorney, some to federal investigators, and some to the Foster family.

Mr. Fiske is expected to report that Mr. Foster's death July 20, 1993, was a suicide. Mr. Klein said the subpoena appeared to concentrate on activities in the White House after that death. Mr. Fiske is known to be trying to wrap up the part of his investigation that relates to the Foster suicide.

In particular, the subpoena seeks information about documents taken from and kept in Mr. Foster's office, documents in the counsel's office and safe related to Mr. Foster, and data on Mr. Foster's computer. It also seeks information about any beeper or paging device that Mr. Foster used.

Mr. Klein said the documents would be turned over promptly, as early as next week.

Panel: Extend school year

First step in school reform is 'more learning time'

By Dennis Kelly
USA TODAY A1

A federal commission today will call for nearly doubling the time students spend in "core academic courses" — and even changing the length of the school year if that's what it takes to help kids learn.

That likely means a school year longer than the traditional 180 days, says Milton Goldberg, executive director of the National Education Commission on Time and Learning.

"If reform is to take hold, the 6-hour, 180-day school year should be relegated to museums," he says.

Congress created the commission partly out of concern over the longer school years of economic competitors like Germany, with 200 to 225 days, and Japan, with 230 days.

The report found the time kids devote to core academic courses such as English, math, science and history averages three hours a day — less than half their international peers.

"If we want excellence for our children, we need more learning time in school, at home and in the community," says Education Secretary Richard Riley.

The commission recommends students spend 5½ hours a day in core subjects.

But how? "Reclaim the academic day," says Goldberg, noting it's filled with nonacademic requirements: "personal safety, consumer affairs, AIDS, family life, driver's training."

Many are worthwhile topics, but communities should offer them after the "academic day," he says. The report also:

▶ Calls for more time for teacher training.

▶ Attacks the premise that all kids need the same amount of time to learn: Some need more than 180 days, some less.

The report concedes the recommendations will cost money, but doesn't say how much.

The commission has no power to change education, which is still largely under state and local control.

But Goldberg led research on the landmark 1983 report, *A Nation at Risk*, which helped the push for tougher academic requirements. *Risk* also called for longer school years, and little happened.

"It's the hardest nut to crack," says Goldberg. "It's more tied up with tradition than anything else."

Whitewater tab $300,000 per month

By Dennis Cauchon
USA TODAY A1

Scandal isn't cheap.

Whitewater special counsel Robert Fiske Jr. is spending more than $300,000 a month to get to the bottom of the Whitewater controversy.

That's more than the 232-acre real estate development cost in 1978 when President Clinton and Hillary Rodham Clinton became 50% owners.

Fiske will spend $2.7 million in his first eight months, says a budget released by his office.

Critics complain that special prosecutors are too expensive.

Iran-contra special prosecutor Lawrence Walsh spent $37 million in 6½ years — or an average of $475,000 a month — including money on first-class air travel and luxury lodging.

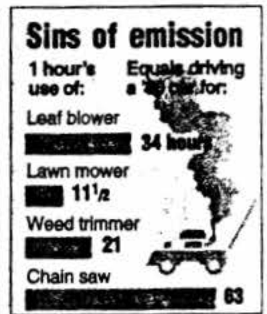
"Fiske is spending a lot of money, but he sounds like a paragon of fiscal responsibility compared to Walsh," says David Keating of the National Taxpayers Union.

Fiske's biggest expense: salaries for his 21-person staff.

Five attorneys will earn more than $100,000 a year. Two will make $52,000 for working a half-year.

Highest paid: Fiske himself. He'll earn $107,300 a year — the same as a U.S. attorney.

▶ Budget breakdown, 4A



Source: EPA USA TODAY

Clean up air, lawn mower makers told

By Rae Tyson
USA TODAY A1

The quest for clean air is headed for the yards, gardens and golf courses of suburbia.

The EPA announced rules Wednesday that will require cleaner-burning lawn mowers, chain saws, golf carts, leaf blowers, generators and a host of other small engines.

That's because the USA's 89 million off-road engines cause 10% of ozone and carbon monoxide pollution, says the Environmental Protection Agency.

EPA says the average 1990 model car would have to be on the road 11½ hours to produce as much pollution as a lawn mower in one hour.

"The small gasoline engines that all of us use in our yard and garden work are a significant source of air pollution," says EPA chief Carol Browner.

Although some engine makers are concerned about meeting the new emission standards, one company is ready.

"It isn't going to cost us one red cent," says Jim Hewitt of American Lawn Mower Co. in Shelbyville, Ind., maker of push lawn mowers since 1895.

The EPA plan will be implemented in two phases, beginning in 1996. Estimated cost increase: $5 per mower.

Motorcycles, boats and snowmobiles may be targeted later. The new rules won't affect equipment already in use.

"We're not making you turn in your lawn mower if it doesn't meet the standard," says EPA's Mary Nichols.

THURSDAY, MAY 5, 1994 · USA TODAY

Fiske

• Continued from Page 1A

tle Rock, Washington, D.C., and New York.

"There's always the problem of finding the right mix of having enough people to do everything that has to be done without having too many so they get in each other's way," Fiske said. "I think we just add lawyers as we see the demands of the investigation."

Responding to Freedom of Information Act requests filed by the *Arkansas Democrat-Gazette* and two other news organizations, Fiske reported he spent $1,170,008 between Jan. 24, when he arrived, and April 21. He estimated he will spend $2,655,000 by the end of the federal budget year in September.

Wednesday's announcement expands Fiske's staff to 11 lawyers and 11 researchers and assistants. He confirmed news reports that he added an unspecified number of agents and financial analysts to the 25 assigned him by the FBI.

In all, Fiske's tab will run about $296,100 a month — a third less than the monthly average of Lawrence Walsh, who concluded his investigation of the Iran-Contra affair in January after spending more than seven years and $37 million.

Fiske said he studied Walsh's investigation and that of other special prosecutors and decided to start small.

By far the biggest single expense so far has been more than $540,000 in computers and software used by Fiske's investigators to sort and match electronic copies of land records and financial documents acquired during the four-month investigation.

Budget documents offer no new hints of the scope or timetable of the Whitewater investigation.

"I have a one-year lease on my apartment in west Little Rock. When I took it out, I knew it could be extended," Fiske said.

To get a better deal, Fiske signed a three-year lease for a first-floor office complex at 2 Financial Centre. The FBI runs its local headquarters from the second floor of the west Little Rock office tower and has split the $90,795 Fiske has spent thus far on rent, communications, and utilities.

He will spend about $983,000 for salaries by the end of September. Fiske's annual salary of $107,300 tops the office list. He and other out-of-town staff members receive a partial rent subsidy under his nine-month, $333,000 travel budget.

Fiske also said he stopped receiving regular income from the private law firm Davis, Polk & Wardwell when he took a leave of absence in January. But he said the firm may pay him from a division of partnership profits earned last year.

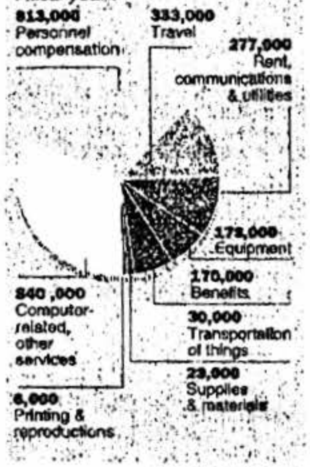
Associate counsels in the special prosecutor's office receive salaries ranging from $70,740 to the $103,000 paid to William S. Duffey and Carl J. Stich Jr. Staff salaries range from $5,353 for a New York part-time worker to the $61,600 paid Gregory Lefever, chief budget analyst.

"I think the rule is nobody else can get more than that," Fiske said of his salary.

"I basically tried to take people who came from government, and I just kept them at what they were making before," Fiske said. "People who came from private firms are making quite a bit less than they made."

Fiske's 1994 budget

Fiscal year



Arkansas Democrat-Gazette

Fiske was appointed by Attorney General Janet Reno this year without time or budget limits to investigate the controversy surrounding Whitewater Development Corp., the ill-fated Arkansas land development formed by President Clinton, first lady Hillary Rodham Clinton, and James and Susan McDougal in the early 1980s. Subpoenas issued by Fiske show he is including more than 200 people and entities involved in land deals and loans shepherded by McDougal's Madison Guaranty Savings & Loan.

Fiske has confirmed he is investigating other ventures financed by Capital Management Services Inc., which was operated by former Pulaski County Municipal Judge David L. Hale.

Hale was indicted along with Eugene Fitzhugh and Charles Matthews and reportedly was linked to defrauding the Small Business Administration by funneling $800,000 to Capital Management through a series of transactions. Hale has pleaded guilty and is cooperating with Fiske.

Fitzhugh and Matthews are scheduled to be tried on conspiracy and document falsification charges June 20, unless a federal judge grants Fitzhugh's request to return his case to U.S. Attorney Paula Casey in Little Rock.

Fiske named James R. Reeves, 67, Wednesday as special trial counsel on the case. He is a former acting federal prosecutor and a member of the Caruthersville, Mo., law firm of Ward & Reeves.

He also appointed Gabrielle R. Wolohojian, 33, a member of the Boston law firm of Hale & Dorr, to work on general legal matters for the independent counsel.

Senate wraps up debate on bill to limit gifts

May mean end to free lunches, junkets

By DAVID HESS
Herald Washington Bureau

WASHINGTON — A bill that would impose strict limits on free meals, free tickets, free trips and other gifts to members of Congress was inching Thursday night toward passage in the Senate.

All gifts from lobbyists and those worth more than $20 from everyone else would be banned, except gifts from family or close friends.

The proposal also would put a halt to most privately paid junkets for members to vacation resorts, including charity golf, tennis or ski outings.

A similar bill has already passed the House, along with new legislation to require lobbyists to disclose whom they contact, what they talk about and how much they spend to influence members.

The House and the Senate will resolve their differences in conference before sending the legislation to President Clinton, who has promised to sign it.

One of the bill's sponsors, Sen. Frank Lautenberg, D-N.J., said the stakes are high.

"It fundamentally changes the relationship between lobbyists and members," he said of the ban. "It fundamentally alters the way we do business in the culture in which we live."

Sen. William Cohen, R-Maine, another sponsor, said: "The public believes, rightly or wrongly, that they are not being well-served by their elected officials, that their best interests are subverted by the giving of gifts to members of Congress. The feeling is that the inability of Congress to address the most critical problems that the nation faces is a direct result of who members go to lunch with."

The chief sponsor, Sen. Carl Levin, D-Mich., said this perception has "poisoned" the air between voters and their elected officials.

"When we and our families are beneficiaries of the largess of the lobbies and corporations, we contribute to a lack of confidence in this institution," he said.

Before voting on the stricter gift bans, the Senate rejected a bid by three senior members to tighten existing limits on gifts but allow lobbies to continue paying for recreational junkets, entertainment and expensive meals.

That proposal would have lowered the existing gift limit to $75 from $150 per gift and to $100 from $250 from the same source per year.

It also would have required disclosure of lobby-paid trips before they occurred. And it would have directed the Ethics Committee to recommend expulsion of any member found in violation of Senate rules on three occasions — similar to the three-time-loser rule in criminal law that requires life imprisonment for repeat felons.

Backed by Sens. Mitch McConnell, R-Ky., J. Bennett Johnston, D-La., and Minority Leader Bob Dole, R-Kan., that amendment was turned down by a 59-39 vote. Florida's senators split on the less-stringent proposal, with Republican Connie Mack voting for it, Democrat Bob Graham voting against.

"What the McConnell amendment does is adopt a double standard," Levin said. "The issue is whether we are going to vote to continue to accept meals and tickets and recreational trips from lobbyists, when the executive branch has already said no more."

McConnell, vice chairman of the ethics panel, said enforcing the gift ban on senators would swamp the committee in minutiae.

Records of late Clinton lawyer sought in Whitewater probe

By ANGIE CANNON
Herald Washington Bureau

WASHINGTON — Whitewater special prosecutor Robert Fiske subpoenaed more White House records Thursday in his investigation of events surrounding the suicide of deputy White House counsel Vincent Foster.

The White House received a "comprehensive" subpoena Thursday morning for "any and all documents and/or communications written by, sent to or referring or relating to Vincent W. Foster Jr."

Joel Klein, who replaced Foster as deputy counsel, said he believes Fiske is using the subpoena in a search for information on the disposition of files in Foster's office. A number of Whitewater-related files are known to have been removed from the office.

Files were removed from Foster's office immediately after his suicide under the direction of former White House counsel Bernard Nussbaum. Nussbaum was forced to resign in early March over ethical missteps arising from the Whitewater controversy.

Klein said he does not believe this subpoena relates to the question of whether Foster actually committed suicide — an area that Fiske has explored through forensic evidence. Foster's body was found in a Virginia park last July 20.

Klein said the White House will cooperate fully with the subpoena. He said he expects to turn over some records by next Tuesday.

Also Thursday, Fiske said he expects to spend $2.6 million on his investigation through Sept. 30. So far, he has spent $[illegible].8 million on the investigation, which began on Jan. 24. Fiske's annual salary is listed as $107,300.

Miami Herald
5-6-94

Close vote left Florida members split

By PAUL ANDERSON
Herald Washington Bureau

WASHINGTON — Members of the Florida delegation were deeply divided by the assault weapons ban, and two late decisions by wavering Republican congressmen reflected the cliffhanger nature of the vote.

Uncommitted to the last day, Miami Republican Lincoln Diaz-Balart voted against the ban, disappointing sponsors such as Attorney General Janet Reno who had lobbied him. They had hoped he would repeat his vote of last fall in favor of the Brady bill, which established a five-day waiting period for handgun purchases.

But Diaz-Balart said the assault weapons ban "is not serious crime-fighting legislation worthy of support." He called it "press release window-dressing. It is fictitious crime-control legislation."

Fort Lauderdale Republican E. Clay Shaw reluctantly voted for the ban, even though he said it represents "a false promise." I don't think this is going to do much good, but the problem is one of perception. The debate has been framed as, should assault weapons be easily available to criminals?"

Miami Republican Ileana Ros-Lehtinen also voted in favor of the ban, just as she had supported the Brady bill. "I'm in favor of anything that will get weapons out of the hands of criminals," she said.

Democratic Rep. Peter Deutsch of Lauderhill was more enthusiastic. He said the ban "is good for America. The people won. Everyone I have spoken to in law enforcement has told me that there is no legitimate purpose for assault weapons — no hunting purpose, no real sporting purpose.

"The only thing surprising to me, quite candidly, was the closeness of the vote [215-214]. With crime like it is, I find that amazing."

Miramar Democrat Alcee Hastings, who also voted yes, said the ban does not go far enough. ... For the people protesting the ban, such as hunters, my recollection is that you do not assault a duck."

FLORIDA VOTE

Here is how the Florida delegation voted as the House approved a ban on 19 types of assault weapons

DEMOCRATS FOR: Bacchus, Brown, Deutsch, Gibbons, Hastings, Johnston, Peek.

DEMOCRATS AGAINST: Hutto, Peterson, Thurman.

REPUBLICANS FOR: Miller, Ros-Lehtinen, Shaw, Young.

REPUBLICANS AGAINST: Bilirakis, Canady, Diaz-Balart, Fowler, Goss, Lewis, McCollum, Mica, Stearns.

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bc-whitewater times - a1746
(ATTN: National editors)
White House Agrees to Turn Over Foster Documents to Fiske (Washn)
By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON The White House agreed Thursday to turn over to Whitewater special counsel Robert Fiske all of its documents connected to Vincent Foster, the deputy White House counsel whose death last July was ruled a suicide.

Deputy White House counsel Joel Klein said he believes Fiske now appears to be investigating the actions of White House officials, including then-White House counsel Bernard Nussbaum, in the aftermath of Foster's death of a gunshot wound.

Klein told reporters he believes that Fiske, who has a broad mandate to investigate the Whitewater scandal and other related incidents, has completed his investigation into Foster's death, and has concluded that it was a suicide.

If Fiske does conclude in an upcoming report that Foster killed himself with a gunshot wound to the head, he will confirm the verdict reached by the U.S. Park Police, which conducted the initial investigation after Foster's body was found in a park in Virginia outside Washington.

Fiske's comprehensive subpoena received by the White House Thursday covers all documents, memos, computer disks, and even any paging device or beeper used by Foster or related materials held by his assistant, Deborah Gorham. It also asks for documents relating to Foster that may have been kept in the safe of Nussbaum.

Klein made it clear that he believes Fiske wants the documents as part of a review that ``deals with the distribution of Mr. Foster's files by Nussbaum.''

Controversy has swirled around the actions of Nussbaum and other White House officials ever since it was revealed that White House officials had removed files from Foster's office soon after his death.

Investigators have raised questions about a search of Foster's office on the night of his death that was conducted by Nussbaum and White House officials Margaret A. William, the first lady's chief of staff, and Patsy Thomasson, a longtime Clinton associate. Secret Service officials secured Foster's office the next day.

A 2&1/2-hour session that took place two days after the death raised concerns as well. At that time, Nussbaum sorted through his deputy's papers in the presence of officials from the U.S. Park Police, the Federal Bureau of Investigation and the Justice Department. Nussbaum sorted the documents into three piles files related to official government business, Foster's private papers and the Clinton's personal documents.

The White House later turned over Foster's personal materials to his family attorney, Jim Hamilton, and the Clinton's papers, including documents related to Whitewater, to the Clinton's attorney, David Kendall.

Kendall has since turned over Whitewater-related documents to Fiske's office, but has not yet received a broader order covering all the Clinton personal papers given to him after Foster's death. Hamilton refused to comment Thursday when asked if he had received a new subpoena.

Nussbaum's actions during the investigation of Foster's death raised allegations that the White House was trying to hold back relevant information from law enforcement investigators, charges the White House denied.

Nussbaum resigned under fire in March as the Whitewater controversy intensified. Klein said all of Nussbaum's files were still at the White Hou e and relevant materials from them would be turned over to Fiske. It was not known, however, if Nussbaum will receive a separate subpoena.

Klein said he has not heard directly from Fiske about the status of his investigation of Foster's death. But he noted that ``there is nothing in the subpoena suggesting that he is looking at the question of Foster's suicide.'' He added that ``I believe the forensic evidence on Foster's suicide has been dealt with separately.''

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Shallow Reading of the Cuban Democracy Act

Evidently, Myra MacPherson did not read the Cuban Democracy Act of 1992 before assaulting it in a one-sided Outlook piece on April 17.

Her article failed to reflect both the intent of the act and its substance. Contrary to what Ms. MacPherson writes, the Cuban Democracy Act of 1992 did not just tighten the economic embargo on Cuba. In fact, the act contains a two-track approach. First, it does tighten the 30-year-old embargo by extending it to affiliates of American corporations. The intent was to deny Fidel Castro the foreign exchange that he needs to compensate for the loss of Soviet aid. Castro would use such funding to stave off long overdue economic and political reform.

But Ms. MacPherson's claim that the Cuban Democracy Act restricts travel, food and medicines is false. On the contrary, the law contains positive measures for the restoration of many forms of humanitarian assistance to Cuba and seeks to reopen several forms of communication with the island.

For example, looser prohibitions on humanitarian donations led to a ninefold increase in the distribution of food and medicines to the poorest of the poor in Cuba in the first year since the law was enacted. In fact, almost $33 million worth of humanitarian aid for the Cuban people has been licensed by the U.S. government in the past 18 months.

The Cuban Democracy Act's licensing requirements prevent American food and medicine deliveries from showing up in tourist hotels for sale or re-export. But legitimate humanitarian relief organizations, including the archdioceses of New York and Boston and Catholic Relief Services, have made significant contributions within the requirements of the law.

The law also promotes liberalized communications in a variety of ways:

- It calls for telephone linkages with Cuba. While we realized that this would mean increased foreign exchange for Cuba, we decided to take the gamble. It is worth giving Castro the money if we can successfully expose the Cuban population to the ideas of the free world.
- It calls for expanded direct mail contacts provided that Castro reciprocates (which he has not).
- It eases U.S. travel restrictions to allow human rights activists, journalists, family members and academics to visit Cuba, provided they demonstrate they are going for legitimate activities and not to spend tourist dollars on the island. More than 15,000 American citizens and residents traveled legally to Cuba last year. Furthermore, more than 27,000 Cubans visited the United States in 1993, including large numbers of athletes, academics, scientists and religious leaders.

Ms. MacPherson should recognize that suffering in Cuba is not a result of U.S. policy, but the result of a totalitarian regime that continues to cling to a system of government that cannot work. Indeed, if Mr. Castro wants the embargo to end, he need only call for free and fair elections to take place in Cuba.

ROBERT G. TORRICELLI
U.S. Representative (D-N.J.)
Washington

THURSDAY, MAY 5, 1994 THE WASHINGTON POST

JACK ANDERSON and MICHAEL BINSTEIN

Lott's Glass House Fronts on Whitewater

The silence of Sen. Trent Lott (R-Miss.) on the Whitewater scandal is a case of the Republican attack dog that didn't bark. What Lott hasn't said speaks volumes. In this case, Lott is the lone member of the GOP leadership to be tongue-tied on Whitewater. The senator who once served as designated dirt-digger on the Clinton administration told us he "understands" the president's predicament.

Lott's transformation from pit bull to pussycat, at least in terms of Whitewater, seems related to some skeletons rattling around in his own closet.

As we reported recently, in 1984 Lott pressured NASA officials to award a government contract to a company owned by a political friend named Isadore Hyde. Then Hyde put Lott's 71-year-old mother on the company's payroll with a company car and lenient hours. According to grand jury testimony, Hyde said he had put Iona Lott on the payroll because "she could open doors that would not be opened otherwise, and that she was his connection to Washington as she could talk to [then] Congressman Lott when [Hyde] could not reach the Congressman."

NASA investigators also uncovered that Hyde and his wife billed NASA for $186,000 worth of unallowable expenses they diverted for personal use. Last year, the Hydes were sentenced to prison for conspiracy to defraud the government.

NASA investigator John Batson told our associate Ed Henry that when he started pursuing allegations that the Hydes also used NASA resources to do political work for Lott, NASA Inspector General Bill D. Colvin abruptly pulled the plug. Whether Colvin protected Lott is one of the questions now under investigation by a special unit of the General Accounting Office.

"It's not by design because of [the Hyde allegations]" that he's been quiet, Lott insisted. "It's just that I haven't had a role to play or a knowledge from which to comment [about Whitewater]."

That has never dissuaded Lott from scandal-mongering in the past. He hounded Ronald H. Brown when he was appointed to be secretary of commerce, saying that Brown's past lobbying activities "perhaps send the wrong message." After Lott decided that Brown had finally resolved some potential conflicts of interest, he declared that Brown had "helped remove a cloud that might have been hovering over" him. And when Janet Reno was nominated to be attorney general, Lott aides complained that they didn't have enough resources to investigate all of the dirt they had collected on Reno.

During the presidential campaign, Lott lashed away at Clinton over his draft status: "Bill Clinton will not come clean with what's really involved here. Did he try to avoid it? What is this reserve thing? . . . What was the word he used about the draft in that letter? The most unbelievable thing I've ever seen, that letter he wrote."

Lott told us he now empathizes with President Clinton's plight—and compared the attacks on the First Family to the aspersions made about his mother.

"She's 80 years old [now] and I really feel like there have been a lot of efforts to try to get at me through my 80-year-old mother and I don't think that's very good," said Lott. In addition, Lott likened his own situation to Bill Clinton's defense of Hillary Rodham Clinton.

"You know, he did that during the campaign when Jerry Brown raised allegations about Whitewater," he said. "I remember that President Clinton got pretty aroused about it, and I think he pretty well defanged the issue. You can understand why somebody would get aroused about that."

This hardly sounds like the same Lott who once said this about President-elect Clinton: "When Clinton does right, you commend him. When he does bad, you bash his brains out—and nobody can charge disloyalty." Then just days after Clinton's inauguration, Lott added: "I think the honeymoon is over. I think a week is long enough, anyway."

When we pressed Lott on specific details about his relationship with Hyde, he invoked Clinton to explain memory lapses. "Again, it's like Clinton," Lott said. "All of this was 15 years ago. A lot of the questions that are involved with [Clinton] date back to 1978 or 1979. You're asking me about things that happened 11, 12 or 13 years ago. I don't even know how long ago it was."

Lott's low-key approach to Whitewater, however, may be part facade. GOP sources told us Lott is cheerleading the Whitewater investigation from inside the cloakroom. "Lott's been encouraging us," explains one Republican lawmaker.

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 ha s 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.

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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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GOP welfare b[illegible] 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

The Washington Times FRIDAY, APRIL 29, 1994

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.

Whitewater Inquiry Lengthening, Officials Say

By STEPHEN LABATON
Special to The New York Times

WASHINGTON, April 26 — The call came through this morning on Federal Bureau of Investigation teletypes around the nation: Wanted — agents with accounting and white-collar experience for the Little Rock, Ark., office.

The request is the latest sign that as Robert B. Fiske Jr. enters his fourth month as the independent counsel investigating the finances of President Clinton and his wife, Hillary, he is concluding that the inquiry will take more time and be more complex than he originally thought.

Mr. Fiske never gave a specific deadline, but the initial view among his staff was that the work could be wrapped up this year. But investigators said this week that they now think the examination will stretch well into 1995.

The events covered by the inquiry started in the late 1970's and stretch through this year. It begins when the Clintons became involved with James and Susan McDougal in the Whitewater Development Company, continues through the 1980's when Mr McDougal's savings and loan, Madison Guaranty, teetered and failed, and extends into the circumstances surrounding investigations by the Government into Madison last year. Investigators are also examining what the 1992 Clinton campaign knew of links between Whitewater and Madison.

Already, more than 25 F.B.I. agents are working on the case in Little Rock, assisted by a bevy of other officials who have been transferring legal documents into a computer database.

A second group of investigators in Washington has been exploring the circumstances surrounding the suicide last year of the deputy White Ho counsel, Vincent W. Foster Jr. Washington investigators have also been studying the Administration's handling of a inquiry into Madison.

As the Waterwater investigation has grown, some defense lawyers and witnesses have complained about some of Mr. Fiske's actions, especially the decision last month to subpoena several White House and Treasury officials to appear before a grand jury.

Several witnesses and their lawyers said that in an effort to send a loud and quick message about its determination, Mr. Fiske's staff has taken some shortcuts in its pursuit of the investigation. Speaking on condition of anonymity, they assert that the grand jury proceeding was intended primarily for show, a step taken to keep Congress from interfering with the investigation by granting immunity to potential targets in exchange for their testimony.

Few, if any, of the subpoenaed officials have been interviewed by investigators before going into the grand jury room in Washington, which has rankled some who had hoped that an interview could have averted the spectacle of an appearance before the grand jury.

Witnesses are often interviewed before such appearances for several reasons. They are often more forthcoming in the less formal setting of an interview. They can be turned into a witness for the prosecution far more easily outside the grand jury room. And prosecutors can discover the strengths and weaknesses of a witness before the proceeding, and be thoroughly familiar with the witness's account.

But there are also reasons not to interview witnesses but simply usher them directly into the grand jury room. The most common rationale for such a move is that it gives them less time to try to change their account or concoct a false one with other witnesses

Witnesses and their lawyers have cited what they see as another shortcoming in Mr. Fiske's procedures. Several said that their subpoenas did not asked for any relevant documents, even though they have them and such requests are routine. But an experienced prosecutor said that Mr.


Associated Press

Robert B. Fiske Jr.

Fiske's office could be operating in phases and that the omission might not be significant if it ultimately obtains the documents.

Asked about these complaints, Mr. Fiske said today that he could not comment on any matter before a grand jury.

The White House has a public and a private view of Mr. Fiske's investigation. Mr. Clinton has said several times that he views the investigations as a costly exercise that will ultimately yield little new information. But some advisers also acknowledge that Mr. Fiske's examination, which is largely behind closed doors, has at the least delayed public hearings and could wind up keeping Whitewater off the front pages for many months.

The White House said today that it was not troubled that Mr. Fiske's investigation appears to be taking more time than expected.

Investigators still expect that Mr. Fiske's office will complete its investigation this summer of the discussions between White House and Treasury officials about Madison. Mr. Fiske has already said that Congress could hold hearings this summer without affecting the investigation, a sign taken by some Washington lawyers to mean that no one will be charged with criminal wrongdoing concerning the contacts. No prosecutor, they assert, would want a Congressional hearing to interfere with a pending trial.

More immediately, Mr. Fiske's Washington office is expected soon to make public a report about what is considered a relatively straightforward issue, the cause of the death of Mr. Foster, whose body was found in a park in Virginia.

But the length of time it has taken to reach conclusions about that case, indicates how far Mr. Fiske is from concluding his review of the vastly more complicated story of a failed savings and loan and whether it provided any money to Mr. Clinton for election campaigns.

Coast Guard Bans Bias Against Gay Workers

By MARTIN TOLCHIN
Special to The New York Times

WASHINGTON, April 26 — The Coast Guard has banned discrimination against civilian employees on the basis of "sexual orientation," the first military service to adopt such a policy.

"No one will be denied opportunities because of their sexual orientation," the Coast Guard's Commandant, Thomas F. Fisher, said in a memorandum dated March 15. As a reason for issuing the memo, he cited the declared policies of Transportation Secretary Federico F. Peña, who oversees the service and has long opposed discrimination against homosexuals.

"Equality of treatment and opportunity for all Coast Guard members without regard to race, color, religion, gender, national origin, age and disability is the policy of the Coast Guard," the memo said.

Early this evening, the Coast Guard issued a clarification that the directive applied only to its 6,000 civilian workers.

Limited to Civilians

The Coast Guard action, reported today in The Washington Times, does not affect its 38,000 uniformed officers and sailors, who remain subject to the law and Pentagon regulations, which ban openly homosexual behavior by uniformed military personnel.

Coast Guard officials said the directive merely codified a longstanding policy. "We have never denied anybody career opportunities because of sexual orientation," said Commdr. Ernest L. Del Bueno, the Coast Guard's director of media relations. "For civilian personnel, our policy has been that sexual orientation has no effect on career opportunities."

Commander Del Bueno added that "for active duty uniformed personnel, the homosexual policy is entirely different." He noted that the 1993 law and Pentagon regulations allow homosexuals to serve in the military as long as they do not engage in homosexual conduct.

Because it enforces Federal laws on United States waters at sea and inland, the Coast Guard is under the jurisdiction of the Department of Transportation in time of peace, even though its officers and enlisted members have similar ranks, receive the same pay and come under the same regulations as their counterparts in the Navy. In time of war or under a Presidential order, the Coast Guard becomes an active part of the Navy.

A Defense Department spokeswoman said today that its policy of "Don't Ask, Don't Tell, Don't Pursue" applied only to uniformed personnel and that there was no policy on the sexual orientation of civilian employees.

But critics said the Coast Guard action undermined the military policy, which was a compromise between President Clinton, who had promised to end the military ban on homosexuals, and Congress, which had resisted such a move.

Mr. Peña spoke of his commitment to diversity in May, 1993, in a memo to all agency employees. He wrote: "We embrace the richer, broader perspective that diverse individuals bring to the workplace, and respect the dignity of ourselves and our customers."

Last January, Commandant Fisher sent members of the Coast Guard a memo that expressed Mr. Pena's policies, but omitted reference to "sexual orientations." The March 15th memo was intended to remedy the omission.

Clinton Proposes Revising Pesticide Regulations

By JOHN H. CUSHMAN Jr.
Special to The New York Times

WASHINGTON, April 26 — The Clinton Administration today offered a proposal for rewriting two laws that control pesticides in food. But its prospects in Congress are uncertain because neither industry nor environmental groups support the Administration's approach.

The Administration's proposal would allow pesticide residues in food only if "a reasonable certainty of no harm" could be demonstrated. The same standard would govern raw and processed foods alike.

That approach would abandon a largely unenforced 1958 provision, governing only processed foods, that prohibited any residue of cancer-causing substances, no matter how small. The Administration says its approach would provide enforceable, uniform standards for all foods while still protecting the public's health.

The plan adopts recommendations from the National Academy of Sciences. Under the proposal, restrictions on the amounts of pesticides in food would for the first time be based on the anticipated effects on children rather than on adults. In setting tolerances for exposure to pesticides, the bill would have the Environmental Protection Agency take into account that people could be exposed to a single type of pesticide from many kinds of food.

Although the basic outlines of the Administration's proposal have been known since last September, some of the details have been changed since then. The proposal would amend both the Federal Insecticide, Fungicide and Rodenticide Act and the Federal Food, Drug and Cosmetic Act.

"The E.P.A. has put forward legislation that is not science-based and falls far short of what is needed to reform the nation's regulations of pesticides," said Juanita Duggan, the senior vice president of government affairs for the National Food Processors Association.

The industry group favors the bill introduced by Representatives Richard H. Lehman, a California Democrat, and Thomas J. Bliley Jr., a Virginia Republican. That bill, like the Administration's, would eliminate the ban on cancer-causing substances in processed food, but unlike the Clinton proposal, the E.P.A. would consider the economic benefits of pesticides to farmers and consumers when establishing limits on exposure.

Mandate for Human Dignity

A1

By BILL KELLER

Special to The New York Times

MANDELA PARK, South Africa, April 26 — The question that most worries the lame-duck whites whose monopoly began seeping into history today, and privately worries the next Government, too, is couched in cautionary phrases about "unrealistic expectations."

But it amounts to this: what do South African blacks want?

They are often accused of aspiring too high, of threatening to overwhelm the new government with a greedy tide of demands, of expecting to occupy suburban estates overnight and be served poolside cocktails by their former oppressors.

The answer from this field of squatter shacks, one of many such South African settlements named in honor of the next President, is: the expectations are as modest as a flush toilet, as elementary as human dignity.

"What big mansion?" hooted Jack Mokoape, an out-of-work bank teller, grinning at the dreams ascribed to him by fearful whites. "What big mansion, if you can't pay for it? I'm living with people who can think. They know the election doesn't mean then you are going to have a mansion."

A job would be nice, he mused. Or, waving at the communal water tap he shares with a few hundred others, an indoor faucet. But even such modest miracles "will not happen overnight."

"The main thing, I just hope we will be equal," he concluded.

The realism of Mandela Park is reflected too in opinion polls and interviews at other have-not settlements, and it suggests that the voting exercise this week is, to some extent, its own reward.

"We have done more polling on this than on any other issue," said Lawrence Schlemmer, who has surveyed black expectations as head of a nonpartisan polling project for the Institute of Multiparty Democracy.

"They expect to be treated with dignity," he said. "Their status as a human being, as a South African, is nonnegotiable. Quite frankly, I feel that this election is more about honor and status than it is about houses and jobs."

There are, no doubt, have-nots poised to seize whatever opportunity presents as white power recedes.

This squatter village, in fact, was born in an earlier surge of opportunism, unwittingly loosed by Mr. Mandela.

It was Mr. Mandela's release from prison in 1990 that emboldened blacks from the overcrowded Pretoria townships to invade this vacant land east of the capital and erect a subdivision out of scrap.

"Before that, you'd be in prison," recalled Cecilia Mokone, who was among the first invaders of a community that now numbers 30,000 people. "Mandela, when he was released, he said the land is nobody else's but God's, and people should be free."

Within the last few months, impatient, homeless blacks in Cape Town and Durban have expropriated new tract houses built for others, evacuating only when the state agreed to house them.

Mandela Reassures Whites

The fear of such invasions, or even gunpoint redistribution of white wealth, has led Mr. Mandela to devote much of his time in the closing days of the campaign to reassuring whites and cautioning his own followers against awaiting dramatic improvements too soon.

Although their close experience of inflated white wealth invites them to want more, the people of Mandela Park, at least, make sophisticated distinctions between equal life styles and equal opportunity.

"Let them have it," said Jane Modisakeng, a 29-year-old houseless housewife here, speaking of what whites have accumulated in their centuries of advantage. "No one will tamper with it. But that should come to an end, where they have it so easy. Now we must all start off with an equal chance."

That means, first and foremost, equal education, said Solly Shai, a high-school teacher consigned to Mandela Park by the high cost of real housing. Mr. Shai said he acquired "a hatred for the white man" when, as a college student, his living allowance was a fifth that given white students.

With so many citizens living so low, the task of raising their standards will be daunting and costly.

'A Better Life for All'

Mandela Park is a museum of this need, a place without electricity or sewers, where malnutrition is rife. An

To some extent, the voting experience is its own reward.

estimated 8 million of the 30 million black South Africans live in such communities or in backyard shacks.

Even the much-diluted plan for low-cost housing, public jobs and free education laid out in the African National Congress campaign manifesto seems to some economists overly ambitious. President F. W. de Klerk contends it would require at least doubling the income tax — 80 percent of which is paid by whites.

Against this, pollsters say, is the fact that for those at the bottom it does not take much to fulfill the African National Congress campaign slogan of "a better life for all."

One survey in a Natal squatter camp, for example, asked the homeless what they wanted. Overwhelmingly the modest answers were clean drinking water and toilets.

A Bootstrap Ethic

A pollster employed by the A.N.C., who refused to be identified by name, added, "Even among youth, the wildest card in terms of expectations, we have found a very real readiness to settle for the menial jobs that might be provided in a state public service scheme at low wages."

This encampment is also a monument to a bootstrap ethic among the

Honor and status are ranked higher than houses and jobs.

impoverished that may help a new government make the most of limited resources.

Like many of South Africa's euphemistically named informal settlements, Mandela Park is inhabited by the house-proud poor who have sculptured their squalor into regimental order.

The shacks are painted, numbered and customized — one even rises three stories on log pylons — and they are surrounded by flower beds, ornamental rock gardens, and lawns the size of throw rugs.

"I have a kitchen, a room for entertaining visitors, a living room and a bedroom," said Cecilia Mokone, showing off her meticulous shed of scrap lumber. "It is just they are all in one room."

There is an unsinkable quality in their self-confidence, as Mr. Shai, the schoolteacher, observed when reflecting on the ambitions of his high-school seniors.

"Do the youth have unrealistic expectations?" he said. "Yes. All of them think they are going to be doctors."

The residents of Mandela Park say the new Government can expect a lengthy honeymoon period before it will be vulnerable to economic populists.

"You press people, don't just write after two years, 'Eh, they are failing,'" warned Jack Mokoape, already proprietary about his right to decide when Mr. Mandela's government has exhausted public patience. "No. Some of these people have been out of the country for many years in exile. After two years, things will just start settling."

The Beginning of Hope

John Mona, 65, who lives on $100 a month from distributing Government food but still manages to keep his loafers spit-shined, agreed. "Within two or three years we'll have some jobs, we'll have a few houses, and it will look like the beginning of hope," he said.

Of course, he added, if Mr. Mandela lets them down, they will be quick to let him know it.

"You come here and you promise us and we really believe and we all support you and vote you in," Mr. Mona said. "But if you don't do it, the beauty of it is in five years you'll be heard no more."

The new homes will take a while, but the dignity of citizenship was an instant dividend of election week that already straightened the shoulders of Mandela Park residents as they headed for the polls.

It was plain in the unflinching pride with which Cecilia Mokone looked a visiting white authority figure in the face, when asked how she would cast her vote, and smiled possessively, "That is my secret."

THE NEW YORK TIMES, WEDNESDAY, APRIL 27, 1994

Republicans turn up the heat to speed Whitewater hearings

By Jerry Seper
THE WASHINGTON TIMES

A1

Republicans yesterday sought to ensure that congressional hearings on Whitewater-Madison begin soon, as special counsel Robert B. Fiske Jr. neared the end of the first phase of his investigation into the affair linked to President Clinton.

House Minority Leader Robert H. Michel, noting that "a considerable amount of time" had passed since a March 22 resolution calling for the hearings to begin, asked House Speaker Thomas S. Foley to call for planning sessions to get under way.

"According to the resolution,

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HEARINGS

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we are to meet to determine the appropriate timetable, procedures and forum for appropriate congressional oversight, including hearings," Mr. Michel said in a letter. "As you know, no such meeting has taken place, despite my requests that one be held as soon as possible."

The Illinois Republican said several House committees have the "jurisdictional basis" to conduct Whitewater-Madison hearings and "can clearly begin working on compiling the relevant background material" to conduct them.

"This work has not been done, nor have you given me any sign when or if appropriate investigations and public hearings are to be held," Mr. Michel said. "I'm compelled to renew my request to know when, if ever, the majority plans to investigate and report to the American people exactly what took place during the Whitewater affair."

Senate Minority Leader Bob Dole also has begun a push for hearings, saying he does not intend to wait indefinitely for them to begin. But the Kansas Republican, after a meeting this week with Senate Majority Leader George Mitchell of Maine, said he was hopeful hearing details could be worked out soon.

Mr. Foley, Washington Democrat, told reporters Tuesday that Whitewater-Madison hearings will be "considered" once Mr. Fiske indicates that the first phase of his investigation has been fully completed and will begin "when we are ready."

"We have a resolution that calls for [hearings] when it is also consistent with Mr. Fiske's investigation," he said. "That is the condition that the House resolution imposed upon the hearings, so when Mr. Fiske indicates that his investigation is over, or that phase, we will consider the scheduling of hearings."

The speaker said no decisions had been made about the focus of the hearings, "but I assume we would look into the matters that relate to that portion of Mr. Fiske's investigation that had to do with" possible improper contacts between the Treasury Department and the White House over the Whitewater-Madison probe.

Mr. Foley said scheduling for any hearings would be the responsibility of the committees involved.

Whitewater-Madison hearings have been approved by both the House and the Senate. They were to begin after the leadership determined they would not jeopardize the ongoing Fiske inquiry.

On Monday, Mr. Fiske said he was nearing the end of the first phase of his investigation, although it had not yet been completed. His comments were in response to requests by the White House for permission to review Treasury Department documents relating to some aspects of the Whitewater-Madison probe.

Those documents, which the White House said it wants so it can prepare for the hearings, describe meetings between Treasury Department officers, including Deputy Treasury Secretary Roger C. Altman, and Clinton administration officials over the Resolution Trust Corp. (RTC) investigation of Madison Guaranty Savings and Loan Association.

The RTC, a Treasury Department agency, had forwarded to the Justice Department nine criminal referrals in the Madison case, suggesting possible financial improprieties involving Madison, its owner, James B. McDougal, Mr. Clinton and first lady Hillary Rodham Clinton.

The RTC-White House contacts were described by Mr. Altman as a "heads-up."

Madison failed in 1989 at a cost to taxpayers of $50 million. Mr. McDougal, his wife, Susan, and the Clintons were partners in Whitewater Development Corp., a northern Arkansas real estate venture that also eventually failed.

Madison and Mr. McDougal are the major focus of the Fiske inquiry.

Mr. Fiske said the release to the White House of the Treasury Department documents at this point of the first phase of his investigation — which includes a look into the RTC-White House contacts — would not interfere with his inquiry.

It was not certain yesterday whether Republicans, also looking to prepare for the hearings, would have access to the same documents. A Treasury Department spokeswoman said the department had not received any requests from Republicans in the House or the Senate for the records. She said if one is made, it will be reviewed by department lawyers.

Mr. Michel's office said the congressman was not sure which Treasury Department records would be available or who would get them. "It's something we're looking at now," a spokeswoman said.

The documents are separate from those being sought by Rep. Jim Leach, ranking GOP member of the House Banking Committee. The Iowa Republican, a leading proponent of Whitewater-Madison hearings, has sued the RTC and the Office of Thrift Supervison, which oversees the RTC, for the release of records in the government's Whitewater-Madison investigation.

"We will request them," Mr. Leach said yesterday. "We think the case would appear to be compelling that we should be provided the same documents for the same reasons. Do I expect to get them? That will be up to the government."

The Washington Times THURSDAY, MAY 19, 1994

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Cardinal pressures Clinton on Elders

By Larry Witham
THE WASHINGTON TIMES

A Roman Catholic cardinal has written President Clinton a second letter to ask that he "disavow" Surgeon General Joycelyn Elders' public support of homosexual sex and her criticism of certain religious groups.

"Once again I respectfully urge you to disavow publicly the views expressed by your Surgeon General," Cardinal James A. Hickey, archbishop of Washington, wrote Monday to Mr. Clinton.

"Dr. Elders, as a federal official, continues to advocate a re-definition of the family," Cardinal Hickey wrote. "All Americans have a right to know whether or not Dr. Elders is speaking for your administration."

The president was sent the first letter in late March, but in his reply, 1½ months later, he did not address Dr. Elders' specific remarks or his views about them, according to a copy of the letter.

In a March interview with the Advocate, a magazine for homosexuals, Dr. Elders said sex is a "wonderful" and "healthy part of our being, whether it is homosexual or heterosexual."

She also endorsed homosexual adoptions and called the Boy Scouts' ban on homosexual Scouts and Scout leaders "unfair."

Mr. Clinton, in his April 4th reply to Cardinal Hickey, emphasized that the president's job is to build a society that promotes tolerance and acceptance of diversity.

"Recognition of differing opinions on difficult social issues does not, and should not, imply endorsement of any particular response to a matter of such complexity," Mr. Clinton said.

He added that the federal government does not have a say in "domestic relations, including adoption," because they are state and local issues.

"I believe that our common good is better served when we encourage creative and innovative solutions to questions that have the potential to divide us," Mr. Clinton wrote.

In his second letter, released by the archdiocese yesterday, Cardinal Hickey said he "remained disturbed" at Dr. Elders' public criticism of Catholics and the "religious right" who disagree with her on moral and health issues.

"I hope you will agree that in our system of government it is highly inappropriate for civil officials ... to attack any specific religion or to single out for ridicule the views of any religious group," the cardinal wrote.

Leach: RTC may fire prober

By Ann McFeatters
SCRIPPS HOWARD NEWS SERVICE

Rep. Jim Leach, Republican point man on the Whitewater-Madison affair, says he fears the government's chief investigator is about to lose her job.

Mr. Leach, ranking GOP member on the House Banking Committee, said yesterday he is concerned that the contract of Jean Lewis may not be renewed when it comes up in June.

Mrs. Lewis works for the Resolution Trust Corp. (RTC) in Kansas City, Mo., and has been investigating the failed Madison Guaranty Savings and Loan Association in Little Rock and its connection to the Clintons' Whitewater real estate venture.

Whitewater-Madison special counsel Robert B. Fiske Jr. also is conducting a federal grand jury investigation into the financial links between Madison and Whitewater Development Corp. President Clinton and Hillary Rodham Clinton were partners in Whitewater with Madison owner James B. McDougal and his former wife, Susan.

Mrs. Lewis' belief that Whitewater took $1.5 million out of Madison in a check-kiting scheme has helped to convince Mr. Leach crimes may have been committed.

"The modus operandi of this White House is to attack those who raise charges," Mr. Leach told reporters. "But she's not a maverick working alone. ... You'll find her to be an extremely credible witness."

Mr. Leach, a nine-term Iowa congressman, said Mrs. Lewis started as a "quasi-whistleblower" for the government in the S&L industry and has won acclaim and a merit bonus as a "dedicated professional" whose work has led to indictments and convictions. But she is zealous without having formal training as a lawyer or accountant, for which she has been criticized.

He said the evidence Mrs. Lewis has accumulated about Madison is a "black-and-white paper trail" and legally is a "pretty powerful case."

But he stressed that that does not necessarily mean there is any evidence that the Clintons had improper dealings with Madison. The Clintons say they lost money; Mr. Leach thinks they benefited from the investment.

Despite Mr. Fiske's probe, Mr. Leach wants hearings in Congress. Whether they are held and when, he said, is up to Democrats, who control both the House and Senate.

Mr. Leach agreed the public is losing interest in Whitewater but insists taxpayers should know if there were any ethical or criminal violations. But he said there is no reason to think anything new will emerge about Whitewater-Madison that would seriously damage the administration.

He said a public airing about Whitewater and Madison in 1992 might have kept Mr. Clinton off the Democratic ticket.

Mr. Leach blames President Bush's campaign in part for knowing about Madison but not wanting to raise savings and loan issues. Mr. Bush's son, Neil, was involved in the failed Silverado Savings and Loan in Colorado. Mr. Leach also charges the press was more interested in Mr. Clinton's personal life in 1992 than in pursuing complicated financial dealings.

The Iowa Republican, who has filed a lawsuit seeking RTC documents about Whitewater and Madison, said he has gotten to know Mrs. Lewis. "Jean would like to keep her job," he said.

Asked if he believes her job is in jeopardy, he said, "Yes, I do."

The Washington Times WEDNESDAY, MAY 18, 1994

bc-whitewater
JUDGE ORDERS FAST HEARING
IN SUIT FOR WHITEWATER PAPERS
By JOHN HANCHETTE=
Gannett News Service=

WASHINGTON Squadrons of lawyers clashed Monday in the first federal court skirmish over a congressman's suit to liberate Whitewater documents, but the confrontation was pretty tame stuff.

When it was over, two things became clear:

The suppression-of-documents complaint by Rep. Jim Leach, R-Iowa, against the Resolution Trust Corp. and the Office of Thrift Supervision likely will drag on through the summer.

The House Banking Committee, where Leach is ranking Republican, has no immediate plans to hold any hearings that even remotely would have anything to do with Whitewater Development Corp., the soured property venture in northern Arkansas that has enveloped Bill Clinton's White House.

The frustrated Leach last week sued the RTC and OTS, asking that the two agencies the federal offices assigned the task of cleaning up the S&L mess of the 1980s be ordered to produce quickly all documents on file relating to Whitewater and Madison Guaranty Savings & Loan, a thrift owned by business partners of Bill and Hillary Clinton.

The thrift was seized and restructured by federal regulators in 1989 at a bailout cost of more than $60 million to taxpayers. Leach, in his suit, says that figure now has risen to $67 million.

Leach previously has claimed from records already scooped up in Arkansas that several banking documents show a frequent flow of checks between Madison and Whitewater, and that the Clintons have enjoyed financial gain from such transactions.

Leach wants the documents as quickly as the court can compel, but lawyers for the two agencies argued they should not be held to ``the break-neck pace proposed by plaintiff.''

Monday's courtroom had few spectators but plenty of lawyers four for Leach, four for the RTC, and two for OTS. The main arguments were made by two private attorneys: Kirk K. Van Tine, from the Houston law firm Baker & Botts, representing the RTC; and Bobby R. Burchfield, of Covington & Burling, representing Leach.

Federal judge Charles R. Richey chastised the agency lawyers for last-minute motions and ordered all attorneys to ``sit down and come to some agreement on this.''

The schedule agreed upon:

June 6 OTS and RTC lawyers will file their opposition to Leach's motion for summary judgment (a decision by the judge to release the documents without going into all the lengthy court arguments), and their own motion for summary judgment against Leach.

June 20 Leach's lawyers file their replies to the above.

June 27 Defendants file a reply brief in support of their arguments for summary judgment.

Leach said last week in announcing the suit that about 75 percent of the federal documents he has requested have been denied him, but ``more like 99 percent of anything with any interest has been withheld.''

The Iowa Republican has tried several times to persuade House Banking Committee Chairman Henry B. Gonzalez, D-Texas, to schedule a legally required oversight hearing on RTC business; so far, Gonzalez has refused.

Gonzalez, fearful Leach will turn the oversight hearing into a Whitewater-only inquisition, has instructed RTC and other federal banking officials not to cough up Madison documents that Leach wants, even if requested.

Van Tine based much of his argument on the premise Leach would not need the documents in question for an oversight hearing because none is scheduled. He submitted an affidavit from OTS congressional affairs director John Von

Seggern that quoted the House Banking Committee's staff director to that effect.

That news irritated Leach's attorneys, who noted to reporters that no RTC oversight hearings even though required by law have been authorized by the House Banking Committee since Clinton took office.

``This is their third violation of the law,'' said Burchfield, noting three such oversight hearings should have been held by now.

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THE WALL STREET JOURNAL THURSDAY, MAY 12, 1994

Arkla, Whose Ex-Chief Is Clinton Aide, Approaches Legal Showdown With RTC

By LEE BERTON
And KENNETH H. BACON
Staff Reporters of THE WALL STREET JOURNAL

Arkla Inc., whose former chairman is President Clinton's chief of staff, is moving toward a legal showdown with the Resolution Trust Corp. over a business transaction the RTC calls a "sham."

The RTC says the deal eventually left U.S. taxpayers holding the bag for $2.4 billion in a Houston thrift's bad debts. The RTC has sued Arkla and others in Federal District Court in Houston, and the suit is scheduled to go to trial in October.

Mr. Clinton's chief of staff, Thomas F. McLarty III, is expected next month to be deposed by the RTC in the matter; he hasn't been named in the suit, though the RTC will be interested in what he and Arkla knew, if anything, about the transaction. At a hearing in Houston today, Arkla and other defendants are expected to seek dismissal of the suit, arguing that the RTC hasn't given them access to necessary documents.

Though the basic allegations in the case have been reported, significant new details have since emerged. The transaction that concerns the RTC occurred in 1987, when Entex Inc., a natural-gas distributor based in Houston, effectively transferred to the U.S. government the financial burden of a failing Houston thrift that it owned, University Savings Association. Entex urgently needed to get rid of the thrift to make itself more attractive to a suitor.

Soon after Entex shed University, Arkla agreed to purchase the gas distributor. Mr. McLarty was then chairman of Arkla, a Shreveport, La., gas producer and pipeline concern that is changing its name to NorAm Energy Corp. University failed in 1989, and the government was left to pick up the bill.

The RTC filed its suit in federal court in Houston in 1992, seeking to recover at least $520 million of that loss from University's former directors and officers, and from Entex and Arkla. Mr. McLarty isn't mentioned at all in the government's filings. He has asserted that he had no knowledge of or involvement with the Entex transaction the RTC is attacking.

'Political Pressure' Cited

Mr. McLarty has said that the government is suing Arkla unfairly, just because it has money. This is "another case where the Resolution Trust Corp. is chasing 'deep pockets' in response to political pressure," he complained in a letter to Arkla stockholders while he was still chairman. Mr. McLarty declined to answer questions from this newspaper before giving his deposition.

The suit charges that Entex obtained regulatory approval to sell University to its own management without disclosing "the material fact" that "Arkla was waiting in the wings to buy Entex stock for over $500 million if Entex could get rid of its capital-maintenance obligations to University."

According to the RTC suit, Entex made a $30 million loan to a group of University executives and directors, enabling them to buy the thrift. Only a month later, Entex wrote off the loan, raising questions about how seriously it expected to be repaid in the first place.

The government charges that University understated the thrift's probable losses from bad loans by at least $600 million in late 1986 and early 1987. If University had accurately recognized these potential losses, Entex would have been required to pump an additional $600 million into the thrift, the government says. When Entex acquired University in 1977 from Robert Lanier, currently Houston's mayor, the gas company promised regulators that it would maintain University's capital at legally required levels.

Rather than request more capital from Entex, the purchasers of University converted $600 million of potential loan losses into "good will" and capitalized the losses as an asset on the thrift's balance sheet, RTC officials say.

Officials at the RTC say that their suit names Arkla only because it is a "successor in interest" as the purchaser of Entex. The officials say they never considered naming Mr. McLarty in the suit.

According to prospectuses Entex and Arkla issued in late 1987 about the deal, Mr. McLarty first met with Gale L. Galloway, then Entex's chairman, on Sept. 18, 1987, "to explore the feasibility and general outline of the structure of a possible business combination." Regulators had granted preliminary approval to the Entex plan to sell University in May, and final approval came in September.

A Cloud Over Entex

University was clearly a cloud over Entex. Clinton Small, a former outside director of University, says that Entex's problem with the thrift was well-known. The RTC's suit contends it clearly had been an issue for an earlier Entex suitor: Enserch Corp., an energy company based in Dallas. Though Enserch considered purchasing Entex in early 1986, it ended the talks because of worries about "Entex's potential obligation to University under [Entex's] capital-maintenance agreement," the suit alleges.

William McCord, retired chief executive officer of Enserch, says in an interview that his company declined to pursue the acquisition because it found the problem with University "insurmountable" and concluded that Entex, or any company acquiring it, couldn't escape any potential burden merely by selling University.

Others also saw problems. In late 1986, Entex retained Merrill Lynch & Co. to study ways to dispose of University. Merrill Lynch found that University faced at least $680 million of probable losses from troubled joint ventures and loans.

In a letter to Entex, Lawrence Uhl, a Merrill Lynch managing director, said that "the likelihood of a sale of University to a legitimate purchaser, on terms mutually acceptable to both parties, is currently low." Mr. Uhl declines to comment further.

By the time Arkla bought Entex, it had shed University and others approved the acquisition. According to legal documents filed with the Securities and Exchange Commission in 1987, Arkla paid Kidder, Peabody & Co. $500,000 to review the proposed Entex acquisition. The firm called Arkla's $577 million offer for Entex "fair . . . from a financial point of view."

Far more importantly, a federal agency had approved the University sale and a prestigious accounting firm had signed off on the accounting that made it possible. In May 1987, the Federal Home Loan Bank of Dallas asked Entex and University to obtain an independent accountant's opinion that converting University's potential loan losses into good will conformed to generally accepted accounting principles.

Without this opinion, the regulators wouldn't have approved the sale. In a Sept. 15 letter to University's board, H. William Hardy, a partner in Houston of Arthur Andersen, University's auditor, provided that opinion. Now in Mexico City for Andersen, Mr. Hardy didn't return a phone call.

In talks last year, Andersen and the RTC settled RTC charges that the accounting firm's work for University was professionally negligent. While denying the charges, Andersen agreed to pay the RTC $24.5 million and to cooperate with the agency in its current suit.

Leach files own suit to get RTC records

By Jerry Seper
THE WASHINGTON TIMES

A1

Rep. Jim Leach of Iowa yesterday sued two federal agencies for documents in the Whitewater-Madison affair, saying efforts by his office to get the records had been rebuffed for five months because of their potentially "embarrassing" content.

Mr. Leach filed the lawsuit in U.S. District Court in Washington in his name only, but he noted his position as ranking Republican on the House Banking Committee.

He asked the court to compel the Resolution Trust Corp. (RTC) and the Office of Thrift Supervision (OTS) to release all records involving Madison Guaranty Savings and Loan Association and Whitewater Development Corp.

The suit, which is not unprecedented but highly unusual, also asks that RTC and OTS officials admit they "violated their legal obligation to turn over the documents" under the Freedom of Information Act (FOIA).

"The Constitution did not envisage that a member would be required to default on his or her individual responsibilities simply because a political determination may be made by an executive branch agency to withhold documents pertaining to a particularly embarrassing circumstance," Mr. Leach said during a Capitol Hill news conference.

"Shielding information to protect public officials from public accountability is not the American way," said the congressman, the leading proponent for congressional hearings on Whitewater-Madison.

Mr. Leach, whose staff has extensively investigated accusations of wrongdoing, said he formally had asked for the RTC and OTS records on eight separate occasions, beginning in December.

He said 75 percent of the requests were denied, "including about 99 percent of those records that would contain anything of interest."

James Barker, RTC general counsel for field operations, said Mr. Leach had "failed to persuade" the agency that he had the necessary authority to receive the documents.

"We are prohibited by statute from disclosing to an individual member of Congress information which may be protected by the Privacy Act," Mr. Barker said in a letter to Mr. Leach.

"Case law refutes your staff's arguments that you, as an individual member of Congress, are to be afforded any special status under the FOIA not afforded the general public," he wrote.

OTS spokesman Paul H. Lockwood said that agency had not yet been served with the suit and had no comment.

Madison, owned by James B. McDougal, a longtime friend and

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LEACH

From page A1

business partner of President and Mrs. Clinton, is the focus of an ongoing investigation by special counsel Robert B. Fiske Jr.

Mr. McDougal is suspected of diverting funds from the S&L to several prominent Arkansas politicians, including Mr. Clinton, and of using Madison monies for the Whitewater project, which was jointly owned by Mr. Clinton, Mr. McDougal and their wives.

Most of the accusations are outlined in RTC investigative reports that were turned over to the Justice Department in nine criminal referrals.

Madison was shut down by federal regulators in 1989 at a cost to taxpayers of $50 million.

Mr. Leach noted that the RTC and OTS had turned over similar records during an investigation sought by Democrats into Lincoln Savings and Loan Association in California and the so-called "Keating Five."

He said the withheld documents that he has requested will show that funds were improperly transferred among Madison, Whitewater and other entities.

The suit alleges that decisions to withhold the Whitewater-Madison records were made after the agencies received "instructions" from Rep. Henry B. Gonzalez, Texas Democrat and House Banking Committee chairman, to "suppress" the documents.

The lawsuit describes the actions as "arbitrary, capricious and contrary to law."

Mr. Gonzalez refused to call for committee hearings on Whitewater-Madison, but in March 10 letters to John E. Ryan, RTC deputy chief executive officer, and Jonathan Fiechter, OTS acting director, he asked the agencies to cooperate with Mr. Leach.

"I trust you will give Congressman Leach's requests the consideration they merit and extend to him the same courtesies you would extend to any member of Congress," the Texas Democrat wrote.

Congressional hearings in the Whitewater-Madison affair are tentatively scheduled to begin this summer. It is up to the leadership of both houses to specifically call for the hearings to begin.

The Washington Times THURSDAY, MAY 12, 1994

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By Jerry Seper
THE WASHINGTON TIMES

A1

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He said 75 percent of the requests were denied, "including about 99 percent of those records that would contain anything of interest."

James Barker, RTC general counsel for field operations, said Mr. Leach had "failed to persuade" the agency that he had the necessary authority to receive the documents.

"We are prohibited by statute from disclosing to an individual member of Congress information which may be protected by the Privacy Act," Mr. Barker said in a letter to Mr. Leach.

"Case law refutes your staff's arguments that you, as an individual member of Congress, are to be afforded any special status under the FOIA not afforded the general public," he wrote.

OTS spokesman Paul H. Lockwood said that agency had not yet been served with the suit and had no comment.

Madison, owned by James B. McDougal, a longtime friend and

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business partner of President and Mrs. Clinton, is the focus of an ongoing investigation by special counsel Robert B. Fiske Jr.

Mr. McDougal is suspected of diverting funds from the S&L to several prominent Arkansas politicians, including Mr. Clinton, and of using Madison monies for the Whitewater project, which was jointly owned by Mr. Clinton, Mr. McDougal and their wives.

Most of the accusations are outlined in RTC investigative reports that were turned over to the Justice Department in nine criminal referrals.

Madison was shut down by federal regulators in 1989 at a cost to taxpayers of $50 million.

Mr. Leach noted that the RTC and OTS had turned over similar records during an investigation sought by Democrats into Lincoln Savings and Loan Association in California and the so-called "Keating Five."

He said the withheld documents that he has requested will show that funds were improperly transferred among Madison, Whitewater and other entities.

The suit alleges that decisions to withhold the Whitewater-Madison records were made after the agencies received "instructions" from Rep. Henry B. Gonzalez, Texas Democrat and House Banking Committee chairman, to "suppress" the documents.

The lawsuit describes the actions as "arbitrary, capricious and contrary to law."

Mr. Gonzalez refused to call for committee hearings on Whitewater-Madison, but in March 10 letters to John E. Ryan, RTC deputy chief executive officer, and Jonathan Fiechter, OTS acting director, he asked the agencies to cooperate with Mr. Leach.

"I trust you will give Congressman Leach's requests the consideration they merit and extend to him the same courtesies you would extend to any member of Congress," the Texas Democrat wrote.

Congressional hearings in the Whitewater-Madison affair are tentatively scheduled to begin this summer. It is up to the leadership of both houses to specifically call for the hearings to begin.

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Arkla, Whose Ex-Chief Is Clinton Aide, Approaches Legal Showdown With RTC

By LEE BERTON
And KENNETH H. BACON
Staff Reporters of THE WALL STREET JOURNAL

Arkla Inc., whose former chairman is President Clinton's chief of staff, is moving toward a legal showdown with the Resolution Trust Corp. over a business transaction the RTC calls a "sham."

The RTC says the deal eventually left U.S. taxpayers holding the bag for $2.4 billion in a Houston thrift's bad debts. The RTC has sued Arkla and others in Federal District Court in Houston, and the suit is scheduled to go to trial in October.

Mr. Clinton's chief of staff, Thomas F. McLarty III, is expected next month to be deposed by the RTC in the matter; he hasn't been named in the suit, though the RTC will be interested in what he and Arkla knew, if anything, about the transaction. At a hearing in Houston today, Arkla and other defendants are expected to seek dismissal of the suit, arguing that the RTC hasn't given them access to necessary documents.

Though the basic allegations in the case have been reported, significant new details have since emerged. The transaction that concerns the RTC occurred in 1987, when Entex Inc., a natural-gas distributor based in Houston, effectively transferred to the U.S. government the financial burden of a failing Houston thrift that it owned, University Savings Association. Entex urgently needed to get rid of the thrift to make itself more attractive to a suitor.

Soon after Entex shed University, Arkla agreed to purchase the gas distributor. Mr. McLarty was then chairman of Arkla, a Shreveport, La., gas producer and pipeline concern that is changing its name to NorAm Energy Corp. University failed in 1989, and the government was left to pick up the bill.

The RTC filed its suit in federal court in Houston in 1992, seeking to recover at least $520 million of that loss from University's former directors and officers, and from Entex and Arkla. Mr. McLarty isn't mentioned at all in the government's filings. He has asserted that he had no knowledge of or involvement with the Entex transaction the RTC is attacking.

'Political Pressure' Cited

Mr. McLarty has said that the government is suing Arkla unfairly, just because it has money. This is "another case where the Resolution Trust Corp. is chasing 'deep pockets' in response to political pressure," he complained in a letter to Arkla stockholders while he was still chairman. Mr. McLarty declined to answer questions from this newspaper before giving his deposition.

The suit charges that Entex obtained regulatory approval to sell University to its own management without disclosing "the material fact" that "Arkla was waiting in the wings to buy Entex stock for over $500 million if Entex could get rid of its capital-maintenance obligations to University."

According to the RTC suit, Entex made a $30 million loan to a group of University executives and directors, enabling them to buy the thrift. Only a month later, Entex wrote off the loan, raising questions about how seriously it expected to be repaid in the first place.

The government charges that University understated the thrift's probable losses from bad loans by at least $600 million in late 1986 and early 1987. If University had accurately recognized these potential losses, Entex would have been required to pump an additional $600 million into the thrift, the government says. When Entex acquired University in 1977 from Robert Lanier, currently Houston's mayor, the gas company promised regulators that it would maintain University's capital at legally required levels.

Rather than request more capital from Entex, the purchasers of University converted $600 million of potential loan losses into "good will" and capitalized the losses as an asset on the thrift's balance sheet, RTC officials say.

Officials at the RTC say that their suit names Arkla only because it is a "successor in interest" as the purchaser of Entex. The officials say they never considered naming Mr. McLarty in the suit.

According to prospectuses Entex and Arkla issued in late 1987 about the deal, Mr. McLarty first met with Gale L. Galloway, then Entex's chairman, on Sept. 18, 1987, "to explore the feasibility and general outline of the structure of a possible business combination." Regulators had granted preliminary approval to the Entex plan to sell University in May, and final approval came in September.

A Cloud Over Entex

University was clearly a cloud over Entex. Clinton Small, a former outside director of University, says that Entex's problem with the thrift was well-known. The RTC's suit contends it clearly had been an issue for an earlier Entex suitor: Enserch Corp., an energy company based in Dallas. Though Enserch considered purchasing Entex in early 1986, it ended the talks because of worries about "Entex's potential obligation to University under [Entex's] capital-maintenance agreement," the suit alleges.

William McCord, retired chief executive officer of Enserch, says in an interview that his company declined to pursue the acquisition because it found the problem with University "insurmountable" and concluded that Entex, or any company acquiring it, couldn't escape any potential burden merely by selling University.

Others also saw problems. In late 1986, Entex retained Merrill Lynch & Co. to study ways to dispose of University. Merrill Lynch found that University faced at least $680 million of probable losses from troubled joint ventures and loans.

In a letter to Entex, Lawrence Uhl, a Merrill Lynch managing director, said that "the likelihood of a sale of University to a legitimate purchaser, on terms mutually acceptable to both parties, is currently low." Mr. Uhl declines to comment further.

By the time Arkla bought Entex, it had shed University and others approved the acquisition. According to legal documents filed with the Securities and Exchange Commission in 1987, Arkla paid Kidder, Peabody & Co. $500,000 to review the proposed Entex acquisition. The firm called Arkla's $577 million offer for Entex "fair . . . from a financial point of view."

Far more importantly, a federal agency had approved the University sale and a prestigious accounting firm had signed off on the accounting that made it possible. In May 1987, the Federal Home Loan Bank of Dallas asked Entex and University to obtain an independent accountant's opinion that converting University's potential loan losses into good will conformed to generally accepted accounting principles.

Without this opinion, the regulators wouldn't have approved the sale. In a Sept. 15 letter to University's board, H. William Hardy, a partner in Houston of Arthur Andersen, University's auditor, provided that opinion. Now in Mexico City for Andersen, Mr. Hardy didn't return a phone call.

In talks last year, Andersen and the RTC settled RTC charges that the accounting firm's work for University was professionally negligent. While denying the charges, Andersen agreed to pay the RTC $24.5 million and to cooperate with the agency in its current suit.