

6/30/94

system largely intact. In effect, of two major goals that Clinton set out in unveiling his plan last fall guaranteeing health insurance for all and controlling medical costs most would give up on the later and cut back on the former.

Despite such setbacks, many observers think Clinton could still win passage of legislation to substantially expand insurance coverage. Although most of the compromise proposals drop the idea of a mandate as a means of financing subsidies for the poor and others, they call for a new cigarette tax and Medicare and Medicaid savings to fill at least part of the gap.

However many analysts warn that money alone is not the problem, and that if government subsidies flow into the current health system they will be eaten up in a few years by higher prices and increases in the volume of medical services people buy.

In some sense, Clinton and his wife, Hillary Rodham Clinton, have contributed to the narrowing of the overhaul effort in recent weeks by focussing exclusively on the issue of expanding health coverage, and remaining silent on almost every other aspect of the reform drive. In this, aides said they have little choice if they are to salvage any kind of victory on the issue.

The pattern of retreat has been masked both by the nearly exclusive focus of the White House and the press on the issue of expanding coverage and the question of whether there will be a mandate to pay for it, and because the setbacks for other aspects of the president's plan have often occurred undramatically.

For example, Clinton all but conceded the fight over health alliances, the insurance buying groups through which most people would have obtained coverage under the White House plan, months ago. As originally proposed the alliances would have had substantial power to hold down medical prices.

More recently, some White House officials have acknowledged that the administration's scheme for capping the growth of health insurance premiums has little political support on the Hill.

Some argue that such losses will not threaten the Clinton plan or whatever emerges from Congress because the nation's health system turns out to be changing on its own in the very direction the reforms would have pushed it. But there are severe doubts such happy coincidence can salvage many of the original aims of the overhaul drive. About the most many analysts now hope for is a bill that, like Social Security in the 1930s, points a direction for future changes.

"Even a much compromised bill could still set up the conditions for more substantial reform at the federal level or for the states to act," said Starr, the Princeton sociologist and Clinton adviser.

Whitewater counsel expected to conclude Vincent Foster shot himself By John Aloysius Farrell Boston Globe

WASHINGTON Whitewater special counsel Robert Fiske will release his preliminary conclusions Thursday about the suicide of White House lawyer Vincent Foster and other Washington-related matters, his office said Wednesday.

Federal investigators concluded last year that Foster left the White House on the afternoon of July 20, drove to a park along the Potomac River in nearby Northern Virginia, and shot himself in the head. Medical and forensic evidence supports that conclusion, and Fiske will endorse it Thursday, said sources familiar with the investigation.

Though members of President Clinton's staff were not expected to be held completely blameless for their actions

in the Foster and Whitewater matters, there was no indication here Wednesday night that Fiske was ready to seek indictments for obstruction of justice or other crimes.

If so, Fiske's first reports are expected to give a major boost for Clinton, who has been battered over the last eight months by rumors and allegations about the Whitewater matter.

Clinton's political enemies including right-leaning radio talk show hosts and television evangelists whom the president has criticized recently have repeatedly spun wild scenarios about Foster's death, suggesting that the lawyer may have been murdered, or killed himself somewhere else and was moved.

Fiske's report should squelch such rumors, which cropped up last winter when the White House acknowledged that Foster was working on matters related to the Whitewater land deal for President Clinton and his wife Hillary Rodham Clinton, who were once partners in it.

Sources here were unsure, however, about Fiske's conclusions regarding the White House staff's actions in the hours after Foster killed himself, especially the surreptitious manner in which presidential aides disposed of Foster's files and other effects.

Federal law enforcement officials have already criticized then-White House Counsel Bernard Nussbaum and others for restricting police access to Foster's office and files.

White House aides have expressed tentative confidence in the last few days about the other major Washington-related matter Fiske is investigating: the controversial contacts between Clinton's staff and U.S. banking regulators overseeing the Whitewater case.

In a series of meetings and phone calls last year, Nussbaum and other White House officials tracked and may have tried to influence what their counterparts at the U.S. Treasury Department and the Resolution Trust Corp. were doing as federal investigators probed the case of Madison Savings & Loan, an Arkansas thrift owned by a Clinton business partner that foundered in the early 1980s.

Fiske has subpoenaed White House and Treasury records and hauled officials from both departments before a U.S. grand jury to determine if there was an attempted coverup. He has questioned both the president and Hillary Clinton as well.

Defense lawyers for the administration aides say Fiske is not likely to charge their clients with obstruction of justice or other wrongdoing because the special prosecutor has not warned them with the customary "target" letters, or sent any other signs that they were targeted for indictment.

"I can't imagine it," said attorney Robert Bennett, who represents Harold Ickes, deputy White House chief of staff. But he, and other defense lawyers, admitted they had no firm knowledge of what Fiske will do.

Fiske's conclusions on the Washington-based aspects of his investigation will clear the way for congressional hearings on those matters in late July. However, Thursday's reports are not expected to shed much light on the progress of his team in Arkansas, which is probing allegations that Clinton and other high-ranking officials there shielded Madison from scrutiny in return for financial favors.

June 30/94

6/30/94

Haiti by revoking the visas of most Haitians seeking to travel to the United States.

"Do sanctions hurt? Yes they do. They do have an effect, a negative effect," Gray said. "But dictatorships kill.

"And those who say that we should not follow this policy usually are those who say, 'Let's walk away and leave the dictatorship in place,'" he said.

Those who face the tough questions hold the key to health-care reform By Thomas Oliphant Boston Globe

WASHINGTON From the beginning last fall, back when President Clinton first led with his chin on health care, one simple question has hung around persistently.

At first the question caused the president problems, big time; now, at crunch time, it is proving useful, possibly even a balance-tipper on his behalf.

The question is: What if?

"What if" is one of the great balloon-puncturers for any discussion of untested, grand proposals made to deal with unsolved, grand problems that have yet to be faced. It can't be answered with precision, but those in the proposal-making business around here usually don't prevail unless they can deal with it.

At first both Clintons had trouble with it. The "what if" question came at them from multiple directions: What if the Medicare savings don't come through to pay for a new entitlement for prescription drugs? What if the promised savings from managed care aren't producing enough money to pay for expanded insurance coverage? What if there should be a severe recession four years from now?

No one asked the questions better than Sen. John Chafee, the Rhode Island Republican, whose less sweeping plan relied heavily on setting up checkpoints at which reform would have to demonstrate it had delivered before more expansive steps could be taken. There were and are answers from the Clintons across the board, but as a political reality, too many of them begin with the word "if."

Now, however, Chafee and other compromise seekers are having to answer other people's "what if" questions, and it is to their credit that they seem more than willing to face them and respond. For example: What if tough reform of especially rapacious insurance industry practices were not to yield much progress in spreading coverage? What if managed care turns out to have virtually no impact on usurious jumps in insurance premiums? What if employers continue to dump workers and weasel out of existing health insurance plan obligations?

In the jumbled, fractious Senate the fulcrum for the final push for comprehensive legislation a dollop of good will is beginning to get centrist members over the hump.

The movement actually started in Sen. Edward Kennedy's Labor Committee. While the product of this relatively liberal body's work Democratic Sen. Jeff Bingaman of New Mexico that a special commission be empowered (subject to congressional rejection) to adjust downward the level of benefits in a standard health insurance package if spending outpaces expectations.

But as Sen. Daniel Patrick Moynihan's Finance Committee began its public bill writing Tuesday, the concept included two new variations from the opposite perspective:

Should reform not expand insurance coverage to 95 percent of all Americans by the end of the decade, a commission would recommend mandatory means to do the job, subject to Congress' rejection or amendment under "fast track" legislative procedures.

Similarly, on cost containment, if insurance premium

increases fail to stay within official targets by voluntary means, a commission would recommend further steps, again subject to "fast track" procedures.

Moynihan's initial recommendation also includes strong incentives for smaller firms with low-wage workers (the kinds least likely to offer health insurance now) to join up: Subsidies would be available for any employer who paid 80 percent of an insurance plan's cost, and small firms that pay at least 50 percent could enroll in the popular federal worker health plan.

With five committees in the Senate and House wrestling with this beast, it makes little sense for President Clinton to plunge completely into the details of emerging proposals. (That would leave him bargaining against himself.) However, it is imperative that he encourage every step, Moynihan's and Chafee's included, that moves legitimate bills forward.

The president's original proposal envisaged a multiyear phase-in of truly national health insurance. That goal, essentially, is still alive, and the best proof is the desperate efforts of right-wing hot heads to block compromises that can achieve it while remaining responsive to that pesky question: What if?

X X X

(Thomas Oliphant is a Washington columnist for the Boston Globe. Readers may write to him at the Boston Globe Washington bureau, 1130 Connecticut Ave. NW, Suite 520, Washington, DC 20036.)

LEONARD LARSEN

Rattling a tin cup to pay for legal woes

They're out rattling a tin cup for President Clinton and his wife who, it's estimated, will need about \$2 million to pay lawyers working on their private legal problems.

That's a pretty expensive neighborhood, but the Clinton defense fund-raisers say \$2 million may be just a down payment on legal bills already "soaring."

These are expensive attorneys representing the Clintons in the Whitewater affair and others representing the president in the Paula Jones sexual harassment case, it's emphasized.

The Clintons, if they'd only known, could be better prepared for these rainy legal days. If Hillary Rodham Clinton, for example, had kept raking in those easy profits on the commodities market for another year or so, it might never have been necessary to plead for charity for the Clintons.

But that was then and this is now. And it may be that the best help friends can offer the Clintons — in addition to cash contributions — is free advice on legal cost-cutting.

First off — and meaning no offense to the famous Washington lawyer, Robert Bennett — perhaps the president could find lawyers to defend him in the Whitewater case and the Paula Jones case who don't charge \$500 an hour.

That's said to be Mr. Bennett's hourly fee. It's actually said to be \$475 an hour. But when you add legal odds and ends, the meter on the Bennett defense is probably turning right at \$500 an hour.

Presuming the Clintons haven't hired cheaper lawyers for the Whitewater defense, they've probably got \$500-an-hour lawyers working that one, too.

Figuring that only ten \$500-an-hour lawyers would drain the \$2 million Clinton defense fund in just



"HAS IT COME TO THIS?"

400 lawyer-hours, there must be attorneys who, in defense of the Clintons, could denounce the media and issue statements on television for a lot less money.

Maybe there are some \$250-an-hour lawyers around, some with \$100-an-hour assistants, and—who

knows — they might defend the Clintons as successfully as the \$500-an-hour kind.

On the subject of successful legal defenses, the president should call Rep. Dan Rostenkowski, Illinois Democrat, now tangled in his own legal troubles, and ask what he

thinks of the \$500-an-hour defense he got from Mr. Bennett.

The Rostenkowski-Bennett relationship is now ended. But while Mr. Bennett was still lawyering for Mr. Rostenkowski, word got out that Mr. Bennett was fishing for a plea bargain, to soften punishment for Mr. Rostenkowski and keep him out of jail.

That leaked suggestion didn't do much for Mr. Rostenkowski and his subsequent plea of innocent — with a new lawyer — to a raft of charges that he stole public money, lied and cheated.

It didn't help, either, when a photographer who'd been hired by Mr. Bennett's firm released pictures of stacked-up goods in the basement of Mr. Rostenkowski's property in Chicago. Whatever defense ploy Mr. Bennett intended, the pictures looked like expensive loot taken from congressional stores at taxpayer expense.

If President Clinton is committed to a Bennett defense at \$500 an hour, he might at least persuade Mr. Bennett to cut down on some of the work he's done for famous clients in previous cases.

It seemed awfully expensive, for example, for former Defense Sec-

retary Caspar Weinberger to have a \$500-an-hour lawyer — Mr. Bennett — opening car doors and escorting Mr. Weinberger past the microphones at the court.

Mr. Bennett's record is good. His defense of Mr. Weinberger was successful, helped along, of course, when former President Bush donated Mr. Weinberger and several other leftover defendants in the Iran-Contra scandal.

And Mr. Bennett can't be faulted so far on his defense of Mr. Clinton in the Paula Jones case. Alas, Mr. Bennett, defending the president in a lawyerly public relations maneuver, has helped suggest Mrs. Jones is a gold-digging bimbo and more the harasser than the harassed.

To make sure it'll never be assumed that donors to the Clintons' legal defense fund were buying political influence, the fund's managers will reportedly limit a donation to \$500. Or \$1,000, tops.

That's nice. Each donor can pay for one lawyer working one hour, or maybe two hours.

Leonard E. Larsen is a columnist for Scripps Howard News Service.

WASHINGTON

Whitewater report is expected today

Whitewater special counsel Robert Fiske today issues his first report on his probe. Since January, Fiske has been investigating the Clintons' Arkansas land dealings, the death last summer of White House lawyer Vincent Foster and the propriety of contacts between the White House and Treasury Department regarding the investigation into a failed Arkansas thrift owned by the Clintons' Whitewater partner James McDougal.



Reuters
FISKE: Investigating Clinton land deals

No criminal charges of administration officials are expected. But White House officials say they expect Fiske to criticize meetings between Treasury and White House officials on a criminal referral naming Clinton's 1984 gubernatorial campaign.

Fiske's report is expected to be examined when the House Banking Committee starts hearings July 26. Senate hearings may start July 29.

Also, contributions to the Clintons' legal defense fund, announced Tuesday, are not tax deductible. Lobbying firms may not donate, but individual lobbyists can contribute up to \$1,000 per year.

— **Judy Keen**

NEW DUTIES: Leon Panetta, ready for his White House chief of staff duties, has begun interviewing President Clinton's aides. Clinton's 450 staffers will report to Panetta, who assumes office July 11. Panetta is replacing Thomas "Mack" McLarty, who becomes a senior counselor.

CAMPAIGN MONEY: About 100 past members of Congress have used \$10.5 million in leftover campaign money for non-election purposes since 1979, reports the Center for Public Integrity. About \$6 million of that was pocketed by the former lawmakers — as allowed under a 1989 change in the rules for handling contributions.

PENTAGON PURCHASING: Defense Secretary William Perry has ordered the military to buy more products off the shelf. The goal: Get rid of budget horrors like hammers and toilet seats that cost hundreds of dollars. The Pentagon cites examples such as lanterns, which the military bought for \$71.49 each using 29 pages of specifications. In 1993, the Pentagon bought 9,000 off-the-shelf Coleman Co. lanterns at a cost of \$54.90 each.

FBI FIRST: Louis Freeh visited the Slovak Republic, the first FBI director to visit a former communist nation.

Written by Chamagne Helton

ELSEWHERE IN THE WORLD

PLO's Arafat set to return to Jericho and Gaza Strip

Palestine Liberation Organization leader Yasser Arafat, the living symbol of the Palestinian struggle for a homeland, on Saturday makes his long-anticipated return to their newly self-governed lands.

Wednesday's surprise announcement ends months of speculation about his return to Jericho and the Gaza Strip, where Israel granted autonomy to Palestinians in May.

"The word is a go," says Arafat's press secretary Marwan Kanafani of Arafat's three-day visit. Arafat faces death threats and demonstrations from Israelis, and some Palestinians, who see him as an enemy. "This is a national embarrassment," says Benjamin Netanyahu of the right-wing Israeli opposition Likud Party.

— **Lee Michael Katz**

New prime minister for Japan



By Yasuo Ando, Asahi Shimbun via AP

SOCIALIST LEADER: Japan has a new prime minister, the fourth in a year, after a shotgun marriage Wednesday between the conservative Liberal Democratic Party, which ruled for 30 years until last summer, and left-wing Socialists. Tomiichi Murayama, 70, center, is Japan's first Socialist leader since 1948. (U.S.-Japan trade, 1B)

ALSO . . . International mediators plan to present a proposed peace map to Bosnia-Herzegovina's warring factions, as fighting rages between Serbs and Muslim-led forces. . . . Northern forces scored new gains in a civil war against southern secessionists in Yemen, bombing an oil refinery and seizing the water supply station at the port city of Aden. . . . Legislators in Hong Kong approved Gov. Chris Patten's democratic reform bill. The bill seeks to strengthen Hong Kong's quasi-democratic system before 1997, when the British colony is scheduled to return to Chinese rule.

No Whitewater Charges Seen From First Phase of Inquiry

By STEPHEN LABATON

Special to The New York Times

AI

WASHINGTON, June 29 — The independent prosecutor investigating the Whitewater affair plans to announce on Thursday that no criminal charges should be brought against White House or Treasury officials for their discussions about an inquiry into a savings association linked to the Clintons, lawyers and Administration officials involved in the case said today.

They said that because the findings relied extensively on grand jury testimony, the counsel, Robert B. Fiske Jr., believed that most of the details about the discussions of the handling of the earlier inquiry by savings regulators into Madison Guaranty Savings and Loan Association must remain secret.

In his report on Thursday, which ends the first part of his investigation, Mr. Fiske will also affirm the findings of the United States Park Police that Vincent W. Foster Jr., the deputy White House counsel, committed suicide last year. And the officials said Mr. Fiske would also announce that he planned to complete his investigation next month into the handling of papers in Mr. Foster's office by senior White House aides shortly after his death.

Mr. Clinton's personal papers and other documents were removed from Mr. Foster's office after he died and sent to another lawyer. In addition, several aides to the Clintons were in Mr. Foster's office shortly after his

death, and what they were doing has never been made clear.

Mr. Fiske's announcement will clear the way for Congressional hearings to begin in four weeks into some aspects of the Whitewater case. Mr. Fiske plans to tell Congress that it would not interfere with his broader investigation by looking into matters with which he is finished.

Anticipating the announcement, the House Banking Committee this week scheduled a hearing for July 26. Its counterpart in the Senate is also expected to hold a hearing during the last week in July.

Mr. Fiske's findings are certain to be welcome news at the White House, although they represent only the first stage of what promises to be a protracted investigation into the Clintons' personal finances and Arkansas transactions going back many years. And, since Mr. Fiske does not intend to provide a detailed report of what he discovers, some White House officials say they expect Republican critics to seize on the lingering questions on the case.

A senior aide to Mr. Clinton said this evening that the White House had not obtained a copy of the report but that officials expected to be given one on Thursday morning before Mr. Fiske's announcement. The official said the completion of Mr. Fiske's investigation into the contacts between White House and Treasury aides would allow Lloyd N. Cutler, the White House counsel, to begin in earnest a promised internal examination into whether the conversations were improper or unethical, issues that Mr. Fiske will not address.

The first phase of Mr. Fiske's investigation sprang out of disclosures in February and March about discussions between high White House and Treasury officials that shook the Administration and prompted the resignation of the White House counsel, Bernard W. Nussbaum. Mr. Fiske reacted to the disclosures by moving quickly to subpoena the officials involved, bringing them before a Federal grand jury in Washington.

Unusual Discussions

The talks concerned an inquiry by the Resolution Trust Corporation into Madison, a savings association that was owned and operated by James B. McDougal, a business partner of the Clintons. It has been a focal point of Mr. Fiske's broader inquiry.

Since January, Mr. Fiske has been examining whether federally insured deposits from Madison were improperly used either for Mr. Clinton's gubernatorial campaign or for the Whitewater Development Company, the real estate concern in the Ozarks owned by the Clintons, Mr. McDougal and his former wife, Susan McDougal.

The discussions among top Administration officials about a still-confidential regulatory inquiry that involved the Clintons raised a number of questions, and President Clinton later called the discussions inappropriate. The talks were also unusual because the agency conducting the inquiry, the Resolution Trust Corpo-

ration, is supposed to be an independent regulatory entity whose lawyers are supposed to operate without regard to politics. Moreover, senior advisers to the Clintons, who are themselves included in the agency's inquiry, took part in the talks.

Republicans quickly pointed to the talks as evidence that the White House had been manipulating inquiries into the agency's investigations.

President Clinton has never appointed a full-time head of the regulatory agency and for the first year of his Administration left it in the hands of political allies. It was headed by Deputy Treasury Secretary Roger C. Altman, a close friend and fund-raiser for the Clintons, and the agency's chief lawyer, Jean Hanson, who is also the Treasury Department's general counsel. Both figured prominently in the contacts with White House aides, ultimately appeared before the grand jury, and are likely to testify in Congress next month.

Investigations of the Past

Mr. Fiske's examination looked at another set of contacts between the Presidential aides and regulators. Earlier this year, White House officials privately complained to Treasury officials about the appointment of a former Republican prosecutor, Jay B. Stephens, to handle the case for the Resolution Trust Corporation, although he was never removed and there was no indication that the Administration has interfered with his investigation.

Mr. Fiske's decision not to issue details of his examination may prompt some criticism, although Federal law clearly prohibits the disclosure of grand jury material.

Other independent counsels in earlier cases have in some instances provided highly detailed accounts of what they discovered, even though not everyone they criticized was indicted. But those reports were ultimately issued with the approval of a three-judge court. Because there was no independent counsel's statute at the time of Mr. Fiske's appointment, he is technically an employee of the Justice Department and has told associates that grand jury secrecy rules preclude him from issuing a detailed report.

Still, a report that does not go into some detail could leave Mr. Fiske's investigation vulnerable to charges that it did not provide the public with a complete picture of what occurred.

Earlier this month, Congress adopted a new independent counsel law. If Mr. Fiske is selected by the three-judge panel to continue the investigation under this new law, he would not face the same constraints, as a court could approve reports by the prosecutor that he would otherwise be unable to provide.

The Tainted Defense Fund

President and Mrs. Clinton have every right to establish a legal defense fund. The \$1,000 limit is reasonable, and the ban on contributions from political action committees is commendable. But the decision to allow contributions by lobbyists and people who do business with the Government illustrates again the Clintons' uncanny ability to make a mess of a bad situation.

Is there no one in this White House who understands the erosive impact of the Administration's habit of demanding full credit for half measures? Everyone in Washington knows who the lobbyists are and what interests they represent. Laundering their gifts through their personal checking accounts does not remove the taint from such contributions. They are intended to buy favor with a President who has shown himself all too willing to put his favor up for bids.

The proper course would be to rule out contributions from professional lobbyists. There is, of course, a reason for the decision not to. As individuals, lobbyists are dependable donors of so-called personal contributions. The Clintons choose not to deny themselves this guaranteed income stream from people who will contribute to a President because he is President, regardless of his party or whether or not they favor his policies. In other words, the Clintons once again have chosen

dollars over the principles of ethical government.

Their consistency in this regard is remarkable. Mr. Clinton has let the House Democrats, led by their status-quo Speaker, make a mockery of his pledge to clean up political fund raising. The President simply lacks the will and political clout to deny the members their annual dole from corporate and union PAC's.

The sellout has been even more blatant on "soft money" contributions — the huge gifts from corporations, unions and other special interests to the Democratic and Republican National Committees. Although Mr. Clinton promised to run the influence buyers out of politics, last Friday he said he had to let the Democratic National Committee take \$40 million in soft money because the Republicans are doing it, too.

In other words, the candidate who sold himself as a leader who would shake up Washington instead came to Washington to copy the Republicans. Now he tells us.

There is a cure for these problems. Lead the fight against PAC's. Unilaterally declare that the D.N.C. will refuse or sharply limit soft money. Announce that lobbyists as well as lawyers and executives with business before the Government cannot give to the White House defense fund. Mr. President, could we get just one out of three?

Shotgun Wedding in Japan

Only a political party system in its death agony could produce a government like the one Japan's Parliament chose yesterday. In a desperation pact that could turn into a kind of slow mutual suicide, Tokyo's two largest traditional parties, the Liberal Democrats and the Socialists, joined forces to elect Tomiichi Murayama as Japan's first Socialist Prime Minister since the 1940's.

Mr. Murayama represents the left wing of a leftist party, but he now must depend on right-wing remnants of Japan's main rightist party, the misleadingly named Liberal Democrats. It is a prescription for domestic and foreign policy paralysis and a serious blow to Clinton Administration hopes for cooperation on Korea and trade.

Yet this unnatural alliance will probably accelerate Japan's political realignment, hastening the day of effective, responsive government. Discontented members of both parties are already seeking a new political home. An ineffective coalition could alienate voters and strengthen the forces of reform.

The new partnership reflects the three-way breakdown of Japan's present Parliament, the first since 1955 not dominated by the Liberal Democrats. With neither Liberal Democrats, Socialists nor the reform coalition originally put together by Morihiro Hosokawa holding a majority, exotic coalitions uniting parties with little in common are inevitable.

But it would be hard to imagine a more surrealistic arrangement than this Liberal Democratic-Socialist alliance. The Liberal Democrats' main claim to business and American support had always been their ability to keep the Socialists out of power. The Socialists' only consistent principle for the past 40 years has been to oppose the Liberal Democrats.

Both elements of the new ruling tandem are in decline. The Liberal Democrats have been reduced to a collection of factions whose loyalties shift on a day-to-day basis. Two of those factions bolted ranks before the Murayama vote, strengthening the reform alliance that now becomes the main opposition. And the Socialists lost half their seats in last July's parliamentary elections, a fair verdict on their inability to adjust to changing times.

Both are likely to lose even more ground after more representative electoral districts are drawn later this year. Unsurprisingly, Mr. Murayama has suggested he may dissolve Parliament soon to permit one more race before redistricting.

For now, the old-style politicians most threatened by the past year's political upheavals are enjoying a sweet revenge. Yet unless the Socialists and Liberal Democrats begin responding to an electorate that is fed up with corruption, a stagnant economy and high prices, the future of these uninspiring veterans looks anything but bright.

in past cases. Hubbell denies overcharging the Resolution Trust Corp. or any other clients. He later resigns his job.

March 3, 1994 - Clinton orders White House aides to ``bend over backward'' to avoid meddling in the Madison investigation.

March 4, 1994 - The FBI subpoenas six of Clinton's senior White House aides, seeking testimony and documents related to the probe of Whitewater and the failed S&L. Fiske later issues additional subpoenas compelling a dozen officials to testify.

March 5, 1994 - White House Counsel Bernard Nussbaum, who had been involved in briefings with regulators concerning the investigations, resigns.

March 8, 1994 - Lloyd Cutler named as temporary White House counsel.

March 10, 1994 - The first Clinton administration aides appear before the grand jury to testify about contacts involving the Madison probe. The White House turns over related documents.

March 22, 1994 - House votes to hold hearings into Whitewater, joining the Senate in assuring Congress will review the affair. The first hearings are later set for July 26.

March 24, 1994 - In a prime time news conference, Clinton defends his business dealings but revises his Whitewater loss figure downward from \$68,900 to \$47,000.

April 22, 1994 - Mrs. Clinton holds nationally televised news conference to answer questions about Whitewater and her \$100,000 profit from commodities trading.

June 12, 1994 - Fiske interviews President and Mrs. Clinton under oath concerning Foster's suicide and the contacts.

June 30, 1994 - Fiske releases first report to public, concluding Foster's death was a suicide and that he won't file any criminal charges concerning the White House-Treasury contacts.

**** filed by:APW-(AR) on 06/30/94 at 19:36EDT ****
**** printed by:WHPR(JEL) on 07/01/94 at 08:12EDT ****

PM-Whitewater-Fiske Report, Ark Bjt, 820

Fiske To Issue Report Detailing Washington Phase of Whitewater Probe

Eds: Report scheduled for release at 11 a.m. EDT; will be led

By JOHN SOLOMON= Associated Press Writer=

WASHINGTON (AP) Whitewater special prosecutor Robert Fiske is giving the public the first account of his investigation, focusing on activities that occurred in the nation's capital rather than in Arkansas.

An interim report to be released today is expected to reaffirm the police conclusion that Vincent Foster, the deputy White House counsel found shot to death in a suburban Washington park in July 1993, committed suicide, sources have previously told The Associated Press.

Fiske also has told the AP his report will address the removal of documents from Foster's office after his death and contacts between federal regulators and the White House concerning the Whitewater probe.

The New York Times, citing unidentified lawyers and administration officials, said today that Fiske would announce that no criminal charges will be brought against White House or Treasury officials for their contacts.

The Times also reported that much of the details about those contacts gathered by Fiske would not be released because they were gathered by an ongoing grand jury.

Fiske also plans to announce that his inquiry into White House officials' removal of documents from Foster's office after his death will be completed next month, the newspaper said.

Several senior administration officials said late Wednesday neither they nor their lawyers had received any word from Fiske about the contents of the report.

The report comes as the special counsel is wrapping up the Washington phase of his investigation and turning full attention to the Whitewater land venture and other Arkansas business dealings involving President Clinton and Hillary Rodham Clinton.

Fiske was expected to be in Washington today, but planned to release the report without a news conference or any public comments, his office in Little Rock, Ark., said Wednesday.

His office declined to describe the contents of the report. But the AP has previously reported that Fiske's review of forensic evidence reaffirmed the Foster suicide conclusion.

Fiske has told the AP the report will also address:

The handling of documents that White House officials removed from Foster's office in the hours after his death. Some of those documents involved the Clintons' Whitewater land venture.

Contacts between the White House and Treasury Department regulators concerning the status of a federal investigation into a failed Arkansas S&L owned by the Clintons' Whitewater partner, James McDougal.

Those contacts resulted in the White House learning that confidential criminal referrals written by federal S&L investigators and forwarded to prosecutors had named the Clintons as possible beneficiaries of illegal activities at the S&L.

White House officials have said they believe the report will resolve questions concerning the circumstances of Foster's death.

But they have privately expressed anxiety about how the administration's handling of the Foster documents and the regulatory contacts will be portrayed.

Those incidents have for months left the White House battling an impression that officials close to Clinton attempted to meddle or impede the Whitewater investigation.

Fiske's extensive review resulted in the White House being subpoenaed for records and a dozen top aides being compelled to testify before a grand jury. More recently, the Clintons were also interviewed by Fiske under oath.

The White House has acknowledged it received three private briefings

between September and February from Treasury Department officials regarding the status of a civil investigation into the failed Madison Guaranty Savings and Loan in Little Rock.

That was the McDougal-owned S&L that federal investigators have alleged may have improperly diverted depositor funds to Clinton's gubernatorial campaign and Whitewater venture during the mid-1980s. The Clintons and McDougal and his former wife, Susan McDougal, have denied wrongdoing.

Clinton called the contacts improper but he and his staff have said they in no way tried to derail or impede the investigation. The president also fired White House counsel Bernard Nussbaum, who was involved in most of the contacts.

More recently, Republicans in Congress have released documents detailing how the Clinton administration removed L. Jean Lewis, the lead federal S&L investigator whose work led to Fiske's probe, from the Madison case.

The documents also suggested that Lewis' superiors inquired whether she could alter one of her conclusions to say Whitewater had not caused a loss to the S&L. Lewis refused.

**** filed by:APW-(AR) on 06/30/94 at 00:55EDT ****
**** printed by:WHPR(JEL) on 06/30/94 at 08:10EDT ****

BC-CLINTON-WHITewater 3RDLD

WHITE HOUSE WELCOMES REPORTED WHITEWATER CLEARING
(Eds: White House welcomes reported Fiske finding)

WASHINGTON (Reuter) - The White House welcomed Thursday early published reports that a special prosecutor would recommend no charges be brought against White House or Treasury officials in connection with the Washington part of the Whitewater tangle.

The New York Times, quoting lawyers and administration officials involved in the case, said in its Thursday editions that no charges were expected to be brought against any official for discussions about the inquiry into a savings institution once linked to Bill and Hillary Clinton.

Special counsel Robert Fiske, appointed by Attorney General Janet Reno in January to investigate the matter which has dogged the Clintons, plans to make available (Eds: report due for release at 11:00 a.m. EDT) the report covering the investigation by his Washington office.

"We have not seen a report and can't comment on a report we have not seen," a White House press officer said shortly after midnight. "However, if press reports are correct ... we will, of course, be pleased to have independent counsel find, as anticipated, that there was no wrongdoing on the part of White House officials."

The report is expected to cover the first phase of Fiske's investigation, dealing with the death last summer of White House aide Vincent Foster, the removal of documents from Foster's office and contacts between the White House and Treasury Department over the affair.

The Times said that because Fiske's findings relied extensively on grand jury testimony, he believed most of the details should remain secret.

It said that Fiske, in his report, will affirm the findings of the U.S. Park Police that Foster committed suicide.

Fiske will also announce that he plans to complete his investigation next month into the handling of papers in Foster's office by senior White House aides shortly after his death.

Government sources familiar with the report have said that Fiske had found that Foster, a deputy White House counsel and longtime friend of the Clintons, killed himself because he was depressed.

Fiske also has investigated whether documents on the Whitewater real estate deal were improperly removed by White House aides from Foster's office after his suicide.

The last aspect expected to be covered in the report concerns a series of meetings between Treasury Department and White House officials late in 1993 and early in 1994 to discuss

a criminal referral that investigators at a government agency sent to the Justice Department.

The referral named Clinton's 1984 gubernatorial campaign as a possible beneficiary of alleged criminal activity by a failed Arkansas savings and loan, Madison Guaranty.

Fiske took testimony before a federal grand jury from 12 current or former Clinton administration officials to determine if the contacts improperly interfered with the probe.

Fiske's report was expected to clear the way for congressional hearings.

The House Banking Committee has announced it will begin its Whitewater hearings July 26, and Fiske will be called as the first witness. Hearings also are planned by the Senate Banking Committee starting July 29.

Fiske still is investigating the Arkansas part of the Whitewater affair, including the Clinton family investment in the Whitewater real estate deal and the failure of Madison, which was owned by their Whitewater partner.

REUTER

**** filed by:RB--(--) on 06/30/94 at 02:14EDT ****
**** printed by:WHPR(JEL) on 06/30/94 at 08:10EDT ****

BC-WHITEWATER national editors:GL

Whitewater counsel expected to conclude Vincent Foster shot himself

By John Aloysius Farrell

Boston Globe

WASHINGTON Whitewater special counsel Robert Fiske will release his preliminary conclusions Thursday about the suicide of White House lawyer Vincent Foster and other Washington-related matters, his office said Wednesday.

Federal investigators concluded last year that Foster left the White House on the afternoon of July 20, drove to a park along the Potomac River in nearby Northern Virginia, and shot himself in the head. Medical and forensic evidence supports that conclusion, and Fiske will endorse it Thursday, said sources familiar with the investigation.

Though members of President Clinton's staff were not expected to be held completely blameless for their actions in the Foster and Whitewater matters, there was no indication here Wednesday night that Fiske was ready to seek indictments for obstruction of justice or other crimes.

If so, Fiske's first reports are expected to give a major boost for Clinton, who has been battered over the last eight months by rumors and allegations about the Whitewater matter.

Clinton's political enemies including right-leaning radio talk show hosts and television evangelists whom the president has criticized recently have repeatedly spun wild scenarios about Foster's death, suggesting that the lawyer may have been murdered, or killed himself somewhere else and was moved.

Fiske's report should squelch such rumors, which cropped up last winter when the White House acknowledged that Foster was working on matters related to the Whitewater land deal for President Clinton and his wife Hillary Rodham Clinton, who were once partners in it.

Sources here were unsure, however, about Fiske's conclusions regarding the White House staff's actions in the hours after Foster killed himself, especially the surreptitious manner in which presidential aides disposed of Foster's files and other effects.

Federal law enforcement officials have already criticized then-White House Counsel Bernard Nussbaum and others for restricting police access to Foster's office and files.

White House aides have expressed tentative confidence in the last few days about the other major Washington-related matter Fiske is investigating: the controversial contacts between Clinton's staff and U.S. banking regulators overseeing the Whitewater case.

In a series of meetings and phone calls last year, Nussbaum and other White House officials tracked and may have tried to influence

what their counterparts at the U.S. Treasury Department and the Resolution Trust Corp. were doing as federal investigators probed the case of Madison Savings & Loan, an Arkansas thrift owned by a Clinton business partner that foundered in the early 1980s.

Fiske has subpoenaed White House and Treasury records and hauled officials from both departments before a U.S. grand jury to determine if there was an attempted coverup. He has questioned both the president and Hillary Clinton as well.

Defense lawyers for the administration aides say Fiske is not likely to charge their clients with obstruction of justice or other wrongdoing because the special prosecutor has not warned them with the customary "target" letters, or sent any other signs that they were targeted for indictment.

"I can't imagine it," said attorney Robert Bennett, who represents Harold Ickes, deputy White House chief of staff. But he, and other defense lawyers, admitted they had no firm knowledge of what Fiske will do.

Fiske's conclusions on the Washington-based aspects of his investigation will clear the way for congressional hearings on those matters in late July. However, Thursday's reports are not expected to shed much light on the progress of his team in Arkansas, which is probing allegations that Clinton

and other high-ranking officials there shielded Madison from scrutiny in return for financial favors.

**** filed by:KR-F(--) on 06/29/94 at 22:39EDT ****
**** printed by:WHPR(JEL) on 06/30/94 at 08:11EDT ****

bc-whitewater
WHITEWATER: NO END
TO POLITICAL INFIGHTING

By JOHN HANCHETTE=
Gannett News Service=

WASHINGTON The argument over when to hold Whitewater hearings seems to have ended. The political infighting hasn't.

President Clinton's chief antagonist in the long-running drama, Rep. James Leach, R-Iowa, has accused the chairman of the House Banking Committee of trying to "further narrow the already narrow approach" toward public inquiry in the Whitewater matter.

Leach, ranking Republican on the House panel, said Wednesday he is "perplexed" and "frustrated" by the limited agenda the Democrats have set for the upcoming Whitewater hearings in late July.

For several months, Leach has been calling for hearings on the soured Arkansas realty venture the Clintons invested in with the owners of Madison Guaranty Savings and Loan, a loosely run Arkansas thrift that later went insolvent at a cost of \$60 million to taxpayers.

When House Banking chairman Henry Gonzalez, D-Texas, recently set July 26 as the long-awaited hearing date, he outlined only three areas of inquiry:

The July 20, 1993 death of Deputy White House Counsel Vincent W. Foster Jr., who at the time of his death was handling private legal affairs for Bill and Hillary Clinton regarding Whitewater. It was ruled a suicide, but remains a matter of considerable conjecture.

The behavior of White House officials, particularly in the removal of certain Whitewater documents from Foster's office shortly after he died.

Subsequent meetings among various Treasury officials and White House aides, described as routine by the administration but which Republicans suspect were strategy sessions called to tip off Clinton that his Arkansas activities were under investigation by the Justice Department.

Even at that, Gonzalez has indicated disinterest in delving too deeply into the cause of Foster's death and surrounding mysteries limiting the hearing to how materials were inspected in Foster's office.

Leach, in effect, accused Gonzalez Wednesday of trying to shield the White House from significant questions.

"The hearings outlined by your staff," complained Leach in a letter to Gonzalez, "would appear unprecedentedly restrictive. Whereas the (Democratic) leadership agreement would allow a public airing of 5 percent or so of the Madison-Whitewater circumstance, your initial witness list and document request reduces it to only 2 or 3 percent."

Leach is particularly concerned the witness list includes no one even remotely related to what he has termed a whitewash in midwestern regional offices of the Resolution Trust Corp., the agency assigned to clean up the S&L mess of the 1980s. Leach has several RTC field agents ready to testify they were pressured to lay off certain trails in their probe of why Madison Guaranty failed and had to be seized by federal regulators.

"It was surprising that your original witness list and document request did not include representatives from Washington and regional RTC, OTS (Office of Thrift Supervision) and Justice Department offices where primary responsibility for civil and criminal investigations surrounding failed institutions resides."

Leach's rhetoric also implies a cover-up attempt in the matter of Foster's death: "Even though the leadership agreement instructs the Banking Committee to investigate the death of Mr. Foster, it appears that you have placed this topic off limits."

The House panel, Leach said, should "assess whether the actions taken by White House officials in removing documents from his office were triggered by concerns over embarrassing circumstances and ongoing civil and criminal investigations."

It is "imperative," wrote Leach, that the committee request "all

documents found in or removed from Mr. Foster's office and not just the documents related to your protectively narrow request regarding the `handling of documents within Vince Foster's office.' ''

Leach said Gonzalez did not consult with him as is customary on the scheduling of the hearing. He also noted ``a series of unresolved issues'' such as whether witnesses should be placed under oath; whether they should be deposed by staffers before testifying; and whether they will appear individually or as a panel.

**** filed by:GN-F(--) on 06/29/94 at 19:02EDT ****
**** printed by:WHPR(JEL) on 06/30/94 at 08:11EDT ****

6/29/94

Immigrant costs meet zero-sum game

**States' pay-back
push gains little**

By STEPHEN GREEN
Copley News Service

WASHINGTON — Efforts by California and other states to obtain federal reimbursement for incarcerating criminal undocumented grants have collided with the fiscal and political realities of Capitol Hill.

Under budget rules adopted by Congress, every amendment proposed to add money for a new program means an equivalent sum must be subtracted from elsewhere in the budget.

Every winner in the appropriations process, therefore, produces a loser. The result has been intense competition by backers of various programs for a limited pool of dollars.

The spending caps adopted by Congress to curb the federal budget deficit virtually have frozen discretionary spending — all expenditures except interest payments on the federal debt and entitlements such as Social Security and Medicare.

The uncapped entitlements are growing faster than any other area of the budget.

Gov. Pete Wilson and officials in other states undoubtedly are un-

ANALYSIS

happy with their failure thus far to obtain enough federal money to pay the cost of coping with illegal immigration. Their latest defeat came Monday night when the House defeated attempts to gain federal reimbursement of the prison costs.

It may be little consolation for state officials, but their fiscal frustration is shared in Washington, where President Clinton's pet programs have been hit hard by the budgetary squeeze.

The dynamics of the appropriations system are illustrated by what happened Monday to the amendment offered by Rep. Gary Condit, D-Ceres, that would have provided \$600 million to states for incarcerating illegal immigrants. The biggest chunk of the money — 55 percent — would have gone to California, which has 18,000 illegal immigrants behind bars.

There is broad philosophical agreement in Congress that the federal government should pay the states' costs of imprisoning illegal immigrants, as demonstrated by a lopsided House vote for the crime-bill provision authorizing such payment.

**"This is no way to
find money for a
worthy cause."**

REP. CHARLES SCHUMER
D-N.Y.

But authorizing the money is a far cry from appropriating it.

To obtain the funds, the Condit amendment would have instituted a 2.5 percent across-the-board cut hitting all other items in the bill.

Among the funds that would have been cut were some \$800 million in new money for law-enforcement grants slated to go to every county in the country. By comparison, the immigration money would have gone to just 18 states.

Rep. Alan B. Mollohan, D-W. Va., the floor manager of the appropriations bill, led the opposition, saying the Condit amendment would "benefit really only California... and every other state in the Union will lose significantly."

"This is no way to find money for a worthy cause," said Rep. Charles Schumer, D-N.Y. "These cuts

across the board kill us."

Although the amendment was defeated by a 256-148 vote, the bill was not a complete loss for the states hit hard by the incarceration costs.

The bill that cleared the House and was sent to the Senate early yesterday would appropriate \$150 million for incarceration costs — half the money sought by Clinton and a quarter of the Condit proposal — and marks the first time any appropriations bill contains such a item. Additionally, the bill would allow states for the first time to use part of the law-enforcement grant money to finance incarceration expenses.

"As insignificant as it is, it's a step in the right direction," an aide to Condit said yesterday.

Meantime, Wilson has a suit pending in U.S. District Court in San Diego seeking \$377 million from the federal government for the cost of imprisoning illegal immigrants during fiscal year 1994.

Congress first promised to pay for such incarceration costs when it approved the landmark immigration-reform bill of 1986. Not until now, has any appropriation contained any money to even begin to keep that pledge.

"It can be a slow process," said one congressional aide.

Clintons raise legal defense funds

**Whitewater, Jones
cases prompt move**

By AMY BAYER
Copley News Service

WASHINGTON — In an unprecedented move, President Clinton and Hillary Rodham Clinton established a legal expense trust yesterday to solicit donations of up to \$1,000 to help pay what could be multimillion-dollar legal costs from the Whitewater probe and Paula Jones' sexual-harassment case.

"The bills will far exceed the president's salary," White House counsel Lloyd Cutler told reporters. "This was the best solution."

The fund has drawn fire from some public-interest and ethics experts who say it smacks of influence-buying, but Cutler disputed that charge. "One-thousand dollars a year will not curry favor from anyone," he said.

The Clintons opened the trust by contributing \$1,000 apiece.

Federal employees, corporations, unions and special-interest groups are barred from contributing. Officials would not say how much they expect to raise, but estimated the Clintons' legal costs at between \$1 million and \$2 million a year.

The Clintons' 1993 income was about \$293,000. The couple's net worth is estimated at no more than \$1.6 million, according to financial disclosure forms.

"We believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities," said trust officials in a statement.

All contributions, which will not be tax-deductible, will be considered personal gifts to the Clintons, who therefore will not have to pay tax on the money.

The Clintons also will receive any money remaining once the trust is closed. They, however, have told the trustees in writing they will donate any surplus to the federal government or charity.

The trust is broadly written to pay any expense the Clintons may face "in the defense or conduct of any legal proceedings," including any potential future case.

"We might have 100 cases," one White House official said, noting administration concern that the harassment case in particular could open a floodgate of lawsuits.

The Clintons have paid one legal bill related to the Whitewater case. Under the terms of the trust, they

can be reimbursed for that expense.

The trustees have not yet agreed how they will raise money, but have ruled out fund-raisers and other political-style events, according to trustee Michael Cardozo, who was deputy counsel to President Jimmy Carter.

Trustees are considering only "dignified" options that demonstrate "probity and respect for the office of the president," Cardozo said.

The trust is modeled after federal campaign-finance law. But unlike federal law, the Clinton trust will not require donors to identify their occupations or business interests. Officials will disclose the names and addresses of all donors twice a year.

The trust will be administered by nine trustees. The Rev. Theodore Hesburgh, president emeritus of the University of Notre Dame, and Nicholas de B. Katzenbach, former U.S. attorney general, will act as chairmen.

Among the trustees are two prominent Republicans: Elliot Richardson, attorney general and defense secretary in the Nixon administration, and John Whitehead, deputy secretary of state in the Reagan administration.

The San Diego Union-Tribune.

6/29/94

Musical chairs

Cosmetic change won't help in foreign affairs

With his approval rating sagging again and his sweeping health care initiative in serious jeopardy, President Clinton has reshuffled the White House staff in a bid to regain his political footing.

Changes plainly were in order to help repair the president's chaotic decision-making process and overcome the mounting sense of drift that engulfs the administration. The only question is whether the shake-up will be enough to make any real difference.

Shifting Leon Panetta from budget director to White House chief of staff is to improve the administration's internal machinery and impose some badly needed order in the Oval Office. Clinton's affable childhood friend, Thomas (Mack) McLarty, did not provide the strong leadership that is essential in the White House, especially under a president whose personal style is generally lacking in discipline.

Even more important, Panetta can assist Clinton in mending his relations with key congressional leaders as Senate Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y., a crucial player in the health care debate. After serving in the House for 16 years, Panetta knows the ways of Capitol Hill intimately enough to help untangle the president's legislative agenda.

In terms of congressional action, the next few months could determine the ultimate success or failure of Clinton's presidency. With the Democrats almost certain to lose seats in both the Senate and the House in the November elections, the White House is running out of time to

push through such contentious initiatives as health reform.

To replace Panetta as budget director, Alice Rivlin is a solid choice. Her experience as head of the Congressional Budget Office and deputy director of the Office of Management and Budget means she is thoroughly versed on budget matters. Our only reservation is Rivlin's earlier enthusiasm for a crushing gasoline tax to reduce the deficit.

It is much harder to make any sense of Clinton's decision to move White House adviser David Gergen to the State Department.

Gergen has no experience in foreign affairs. His specialty is communications — packaging the president's policies for maximum public appeal. He apparently is happy to apply his salesmanship talents without regard to policy content, considering that he has labored for both Ronald Reagan and Bill Clinton.

But the problems plaguing Clinton's foreign policy are not merely cosmetic. They will not be solved by installing a new spinmeister at the State Department to dress up Secretary of State Warren Christopher's clumsy performance. What is lacking at the State Department — and in the Oval Office — is a coherent strategic vision and firm, consistent policies to back it up.

The administration's embarrassing vacillation and half-measures on such critical issues as Bosnia, Haiti, North Korea and China have badly undermined America's credibility. This troubling situation is not likely to improve without fundamental changes by the architects of U.S. foreign policy — namely, Christopher and Clinton.

Gore says Republicans want health-care reform to be DOA

By JOHN MARELIUS
Staff Writer

Vice President Al Gore yesterday unleashed a blistering partisan attack on Republican opponents of the Clinton administration's health care plan, calling GOP efforts to block reform "an affront to our democracy."

"They want failure. They want our country to fail in its effort to reform the health care system," Gore told the 31st annual international convention of the American Federation of State, County and Municipal Employees (AFSCME) in San Diego.

"The conclusion seems inescapable that some in the Republican leadership appear determined to do everything they can to try to stop this presidency in its tracks even if it stops working families in their tracks."

The week-long gathering of more than 4,000 public employees at the San Diego

Convention Center is attracting a cast of political heavy-hitters.

State Treasurer Kathleen Brown, the Democratic nominee for governor, addressed the gathering yesterday while Colin Powell, former chairman of the Joint Chiefs of Staff, and Texas Gov. Ann Richards are due in today. Secretary of Labor Robert Reich is scheduled to speak tomorrow.

President Gerald McEntee of AFSCME International thanked Gore for rearranging his schedule to accommodate an invitation that was extended only last Friday when it became official that President Clinton would be unable to address the convention.

The vice president and other administration officials, including the president himself, are expected to make regular pilgrimages to California this fall to campaign for the Democratic ticket.

"In contrast to the previous administration, we are spending so much time in the largest state, California, to create more jobs in California to help the whole country," Gore said.

Gore devoted much of a nearly one-hour speech to the struggle to get health care reform plan through Congress this year.

Although the administration has signaled a willingness to make major concessions in order to get a bill through this session of Congress, Gore reiterated that the president will not bend in his determination to extend health insurance coverage to all Americans.

"This president is willing to compromise. But let me make clear that we cannot and will not compromise on fundamental elements," Gore said. "For example, we are not go-

ing to compromise on universal coverage. Every American deserves health insurance — private health insurance. How could we compromise on that?"

The vice president accused Republican congressional leadership of attempting to thwart any reform of the health insurance system rather than proposing alternatives for compromise. However, some Republicans and Democrats in Congress are seeking common ground for a bipartisan plan.

"One of the things we in '92 is we wanted to end the gridlock. Their political strategy on the other side is to restore the gridlock," he said.

"They're betting all their hopes on a train wreck in the Congress. They're betting all of their political aspirations on creating a roadblock that stops progress dead in its tracks. That's not what the American people want."

Gore made it clear the administration intends to use Congress' own generous health care provisions as a rhetorical weapon.

"Every one of the Senate Republicans and every one of the House Republicans attempting to create gridlock, attempting to stop health care reform already have health care coverage," he said. "The American people ought to have what they already have."

The vice president also plugged his plan to streamline the federal bureaucracy — the so-called "venting government" program that has been on a back burner since it was proposed last summer.

"We need to start implementing the ideas that are proposed by the people who actually do the work," he said.

Gore closed his speech with a partisan appeal for Brown's election along with the re-election of U.S. Sen. Dianne Feinstein and San Diego Reps. Lynn Schenk and Bob Filner.

Brown, in a speech to the AFSCME convention yesterday afternoon, assailed budget cuts during Republican Gov. Pete Wilson's tenure, but offered no plan where she would find the money to restore them.

"He doesn't get it. When you cut social services you're putting at risk our citizens' health, you're putting at risk our children, you're putting at risk our government workers who provide services to our people," the Democratic nominee said. "And in putting people at risk, you put our future at risk."

6/29/94

DEFENSE FUND

Clinton asks Americans to help pay his legal fees

By Julia Malone
WASHINGTON BUREAU

HIGHLIGHTS

Washington — Facing soaring lawyer fees, Bill Clinton has become the first president to establish a personal legal defense fund, the White House announced Tuesday.

In a move that comes after weeks of hints and trial balloons, the president and first lady Hillary Rodham Clinton are seeking contributions of up to \$1,000 to defray legal costs in the Whitewater financial investigation and Paula Jones sex harassment suit.

"The president will be faced with potentially large legal bills, and it's in the best interest of the country and the presidency to have those bills paid," White House press secretary Dee Dee Myers said.

The Washington law firm Sullivan and Cromwell set up the fund.

Donations will be accepted only from individuals, the firm's lawyers said at a briefing for reporters. Corporations, labor unions and political action committees will not be allowed to contribute.

Ethics groups worried that the fund opens a new avenue for funneling special-interest money into government. But that concern was offset by the realization that Clinton's only other option, accepting legal services at a cut rate, would leave him indebted to big law firms that do extensive lobbying.

The Clintons have hired high-priced Washington lawyers for legal battles on two fronts. The Whitewater real estate venture in Arkansas is the subject of an intense investigation, and the president has been sued for alleged sexual harassment by a former Arkansas state employee.

According to some estimates, their private legal bills could top \$2 million by the time both matters are resolved. That would far exceed the president's \$250,000 annual salary or the couple's net worth, estimated at no more than \$1.6 million in their 1993 financial disclosure.

The Clintons went part of the way to meet ethics concerns. Earlier, senior aide Bruce Lindsey suggested that donors' names might be kept secret from the Clintons and the public.

That idea was immediately criticized, however. The trust

The Clinton fund:

- Will pay legal expenses for the Paula Jones sexual harassment suit and the Whitewater investigation.
- Is the first legal defense fund ever for a sitting president.
- Is limited to legal fees for Bill and Hillary Rodham Clinton and will not be used for White House staff members or others.
- Limits donations to a maximum of \$1,000 from individuals only.
- Will not take donations from corporations, trade unions, political action committees and other groups.
- Will disclose all contributions to the public twice a year.
- Donations to Clinton's legal defense fund may be mailed to:
The Presidential Legal Expenses Trust Fund
Department 70
Washington, D.C. 20055-0070

The Clintons have signed an agreement that any money in the fund will be donated to charity.

procedures announced Tuesday call for public disclosure of donors' names twice a year.

The lawyers "worked through the details very carefully to establish it so it won't create any conflicts," Myers said.

But the \$1,000 upper limit is so high that it will invite tax-cut contributors who want influence, say some public-interest groups.

"Here's a man who received over 44 million votes in the last election," said Joshua Goldstein, a spokesman for the Center for Responsive Politics. "One would think he would be able to raise enough money to cover his legal expenses in 510 chunks or \$100 chunks."

Charles Lewis, director of the Center for Public Integrity, said, "There's only a certain kind of person I can think of" who can afford to give \$1,000. "I don't make an animal like Bruce Lindsey," he added, "but they probably do have alligator shoes."

Members of Congress have long set up legal defense funds. House members can accept contributions of \$5,000 per year from individuals, corporations or political groups. Senators can accept as much as \$10,000 a year for their legal funds.

Mental health care: Pay now, save later

Fred McCall Perez holds a doctorate in learning disabilities and is president of Key Behavioral HealthCare, which provides management services in psychiatry, and Florida Psychiatric Group of North Miami. He was a consultant to President Clinton's Health Care Task Force and the White House Health Care Professionals Review Group.

PRESIDENT Clinton's Health Care Security Plan promises to pay for the cost of mental health and substance abuse benefits. Both are critical to a productive work force and saving money on health care costs.

The Clinton plan provides that diseases of the mind and body are treated equally by the year 2001. It would be costly and seriously mandated to limit such benefits, because:

■ When mental health problems are untreated, people tend to get whatever expensive treatments their health care plans will pay for even though they do not help.

■ Between 25 percent and 60 percent of those seeking treatment from a physician have no specific abnormality. That is, they come in to see the physician with a malaise that masks depression or other mental problems.

■ Many physicians, poorly trained to recognize mental health problems, order expensive tests and diagnostic work-ups "searching" for a disease that

health care needed, begins to miss work and perform poorly, further increasing costs to business. The cost to business for untreated depression alone is estimated to be \$40 billion a year.

■ When mental health benefits are not provided, there are untold human costs of child abuse or neglect, and drug abuse. They translate into higher costs for law enforcement, welfare, and social services.

Conversely, a study by the Institute for Human Resources — a company that provides employee assistance services — shows that patients who receive needed psychiatric care reduce their medical utilization visits by as much as 60 percent, with a positive effect on productivity, including decreased absenteeism and turnover.

With clear evidence as to the cost savings in providing mental health benefits, why doesn't everyone offer it? Very simply, under the current broken system there is no way that a savings generated by one part of the system can be passed back to consumers. No physician or health plan will refund money because those with mental health receive poorer care.

In the current system, too, mental health costs — instead of being spread — are shifted to the backs of those employers paying for coverage. Small employers fear that if they provide mental health benefits, just one employee's hospitalization will cause someone premiums. Unable to realize any savings and being penalized for their size, small employers try to limit or eliminate the benefit. Those who need mental health care, but can't afford insurance coverage, tap personal savings or mortgage their homes for treatment.



FRED MCCALL PEREZ

By providing every American with a strong mental health benefit and requiring community rating, the president's plan effectually passes savings on to employers.

the president's plan effectually passes savings on to employers. No one can be dropped because of a pre-existing condition, and no one has to stay in a job that they do not like to insure health coverage continues.

The unfair insurance practices that now cost those with coverage more are eliminated. Those who need treatment can seek it, including the chronically mentally ill whose treatment represents less than 6 percent of the total health care bill. Those with chronic depression, AIDS, or schizophrenia will no longer have to worry about reaching a cap on the amount of benefits available. And with everyone paying a fair share those with mental health problems will cease to be viewed as second class citizens who drain the system.

There will never be a time when it will be less expensive than now to cover all Americans for mental health benefits. Viewing the mental health benefit as expendable would be a costly mistake. The president's system will be a fair system in which people will receive the help they need early,

Clintons: Help us with donations for our legal expenses

By ROBERT A. RANKIN
Herald Washington Bureau

WASHINGTON — In an unprecedented step, President and Mrs. Clinton established a legal defense fund Tuesday to solicit donations to help pay their extraordinary legal bills.

The Clintons' legal bills could run as high as \$2 million a year, legal experts say, as the first family seeks to deal with legal problems arising from the White House real estate controversy and the sexual harassment complaint lodged against Clinton by Paula Corbin Jones, a former Arkansas state employee.

"I don't think we know how much we'll need. It will clearly be many times the president's salary," White House counsel Lloyd Cutler said. The president is paid \$400,000 a year.

No previous president ever has had to face the enormous personal legal expenses confronting President Clinton, said a prepared statement from the Rev. Theodore Hesburgh, president emeritus of the University of Notre Dame, and former Attorney General Nicholas Katzenbach, who will serve as the fund's co-chairmen.

Individual gifts

Donations to the Clinton's fund will be accepted only from individuals, not from corporations, political action committees, labor unions, partnerships or other collective units, the statement said. Donations will be limited to not more than \$1,000 per year.

Both restrictions are intended to minimize any public suspicion that donations might purchase improper influence from the Clinton administration, lawyers advising Clinton said. In addition, nine prominent Americans will serve as trustees of the fund to reassure the public that it is being managed honestly. The accounting firm of Ernst & Young will audit it.

The Clintons' expensive legal controversies concern events dating from the president's tenure as governor of Arkansas. The fund, however, is not limited to legal expenses arising from those matters. Rather, the fund could cover any and all legal expenses incurred by the Clintons since he became president on Jan. 20, 1993.

The lawyers in the White House counsel's office give Clinton legal advice related only to presidential business. Consequently, he has been forced to

NATIONAL NEWS

'I don't think we know how much we will need. It will clearly be many times the president's salary.'

LOYD CUTLER,
White House counsel

hire private lawyers to handle the Whitewater and Paula Jones controversies.

As of Tuesday, the fund contained just two \$1,000 contributions, one each from President and Mrs. Clinton. No strategy for raising donations has been chosen yet, advisers said, although they have ruled out special fundraising events as unbecoming in the dignity of the presidency.

The donations are not tax-deductible.

Many individuals have sent unsolicited donations to the White House in recent months to help the Clintons pay their legal bills, but those donations all will be returned, fund advisers said. All new donations must comply with rules governing the new fund.

No taxes owed

The Clintons will owe no taxes on the donations, which will not count as income to them under tax law, fund lawyers said.

If the fund makes any earnings while money sits parked in accounts prior to being paid out in legal fees, the Clintons would owe taxes on the earnings, but those amounts, if any, are expected to be quite small.

If the Clintons' lawyers do not exhaust the fund with their bills, any money remaining in it would be turned over to the First Family. In a letter to the fund's trustees, dated June 28, both Clintons say they intend to donate any leftover funds either to charity or to the federal government, without claiming any income tax deductions for it.

Nice isn't what's needed

It's not that nice guys always finish last in Washington, but they don't often finish first. And when the nice guy holds perhaps the nation's most powerful appointive job, White House chief of staff, a president concerned about his own programs and posterity must act when nice-guyism produces indecision, indirection, and inconsistency.

For months the signs have been plentiful that The Three I's were threatening Bill Clinton's presidency. So on Monday his "most trusted" adviser and best friend since kindergarten, Mack McLarty, stepped down as chief of staff.

His successor is Leon Panetta, a 16-year ex-congressman whom Mr. Clinton persuaded to head the Office of Management and Budget. Mr. Panetta's No. 2, respected economist Alice Rivlin, succeeded him at OMB. Mr. Clinton also dispatched image doctor David Gergen to the State Department, whose foreign policy image needs a paragon.

Done, done, done, and done. It was about time, too.

Mr. McLarty has all the qualities that one wants in a friend: He's loyal, gentle, affable, ever the courteous diplomat. But such qualities do not necessarily serve a president well when his White House operation shows indelible marks of The Three I's.

It's then that a president requires a chief of staff willing — and able — to kick butt and take names. This key job also requires — as Mr. Clinton learned to his chagrin — someone who knows the ways of Capitol Hill, is respected there, and can make and deal deals.

IN THE WHITE HOUSE

The president was right to begin to correct the serious drift in his administration's policies.

doesn't... well, look for him then to be what every subordinate is when a president is in trouble: expurgable.

Every president has troubles: the office gossamer. It's the other party is always waiting to pounce on any flub. Crises from abroad are routine: Somalia, Haiti, the falling dollar, and whatever's next. And merely managing the — any — president's normal agenda requires a staff that knows clearly what that agenda is, and a chief of staff with the drive to achieve it. Witness that lack in Mr. Clinton's health plan, which lies comatose in Congress.

Besides the presidency's normal troubles, Bill Clinton has brought trouble upon himself. His personal traits, from those alleged in Paula Jones's lawsuit to his passion for discussing issues to death, have made his presidency problematic from its inception. Add to that his reliance — until he brought David Gergen aboard — on a crew of Arkansas young-uns mischievous in the intricacies of Washington power-wielding, and the spreading blot of The Three I's through his White House is no surprise.

The surprise would have been Mr. Clinton let the blue waterstratagem, Leon Panetta's ascendancy may not solve all the Clinton presidency's problems, but at least it solves a major one: It shows that Mr. Clinton recognizes how serious his problems are.

The Miami Herald

6/29/94

6/29/94

anyone."

The official pointed out that the Senate allows its members to accept contributions of up to \$10,000 to legal defense funds; and House members with such funds, including Rep. Dan Rostenkowski, D-Ill., can take up to \$5,000 from donors, including corporations and political action committees.

He said the Clintons settled on the \$1,000 figure because that is the limit that individual donors, including lobbyists, can give to a political candidate in each election cycle.

But Congress is considering legislation to prohibit lobbyists from making any donations to legal defense funds for federal officeholders, and the official said Clinton's fund would adjust its approach if the bill passed.

He also said he would recommend that the fund's trustees change their plans and require donors to list the names of their employers.

Besides Hesburgh and Katzenbach, the fund's trustees include former Rep. Barbara Jordan, D-Texas, and lawyer Elliot Richardson, who has served in Republican administrations as attorney general and secretary of defense.

Michael Cardozo, a former Carter administration official who is the fund's executive director, said it would not hold any dinners, cocktail parties or other fund-raising events.

He said trustees had not decided whether to appeal for funds through mass mailings or media advertisements. But he promised that any appeals would be "dignified" and done "with respect for the presidency."

(EDITORS: NEXT GRAF OPTIONAL)

Cardozo also said the post office would place donations to the fund called the Presidential Legal Expense Trust in a locked box. The box will be emptied daily by employees of a Washington bank.

(END OPTIONAL TRIM)

Under the plan, the donations legally will be considered gifts to the Clintons, who will have to pay taxes only on income generated as the trust invests the money.

The Clintons will not seek any discount in the fees charged by their lawyers, and they could seek reimbursement from the fund for one legal bill they have already paid. The White House official would not disclose the amount of that bill.

He also said the Clintons would have to return a significant number of checks they already have received. Some of the checks were made out to the Clintons personally, he said, and the donors will be asked to send new checks made out to the defense fund.

Japan's nuclear program could become sticking point for Korean talks

By Merrill Goozner Chicago Tribune

TOKYO Even as the United States and the two Koreas begin planning a month of high-level meetings on North Korea's nuclear program, there's a potential complication caused by the nuclear plans of a fourth country: Japan.

North and South Korea on Tuesday agreed to a summit meeting July 25-27 in Pyongyang, the northern capital, in another hopeful sign for efforts to ease nuclear tensions and end five decades of bitter animosity.

Summits have been proposed before and never actually held, and there is no guarantee this time would be

different. North Korea insists the issue can be resolved only in direct talks with the United States, due to restart in Geneva on July 8.

But the threat posed by Japan's headlong rush to embrace plutonium-fueled power reactors has been another constant theme in the rhetoric flowing from Pyongyang.

Kim Il Sung's regime repeatedly has suggested that its main enemy in Asia is Japan. Last Thursday, North Korea's news agency said "the nuclear armament of Japan has reached the danger line. ... They shall lose the pretext for their nuclear armament if the nuclear issue on the Korean Peninsula is solved through dialogue."

Japan has embarked on the world's most ambitious plan to fuel its nuclear power reactors with plutonium, which also is the raw material for atomic bombs. The program began in the mid-1970s, when soaring oil prices prompted Japan to pursue the chimera of an energy source that miraculously replenished itself.

Despite worldwide concerns, skyrocketing costs and a plentiful supply of naturally occurring uranium, Japan's government continues to pursue development of plutonium-fueled fast-breeder reactors and conversion of its light-water reactors to the use of mixed uranium and plutonium fuel.

A Japanese government report Friday confirmed plans to scale back the pace of the program. But the fine print shows that Japan is intent on pursuing a plutonium-based energy future.

(EDITORS: NEXT GRAF OPTIONAL)

By the end of this decade, Japan plans to convert 10 of its conventional nuclear reactors to use mixed uranium and plutonium fuel, just a few years behind schedule, the report said. It will begin operating an advanced thermal reactor, which also uses mixed uranium-plutonium fuel, early in the next decade, pushed back from the "middle 1990s."

(END OPTIONAL TRIM)

The North Koreans aren't the only ones raising questions about Japan's plutonium plans. The South Koreans have warned the United States that they will seek permission to recover plutonium from the U.S.-supplied fuel in their power reactors if Japan persists in its current projects.

The question increasingly being asked on both sides of the 38th parallel is: If the world is insisting that North Korea abandon its plans to reprocess plutonium, and the United States has refused South Korea permission to reprocess plutonium, why does Japan continue to have the right?

U.S. analysts on both the left and right also are raising the issue. And former CIA chief Robert Gates recently wrote that failure to stop North Korea's nuclear arms program would force Japan to consider stockpiling weapons.

Paul Leventhal of the Washington-based Nuclear Control Institute, calling on the United States to withdraw its permission for Japan to reprocess plutonium from U.S.-supplied spent fuel, argued that "the prospects for a 'plutonium race' in this region of ancient enmities looms large."

All of this perplexes the Japanese.

"The North Korean issue and the issues we will face in the 21st century are separate issues," said Akira Oyama, vice chairman of the Japan Atomic Energy Commission. "Japan is pursuing the peaceful use of (plutonium-fueled) nuclear energy to secure a stable supply of energy. It has been and continues to be inconceivable that Japan would build nuclear arms."

U.S. officials and representatives of the International Atomic Energy Agency confirm that Japan's nuclear program has been a model of openness. Moreover, a substantial portion of the public Japan is the only nation that has

6/29/94

**Clintons set up fund to pay legal bills By Michael Kranish
Boston Globe**

WASHINGTON President Clinton, in a politically embarrassing move that aides had hoped to avoid, authorized the establishment of a legal defense fund Tuesday that will accept individual donations of up to \$1,000 to help him fight a sexual harassment suit and possibly a Whitewater-related case.

Clinton, who campaigned on a vow to reduce the influence of political contributors, insisted through a spokesman that people who donate to his fund won't have any influence over his political actions. But critics said the solicitation was questionable ethically and politically unfortunate.

"It raises conflict-of-interest questions" to solicit private contributions, said Josh Goldstein of the Center for Responsive Politics, which tracks political donations. But Goldstein added that he realized Clinton had to defend himself, saying: "Perhaps this is politics in the '90s."

The fund's organizers said the names, addresses and amounts donated will be made public every six months.

Goldstein criticized the president's decision to allow people to contribute \$1,000 apiece, saying that such a large amount permits individuals to get together and "bundle" sizable sums of money. Clinton's lawyers said they would not accept money from corporations or political action committees, but they acknowledged they have no way of investigating whether people from organizations who want to influence Clinton would contribute together.

The fund was created to help Clinton defray the costs of the sexual harassment suit filed by former Arkansas state employee Paula Corbin Jones, but the president's lawyers said they left the solicitation purposefully vague so the president can use the money for any legal purpose, including a defense in the Whitewater affair.

White House spokeswoman Dee Dee Myers said Clinton and his wife, Hillary Rodham Clinton, decided to establish the fund after concluding they did not have the resources to pay the potential \$2 million in legal fees in the sexual harassment and Whitewater cases. The Clintons earned \$293,000 last year and have a net worth of \$1.6 million.

"It's a rather unprecedented circumstance," Myers said. "The president will be faced with potentially large legal bills and it's in the best interest of the country and the president to have those bills paid."

The move comes one day after Clinton's lawyers filed a motion asking a judge to delay the suit until he leaves the presidency. The president's lawyers said the lawsuit would interfere with Clinton's ability to do his job.

Jones has established a legal fund that is being promoted in part by conservative groups.

Charles Lewis, executive director of the Center for Public Integrity, a watchdog group, said in an interview that he both was troubled by the Clinton fund but sympathetic to the need for it.

"It is unprecedented, and it is extremely difficult to find a good solution," Lewis said. "It is the sort of quagmire that you have to wear hip waders through. No solution is particularly appealing."

Lewis said he doubted Clinton would have much trouble raising money from partisan Democrats, adding that the success or failure of the drive "would be a referendum on Bill Clinton. How fast does he fill the tank? It will be fascinating to see how he does."

Lewis, like Goldstein, said he wished Clinton had set a lower limit on contributions, and said he would have suggested the list of contributors be made public more often than every six months, as is now planned.

The president's fund is run by nine trustees, including former U.S. attorney general Elliot Richardson, a Republican, and former congresswoman Barbara Jordan, a

Texas Democrat. Richardson, a former Massachusetts lieutenant governor, was unavailable for comment.

Lloyd Cutler, the presidential counsel, took the unusual action of announcing the fund in a press conference at a private law firm across the street from the White House.

In a statement, the trustees said: "No previous president has had to face the enormous personal legal expenses confronting President Clinton, because of current legal proceedings based on events that allegedly occurred well before he took office ... we believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities."

(EDITORS: STORY CAN TRIM HERE)

The action highlighted the personal difficulties confronting Clinton at a time when he is trying to regain the political initiative. The president, who on Monday announced the shakeup of his top staff, has been forced to spend considerable time dealing with lawyers and the press on both the Jones lawsuit and the Whitewater matter, which is to be the subject of congressional hearings later this summer. A special counsel is expected to issue a preliminary Whitewater report as early as this week.

The president's aides declined to say how much they hoped to raise for the legal defense fund, but a president usually has no trouble collecting several million dollars at political party functions. The president's aides told reporters Tuesday they had not decided how the money would be raised, but they said Clinton would not attend any fund-raising galas.

The fund, formally known as the Presidential Legal Expense Trust, is being handled by the Washington law firm of Sullivan and Cromwell. The trustees said it is possible they will solicit money through direct mail, newspaper advertisements, telephone campaigns and other methods.

(EDITORS: STORY CAN TRIM HERE)

The details of the trust are complex, due in large part to tax questions surrounding such donations.

The money raised in the trust is in effect a gift to the Clintons, who would have to pay taxes on it, according to legal documents filed to create the fund. Contributors would not be required to pay a federal gift tax and the donation would not be tax deductible, according to the documents. If any money is unused or left over in the trust, the Clintons said they intend to donate it to charity. They said they would not take a tax deduction if they make such a contribution.

**Clinton shifts Gergen to State Department in attempt to
quiet talk of foreign policy drift By John Aloysius Farrell
and Paul Quinn-Judge Boston Globe**

WASHINGTON In dispatching David Gergen to the State Department, President Clinton has emphasized spin over substance at a time when U.S. foreign policy lacks coherence and direction, not communication skills, critics inside and outside the administration said Tuesday.

Few here doubt that Gergen's talents at public relations will help the White House combat the increasingly popular perception that Clinton is failing at foreign affairs. There are not many in Washington with Gergen's ability to forge and hone an image, observers say.

And Clinton's image needs help. Despite his successful D-Day trip, two-thirds of the American people disapproved

6/29/94

Clinton's New Chief of Staff Finding a Niche (Washn)
By Susan Page= (c) 1994, Newsday=

WASHINGTON Freshly minted White House chief of staff Leon Panetta moved quickly Tuesday to seize control of a White House operation that sometimes has been described as chaotic and dysfunctional, declaring he had the president's authority to shuffle or replace senior aides and press the administration's legislative agenda on Capitol Hill.

But what wasn't clear the day after President Clinton announced a major staff shakeup, replacing boyhood friend Thomas F. "Mack" McLarty in the top job, was whether the president had decided to modify his own freewheeling leadership style that has led to endless meetings and a reputation for indecisiveness.

"I joined a White House staff where Sherman Adams was chief of staff and a few months later he was out and Wilton Persons was chief of staff, but there was no difference in the White House it was Eisenhower's White House," recalled Stephen Hess, author of "Organizing the Presidency." "Mr. (H.R.) Haldeman was replaced by Alexander Haig but it was Nixon's White House.

"This is going to continue to be Clinton's White House," Hess went on, "and I can't be terribly optimistic that he will change ... (that) he can really let go of all those things that interest him so much, all those details that fascinate him, all those people he likes to schmooze with."

As Panetta left a luncheon with reporters, he acknowledged ruefully the president's inclination to get involved in everything.

"That's part of the problem," Panetta said. But he said Clinton "wants and needs to have a disciplined White House operation so that he can in fact take the time to focus on the decisions of the presidency."

Clinton will continue to have a circle of advisers free to bypass Panetta, however, including first lady Hillary Rodham Clinton and Vice President Al Gore. Senior counselors George Stephanopoulos and McLarty will have direct access to Clinton; a group of outside political consultants, who in the past have clashed with Panetta on economic issues, will still offer their advice.

But Panetta, a veteran California congressman who has been Clinton's budget director, insisted during a round of interviews that he had demanded and received authority from Clinton to be in charge. He said he envisioned a more hands-on management style, an emphasis on deficit reduction, and a concerted push to enact a health care bill this year.

"I am a believer that my fundamental responsibility is to roll up my sleeves and go to work in the White House and improve the management," he said. "If I find that incremental (change) doesn't work, then it may involve larger changes." He cited former President Reagan's first chief of staff, James A. Baker III, as a model because he had "the full trust and confidence of the president" and "ran a tight ship."

(Optional add end)

White House press secretary Dee Dee Myers said the transition to the new chief of staff would be completed by July 11, the day before Clinton returns from a European trip, though additional changes could be made later.

In an interview on CNN's "Larry King Live" Monday night, Panetta indicated he might replace Myers, but he told her Tuesday that he had misunderstood the question and had "great confidence" in her.

Clinton reportedly called Panetta Tuesday to express concern about his comments on Myers a call that could be seen as a warning sign about the limits of the new chief of staff's authority.

Distributed by the Los Angeles Times-Washington Post News Service

Clinton Pass the Hat for Legal-Defense Costs (Washn)
By Martin Kasindorf= (c) 1994, Newsday=

WASHINGTON President Clinton and first lady Hillary Rodham Clinton Tuesday created an unprecedented legal-defense fund so the public can help them pay the costs of lawsuits in the Whitewater matter, a sexual-harassment case and other potential court troubles.

To avoid conflicts between Clinton's private interests and public duties, contributors will be limited to \$1,000 a year and gifts can only come from individual American citizens, according to the nine-page document forming the "presidential legal expense trust." While individuals who work as registered lobbyists can contribute, donations will not be accepted from corporations, unions, political-action committees or other lobbying entities.

A blue-ribbon panel of nine trustees will oversee the trust.

With Whitewater special counsel Robert Fiske's investigation and the Paula Jones sexual-harassment action in Arkansas likely to extend past this year, the Clintons' legal expenses "could easily run to \$1 (million) or \$2 million a year," one lawyer briefing reporters on the defense fund, who spoke on condition of anonymity, said Tuesday.

If an Arkansas federal judge rejects Clinton's claim that he should be immune from civil suits while serving as president, which he is filing to postpone the sexual harassment case, "we might have a hundred cases" filed against the president, the lawyer warned.

"Whatever the merits or motivations of these proceedings, we believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities," the trust's co-chairmen, the Rev. Theodore Hesburgh, retired president of the University of Notre Dame, and former Attorney General Nicholas Katzenbach, said in a statement.

(Begin optional trim)

Trustees, selected by the Clintons in consultation with White House Special Counsel Lloyd Cutler, include two prominent Republicans: former Attorney General Elliot Richardson and John Whitehead, former Reagan administration deputy secretary of state.

Among other trustees are John Brademas and Michael Sovern, former presidents, respectively, of New York University and Columbia University, and former Democratic Rep. Barbara Jordan of Texas.

The Clintons launched the fund by signing separate, lavender-colored \$1,000 checks on their Little Rock, Ark., bank account. Promising "dignified" fund-raising to augment the \$2,000 base, trustees have ruled out dinners or similar "events," but soon will decide whether to use direct mail or other techniques, one trustee said.

(End optional trim)

For now, trustees are publicizing the mailing address for contributions, which are non-deductible: Presidential Legal Expense Trust Fund, Department 70, Washington, D.C. 20055-0070.

Sources connected with the trust said it would not pay any settlements the Clintons might reach to end lawsuits

6/29/94

"His political opponents are going to criticize him and some ethics mavens will criticize him," Mann predicted. "My view is that it's unfortunate that a public official, in particular a president, is subject to these kind of legal defense bills without any real possibility of public reimbursement."

Given his limited personal wealth, Mann said, Clinton's only alternatives would have been to use campaign funds to pay his legal bills or ask his lawyers to reduce their fees to levels he could afford. But those methods also could have raised ethical questions.

"Without an English rule that says the loser pays (in a lawsuit), and without having an independent counsel law in effect that would provide for public reimbursement if the president is found not to have engaged in inappropriate actions, the only alternative is to raise funds privately, and it seems to me this is a reasonable step," Mann added.

The trust will be administered by Michael H. Cardozo, a merchant banker and former deputy counsel to President Jimmy Carter. It will be monitored by a nine-member board of trustees: seven Democrats and two Republicans.

The fund's legal counsel will be M. Bernard Aidenoff of the Washington law firm Sullivan & Cromwell.

Cardozo said the trustees had met only once so far and had not yet decided how they would try to raise money for the fund, although he did rule out "event fund raisers." He said the fund's only asset so far is \$2,000 that the Clintons donated.

Cutler and the official who briefed reporters said that under Internal Revenue Service rules, the donations would be considered gifts for tax purposes and that donors would be publicly identified no less than every six months.

In addition, they said, the Clintons will be given a list of donors

but not the amounts they contributed every three months so that they can reject donations from any individuals they deem inappropriate.

(EDITORS: STORY CAN TRIM HERE)

Senate rules permit senators who set up legal defense funds to accept donations of up to \$10,000 from either individuals or groups, the officials said. A similar House rule permits donations of up to \$5,000 a year, they said.

The officials said the Clintons already had received a number of unsolicited donations to defray their legal expenses, including one "five-figure check," but that all of them would be returned.

Under the trust agreement, any profits derived from investing the funds in a money market account or other securities will be considered taxable income to the Clintons. The Clintons will receive a distribution from the trust to cover those taxes.

(EDITORS: STORY CAN TRIM HERE)

The trust will expire when the legal actions against Clinton end, according to the White House official who requested anonymity.

Any leftover money will be given to the Clintons, but they have given the trustees a statement pledging to donate any such funds either to charity or to the federal government without taking a tax deduction for the donation.

Clinton set up fund to help pay legal expenses By Christopher Drew Chicago Tribune

WASHINGTON Facing up to \$2 million a year in legal bills, President Clinton and his wife Tuesday formed an unprecedented defense fund that will accept donations of up to \$1,000 a year from any individual, including a Washington lobbyist.

In taking the politically sensitive step, the Clintons are appealing to the public for help in a uniquely personal way.

To allay concern that donors might seek favors from the president, White House officials said, the fund will not accept contributions from corporations, labor unions, political action committees or other organized groups. It will be run by nine prominent citizens, including two Republicans, and it will release the names of donors twice a year.

The Clintons launched the fund-raising campaign by donating \$2,000 themselves. The fund's co-chairmen the Rev. Theodore Hesburgh, president emeritus of the University of Notre Dame, and former Attorney General Nicholas Katzenbach said they hope to raise millions more from ordinary citizens concerned that the president could be distracted by legal troubles "based on events that allegedly occurred well before he took office."

A special prosecutor is investigating the Clintons' Whitewater real estate deals, and the president also is fighting a sexual harassment suit filed by a woman who worked for the state of Arkansas when he was governor. The principal defense attorneys in both matters reportedly charge \$375 to \$475 an hour.

Critics were quick to point out that several aspects of the plan run counter to promises Clinton made about changing the way business is done in Washington.

For one thing, the capital's 15,000 or more lobbyists will be able to contribute to the fund, even though Clinton has railed against their influence and urged Congress to curb their power.

For another, the legal defense fund would not require donors to disclose their corporate affiliations. That "raises the potential that people could bundle their donations together" to gain clout with Clinton without the public realizing it, said Joshua Goldstein of the Center for Responsive Politics, a non-profit group that focuses on ethical issues involving money and politics.

(EDITORS: NEXT 2 GRAFS OPTIONAL)

In one example of this kind of "bundling," Goldstein said, executives of Goldman Sachs, a Wall Street investment firm, and their family members donated \$100,000 to Clinton's 1992 campaign.

Since then, Clinton has proposed banning bundled campaign donations.

(END OPTIONAL TRIM)

Others questioned why the ceiling on donations was set at \$1,000, after reports that the Clintons were considering limiting them to \$500 or less.

"Nine out of 10 people who would give \$1,000 are from inside Washington and wear nicely tailored suits, not coveralls," said Charles Lewis, executive director of the Center for Public Integrity, a non-profit research group. "They are not ordinary folks."

Nonetheless, Lewis said, the rules for the fund generally look like "a reasonable attempt" to resolve a problem for which "there are no good solutions, frankly." And White House officials downplayed most of the concerns.

A senior administration official, who asked not to be named, said the Clintons agreed to let lobbyists contribute to the fund, as long as they are not reimbursed by their companies or clients, because nowadays a \$1,000 donation is not large enough to "curry favor with

Illegal defense fund?

President Clinton and his legal advisers, public and private, may be no closer to resolving his massive legal problems, but it seems they do think they have hit on a solution to his correspondingly massive legal bills: the creation of an "Presidential Legal Defense Trust." The trust will accept contributions, of no more than \$1,000 per person, to pay Bill and Hillary Clinton's lawyers, including their counsel in matters before Whitewater Special Counsel Robert B. Fiske Jr. and in the civil sexual harassment suit filed against Mr. Clinton in federal court by Paula Corbin Jones.

Not so fast, please. This "defense trust" raises a host of legal questions all by itself. They need a broad airing. And Mr. Clinton, his wife, their lawyers and the government of the United States, as appropriate, need to provide convincing answers if the legality and legitimacy of this unprecedented "trust" are to be accepted.

The trust is problematic in at least three areas of law: the section on general conflict-of-interest prohibitions for U.S. officials (18 U.S.C. 209); the section of the U.S. Code governing the solicitation and acceptance of gifts by executive branch officials (5 U.S.C. 7353); and the section of the tax code and relevant court rulings distinguishing gifts from income for tax purposes.

Let's start with the obvious: Is there any legal opinion from the Justice Department's Office of Legal Counsel or the Office of Government Ethics or the Treasury Department that has found that the establishment of this trust is consistent with the law? If so, may we see it? We have heard assertions from lawyers associated with this trust that, for example, the contributions to it are gifts to the Clintons and thus do not subject the Clintons to any tax liability. But do the Internal Revenue Service and the Treasury Department take that view? Do they take the opposite view? Do they stand mute? Have they been asked to consider the matter?

Similarly, on Aug. 27, 1980, (during the Carter administration) the Office of Legal Counsel issued a memorandum opinion, potentially relevant to the matter at hand, that "discouraged" White House officials from "accepting offers of free or discounted" legal services "because of the appearance that the service has been offered because of their employment at the White House." Has the Office of Legal Counsel reached a different conclusion in this case? Can we see therefore see how the office reconciles its conclusion with the 1980 memorandum opinion?

At the Office of Government Ethics (OGE), meanwhile, a 1985 advisory letter addressed the question of whether friends of a "senior career official" could establish a legal defense fund for the official without running afoul of the conflict of interest statute. The office replied, "We are unable to say" that the conflict of interest prohibition would not apply to the situation described. Has OGE issued an advisory in this matter? How does it compare with the 1985 advisory?

The point is that it is unsurprising that lawyers in the pay (or hoping eventually to be in the pay) of Mr. Clinton, and lawyers associated with the creation of a legal defense fund, blithely assure us that everything is fine. Let's see what the government's lawyers have concluded and put their names to — if anything.

On to specifics: The U.S. Code section on gifts prohibits executive branch officials from soliciting or accepting gifts, with certain exceptions. One of those exceptions applies to the president and vice president accepting gifts in cases related to "the conduct of their office," such as protocol and etiquette. A gift from a visiting dignitary is fine, in other words.

But is a multimillion dollar legal defense fund similar to a ceremonial African mask? Moreover, there is no exception on solicitation, only acceptance, of gifts. Isn't the president, directly and indirectly, soliciting contributions to this trust? In addition, doesn't reading the exception broadly enough to allow for potentially limitless numbers of gifts totaling a potentially limitless amount run afoul of the clear intent of the statute itself?

Separate regulations govern the Executive Office of the President and prohibit direct or indirect solicitation or acceptance of anything of value from anyone whose interests might be affected by the official. There is no similar exception under these regulations. In fact, in an executive order, President Clinton himself tightened them. Don't these restrictions on soliciting and accepting gifts apply?

Finally, are these really "gifts" for purposes of the tax code? Oddly enough, this is a part of the code that goes to the foibles of the human heart. Gifts, if they are not to be treated as taxable income to the recipient, have to be made in a spirit of "detached and disinterested generosity," as the Supreme Court noted in a landmark case, *Duberstein vs. Commissioner*. Is that what lies in the heart of the many K Street lawyers even now reaching for their checkbooks? Isn't it, in fact, implausible in the extreme that any gift to a presidential legal defense fund could be construed as disinterested?

Generally speaking, that's the view the IRS takes of "gifts" to politicians. Where there is a quid pro quo, there is certainly "income," not a gift, and this extends to the expectation and even the possibility of a quid pro quo. If, for example, out of fellow feeling, a Rhodes scholar who never got a degree because he was busy at antiwar protests sent Mr. Clinton a Fleetwood Mac CD, that's a gift. Does the IRS think that such feelings apply to Democratic Party lawyers who hope one day to sit on the federal bench?

In addition to these legal questions, there are a number of unresolved matters related to the establishment of the trust itself. For example, has it, in fact, been established? The copies of the trust papers provided by trust counsel M. Bernard Aidinoff yesterday did not show signatures.

In addition, much confusion surrounded the question yesterday of whether the money in the trust could be used for paying settlements or judgments or fines. The language of the document clearly indicates that it can: "the Trustees shall from time to time pay . . . the personal legal fees and related expenses . . . in the defense or conduct of any legal proceedings" involving the Clintons. "Related expenses" clearly can include judgments, settlements and so on. By day's end, the legal team was saying that trust funds would not be used for such purposes. Very well. Has the trust language been changed?

Finally, in the event the Clintons' legal troubles do one day come to an end, what happens to any money left in the trust? The answer to that, actually, is contained in the trust document: "The Trustees shall pay over and distribute the principal of the trust . . . to the Grantors," that is, the Clintons. Perhaps they will donate such a sum to charity. Perhaps, on the other hand, it would make a tidy retirement supplement. If it's the former, why doesn't the document say so?

Beyond such questions as these, there is the more bizarre spectacle of the president, his wife and his spokespersons standing hat in hand, looking for people with a cool thousand bucks to help the Clintons out of their jam. Is this what we want? Thousand-dollar Bill?

Here's looking forward to the answers to these questions and more.

Clintons start a defense fund for Whitewater, sex cases

By Frank J. Murray
THE WASHINGTON TIMES

No donations will be used to make deal with Paula Jones, aide says

President Clinton and first lady Hillary Rodham Clinton set up the first-ever White House "legal expense fund" yesterday to raise millions of dollars, but White House Counsel Lloyd Cutler said none of it would be used to pay off Paula Corbin Jones.

"No settlements are contemplated," he said when asked if donations could be used for an out-of-court deal or judgment, in addition to paying legal fees and costs of professional fund-raisers.

Mr. Cutler justified his participation in the trust on the grounds that the magnitude of imminent legal expenses threatens the institution of the presidency.

The Clintons will not be taxed on the donations, and the first couple will be permitted to review donor lists and winnow out undesirable givers "such as Mafioso or political opponents," said a lawyer in-

involved in drafting the trust.

The fund is earmarked to fight sexual harassment charges filed by Mrs. Jones against Mr. Clinton and cover proceedings in the Whitewater-Madison investigation but could be used for other legal expenses that arise, Mr. Cutler said. He announced the filing of the trust and appointment of a big-name board of trustees to assure the public it is handled ethically.

After a reporter asked yesterday if the money could be used to pay off a judgment or settlement, the board decided that would not be permitted under any circumstances, Mr. Cutler said.

A large number of checks already in hand, including one in five figures, will be returned with a request that they be payable to the correct fund name, properly identify the donor and meet the \$1,000-per-person limit per year.

While the donations may support such things as direct-mail campaigns to raise more money, "fund-raising events" were ruled out on the grounds they might jeopardize the dignity of the president's office.

The limit was set at \$1,000, a lawyer said, because "\$1,000 a year is not going to curry any favor."

Mr. Cutler described the board of trustees as "all outstanding public citizens." The Rev. Theodore M. Hesburgh, president emeritus of Notre Dame University, and Nicholas de B. Katzenbach, former U.S. attorney general, are co-chairmen. The board already has met once.

The Clintons each wrote a check for \$1,000 to start the trust.

Lawyers representing the White House said part of their strategy was to ask news media to publish

the fund's address (Presidential Legal Expense Trust Fund, Dept. 70, Washington, D.C. 20055-0070). They said other "dignified and appropriate" fund-raising options under study include direct-mail solicitation and advertising.

"We don't know how much we need, but it will be many times the president's salary during four years in office," Mr. Cutler said, suggesting bills could run \$1 million to \$2 million each year.

Asked what that could total, Mr. Cutler responded: "You tell me. Mr. Fiske clearly has a long way to go." He was referring to Robert Fiske, the Whitewater-Madison special counsel.

The president's salary for one four-year term totals \$800,000.

Funds will be collected from the lockbox by NationsBank and all donations audited by Ernst and Young, trust documents said.

When Mr. Cutler accepted his interim job as chief counsel, he made a distinction between defending "the president and the presidency" and the Clintons' personal legal problems, including events that occurred in Arkansas before Inauguration Day.

"Legal bills of the magnitude the Clintons are having to incur could seriously interfere with the president's duties and there are a lot of legal questions applying to the institution of the presidency."

"I regard all of that as certainly within the mandate of the counsel to the president to uphold the institution of the president and the presidency," Mr. Cutler said.

Only individuals may donate, and each will be identified publicly, at least semiannually, by name, address and amount given. All disbursements will be accounted for publicly, trust documents said.

ments said.

Senate and House rules permit donations by others, including corporations and unions. The Senate caps donations to such funds at \$10,000 a year, while the House limits gifts to \$5,000.

Lawyers said the trust was modeled after rules applying to non-presidential federal elections.

Other trustees are John Brademas, president emeritus of New York University and a former member of Congress from Indiana; Barbara Jordan, former member of Congress from Texas and a professor at the LBJ School of Public Affairs; Ronald Olson, a Los Angeles lawyer; Elliot Richardson, a lawyer who held three Cabinet posts; Michael Sovern, president emeritus of Columbia University; John Whitehead, former deputy secretary of state; and Michael H. Cardozo, managing director of a banking firm and former deputy counsel to President Carter.

6/29/94

donations, which will be limited to \$1,000 per individual. Money will not be accepted from political action committees, corporations, lobbying groups, professional associations or labor unions, he said.

Clinton advisers defended the \$1,000 figure as lower than the limits set by the House and Senate for legal defense funds, which are \$5,000 and \$10,000 respectively. It is also the same limit placed on individual contributions to campaigns for federal office.

But Lewis criticized the figure as too high. "There aren't that many just plain folks out there in Oklahoma or Montana who can pony up \$1,000," Lewis said. "We all know who's going to give that kind of money and most of them live inside the (Washington) Beltway."

(Optional add end)

The names of donors will be reported to the Clintons every three months, and the names and amounts of contributions will be disclosed publicly at least twice a year.

The fund, formally known as the Presidential Legal Expense Trust Fund, is structured as a grantor trust, which will protect the Clintons from having to pay gift taxes.

Cardozo, Cutler and the Clintons put together a high-powered list of eminent Americans to serve as trustees for the fund, although their role will be limited.

The fund will be co-chaired by the Rev. Theodore M. Hesburgh, the president emeritus of Notre Dame, and former Attorney General Nicholas deB. Katzenbach.

The other trustees are: John Brademas, former Indiana congressman and president emeritus of New York University; former Texas congresswoman Barbara Jordan; Los Angeles lawyer Ronald Olson; Elliot Richardson, former attorney general, secretary of Defense and secretary of Health, Education and Welfare; president emeritus of Columbia University Michael Sovern; and former Deputy Secretary of State John Whitehead.

**Panetta Vows to Bring Discipline to White House (Washn)
By Jack Nelson= (c) 1994, Los Angeles Times=**

WASHINGTON Leon E. Panetta, President Clinton's newly named chief of staff, vowed Tuesday to bring to the White House and to the president a tough new brand of discipline to help Clinton achieve health care reform this year and meet Republican challenges in the midterm elections.

Panetta stressed that, before agreeing to accept the new post, he requested and received a pledge of full trust and confidence from Clinton, as well as authority to make changes that he considers necessary in a White House staff plagued by loose management.

The former California congressman and director of the White House Office of Management and Budget said he got similar assurances from first lady Hillary Rodham Clinton and Vice President Al Gore, both major players in White House operations.

On Capitol Hill, Democratic lawmakers are hoping the shakeup will bring a new White House strategy on what appears to have become a make-or-break issue for Clinton's presidency: health care reform. What they want is a shift away from the administration's hands-off posture in congressional negotiations and clearer signals about what Clinton will and will not accept as lawmakers struggle to fashion compromises on the complex and politically sensitive issue.

The situation has grown so critical that one senior Democratic House aide, asked what the White House should

be doing to salvage its health reform effort, answered only half-jokingly: "You mean, apart from starting all over next year?"

In fairness, it was at the urging of congressional leaders that the administration stood back from the early skirmishing in the five committees three in the House and two in the Senate that claim jurisdiction over health care. Now, however, the process has led to a dangerous drift, with some committees producing bills that differ drastically from one another and at least one being unable to produce any legislation.

Congressional leaders in the health care fight are hoping Panetta will recognize the weaknesses of that strategy and assert control.

"We're going to need a very active role for the White House in these crucial negotiations," said Rep. Henry A. Waxman, D-Calif., chairman of the House Energy and Commerce Committee's subcommittee on health and the environment.

Added Rep. Bill Richardson, D-N.M., a member of the House Democratic leadership: "The White House has been a little too disengaged on health care. It needs to dirty its hands a little more. You can't expect the Congress to go into uncharted waters with no direction. That's dangerous."

Salvaging health care is clearly Panetta's top priority. If the White House fails to mount an effective campaign to achieve what Clinton has made his top domestic priority, then nothing Panetta might do to increase managerial efficiency is likely to matter much.

At the same time, soon after leaving his post as budget director in mid-July to succeed Thomas F. "Mack" McLarty as chief of staff, Panetta will evaluate the White House staff and recommend changes to Clinton.

Panetta said he will review all White House operations and evaluate the strengths and weaknesses of key personnel. He declined to say what personnel changes he has in mind.

When interviewed jointly with McLarty on a television show, Panetta was asked whether he intended to bring in his own press person. "Obviously I'm going to bring in some of my own people to try to assist me in that effort, sure," he replied.

McLarty was then asked whether Dee Dee Myers might be replaced as White House press secretary. He said he would be working with Panetta on such decisions "but ultimately Leon has to get the team in place that he feels is the right team for the White House at this time."

Because Panetta made no further comment, it was widely construed he intends to replace the first woman to serve as White House press secretary. White House sources later said Panetta has no plans to replace her.

Panetta and McLarty, who will become counselor to the president, were greeted by applause at the White House Tuesday when they sat side by side for the first time at the regularly scheduled senior staff meeting. Some aides have expressed relief that their new chief, an experienced Washington hand, is likely to bring more efficiency to the White House.

There is little doubt that Panetta will be a much tougher boss than McLarty, a Clinton boyhood friend from Arkansas who was considered too nice and accommodating, as well as too inexperienced, to be an effective chief of staff.

In an hourlong luncheon session with reporters and in several television interviews, Panetta said he would bring the same tough discipline he demonstrated at the budget office to the White House staff.

"You've got to be tough every day in dealing with the budget," he declared. "You've got to be able to say no to various departments, various agencies, to the Congress. You've got to try to ride a tough road and I've been able

6/29/94

billion over a 10-year period as a result of lower phone rates but long distance carriers say the Bell companies will have an unfair advantage by virtue of their control over local circuits.

A second bill, approved 423-4, would force local telephone companies to make their phone lines available to rival companies, thus setting the stage for competition in the local phone business. The bill will also allow phone companies to provide television programming by wire, competing with cable operators.

Phone companies say they need to have a stab at the \$21 billion cable television business if they are to justify spending huge sums to extend high capacity lines to every home.

"This is the most comprehensive telecommunications legislation brought to the House floor in 60 years," said Rep. Edward J. Markey, D-Mass. He alluded to the Federal Communications Act of 1934 that established a regulatory system that existed for 50 years before a federal court ruling broke up the virtual monopoly enjoyed by the old American Telephone & Telegraph Co. and its subsidiary operating companies.

(Optional add end)

Under the Brooks-Dingell bill, the Baby Bell companies would be allowed to engage in manufacturing activities and long-distance services within a year after the law is enacted, subject to approval by the FCC and the Justice Department.

Similarly, the Bell companies would be allowed to provide long distance services within a state, subject to state approval, with the Justice Department retaining the ability to challenge these services if it finds they are anti-competitive.

The regional Bells could offer interstate long distance only if the FCC and the Justice Department certified that they would not hinder competition.

Long distance operators point out that it could be many years before there is real competition in the \$90 billion local phone exchange business and insist that the Bells should be regulated to allow such competition to develop.

The House bill also would establish rules for Bell companies to provide electronic publishing services, such as the sale over telephone lines of news, financial reports and public records, with the rules scheduled to expire in 2000.

Under the proposal, the Baby Bells could provide electronic publishing only if they did so through a separate affiliate or a joint venture, without any joint sales, advertising or marketing activities with the affiliated organizations.

Two Measures Try to Open Telecommunications Market (c) 1994, Los Angeles Times=

The House passed two measures that radically alter the way telecommunications services are regulated. The bills alter the Communications Act of 1934, and eliminate restrictions on the regional Bell operating companies that were imposed by the consent decree governing the 1984 break-up of AT&T.

BROOKS-DINGELL BILL=

Permits regional Bell operating companies to provide long distance telephone services. Services needed to provide audio and video programming and wireless services would be permitted immediately. Intrastate long distance services would be permitted if state approves and the

Department of Justice does not object. Interstate services would require FCC and Department of Justice approval.

Permits Bell companies to manufacture telecommunications equipment, provided the Department of Justice does not intervene.

Permits Bell companies to provide electronic information services over their own networks, but only through separate subsidiaries.

Bars Bell companies from using telephone account information to market other services.

MARKEY-FIELDS BILL=

Opens local telephone service to competition by requiring local phone companies to offer network connections to competitors, including cable television companies. Also overrides many state and local laws which forbid local phone competition.

Permits telephone companies to provide cable television services through separate subsidiaries, but bars phone companies from buying existing cable systems within their service areas.

Establishes a Federal/State board to develop ways of assuring low-cost phone service for the poor.

Requires FCC to review current restrictions on the number of radio and television stations any one person may own.

Clinton Establishes Defense Fund to Pay Legal Bills (Washn) By John M. Broder= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton, in what aides called a distasteful but necessary move, has established a defense fund to pay his mounting legal bills, which advisers said could be as much as \$2 million a year until the cases against him are resolved.

The fund marks an unwelcome first for a sitting president and illustrates the heavy toll that the Paula Corbin Jones sexual harassment complaint and the Whitewater affair are taking on the Clinton presidency and the Clintons personally.

White House counsel Lloyd Cutler said the president's and the first lady's legal bills will dwarf their income while in office and the legal proceedings against them could drag on for years. The Clintons reported income of \$293,000 and net worth of about \$1.6 million on their 1993 tax returns.

Cutler noted that special counsel Robert B. Fiske Jr., who is investigating the Clintons' involvement in the Whitewater Development Corp. and related matters, "clearly has a long way to go" before concluding his probe.

Cutler also noted that if Clinton is unsuccessful in getting the Jones sexual harassment suit dismissed on grounds of presidential immunity, "we could have hundreds" of other lawsuits against Clinton based on his actions before taking office.

"It doesn't really lend dignity to (the) Oval Office," said Charles Lewis, director of the Center for Public Integrity, a campaign finance watchdog group. "They're doing a tin cup for Bill and Hillary, and any way you cut it, it's unprecedented and it's not pretty."

Former President Nixon accepted donations to help cover his legal bills after he left office, but he paid the bulk of his legal fees himself. No other president or former president has felt compelled to seek public donations to pay his lawyers.

Washington lawyer Michael H. Cardozo, who will serve as the unpaid trustee for the fund, said he and the fund's other trustees had not yet decided how to generate

Clintons Establish Public Fund to Pay Their Legal Fees

By VIVECA NOVAK

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — A legal defense fund established for President Clinton and Hillary Rodham Clinton will take contributions of as much as \$1,000 a year from individuals whose identities will be publicly disclosed at least every six months.

Mr. Clinton became the first sitting president to set up such a fund, which will mainly help defray the costs of his defense against the sexual-harassment suit filed by Paula Jones and of the representation of both Clintons in the various aspects of the Whitewater investigation being conducted by Special Counsel Robert Fiske.

An individual close to the president said the Clintons' legal bills in these matters could run \$1 million to \$2 million a year. The terms of the fund provide that it can be used for legal expenses dating back to the start of his presidency.

The terms leave open the possibility that the money could be used for the Clintons' legal fees in other matters, as well. "It's written that way because depending on how the [presidential] immunity claims come out in the Paula Jones case, there could be 100 cases" filed against Mr. Clinton, said White House Counsel Lloyd Cutler. Mr. Clinton is arguing that he should be given immunity from civil suits such as Ms. Jones's claim until he leaves office.

Corporations, labor unions and other entities will be barred from contributing to the fund. But the only individuals who can't donate to the fund are federal government employees, meaning lobbyists aren't excluded. The trust fund hasn't decided whether the business affiliations of donors would be disclosed publicly, Mr. Cutler said. The Clintons can reject donations from any individual.

The Rev. Theodore Hesburgh, president emeritus of Notre Dame University, and Nicholas Katzenbach, who was attorney general in the Johnson administration, will chair the fund, which was started with \$2,000 from the first couple.

Michael Cardozo, who served in the Carter White House and is managing director of the merchant banking firm G. William Miller & Co., is executive director of the trust and will head the fund-raising effort. He said decisions about how the money will be solicited had yet to be made, but he ruled out fund-raising events.

The fund is set up as a trust, with the donations to be considered gifts on which the Clintons won't be required to pay taxes. The Clintons will be liable for taxes on any investment income earned by the trust, but the trust would reimburse them for those taxes. If there are any funds left when all the legal expenses have been paid, Mr. Cutler said, the Clintons have said they will donate the money to charity or the federal government and won't take a tax deduction.

According to Mr. Cutler, a significant number of checks have already been sent to the White House to help with the Clintons' legal bills. He said they would all be returned, with a letter suggesting the donations be resubmitted to the new fund.

Tax Report

A Special Summary and Forecast Of Federal and State Tax Developments

EVEN THE BEST INTENTIONS don't always lead to effective tax laws.

Consider a health-insurance tax credit contained in a 1990 law, effective at the start of 1991. The provision was designed to encourage many low-income taxpayers to buy health-insurance coverage for their children. Alas, only about one out of every four people potentially eligible actually claimed the credit in 1991, says a new report by the General Accounting Office, a congressional agency.

One reason: "a lack of awareness" among taxpayers that the credit even existed. The report also says the credit "may not have been sufficient" to encourage people to buy insurance coverage. The credit reimbursed "only a small percentage" of taxpayers' health-coverage costs. It eventually was repealed, effective last Dec. 31.

"If you make things too complicated for taxpayers, they may not take advantage of it," says Robert M. Brown of KPMG Peat Marwick in Washington.

MAILING LETTERS to the IRS without getting proof may be asking for trouble.

A recent Tax Court case underscores an old but oft-forgotten lesson: When mailing an important letter to the IRS, consider getting a U.S. Postal Service receipt to prove you sent it on time. Also consider enclosing a duplicate copy of your letter or form, plus a self-addressed, stamped envelope, and ask the IRS to send you a receipt. Or, even better, take the letter to the nearest IRS office and get a receipt, says Sidney Kess, a New York lawyer and accountant.

While this may sound extreme, that little slip of paper sometimes can make all the difference in a dispute with the IRS, as one Arizona couple learned. The couple mailed a form to the IRS to enable a company to be taxed as an "S corporation," whose tax status is much like a partnership. The IRS said it never received it. Tax Court Judge Jacobs, noting the couple didn't produce a registered- or certified-mail receipt, sided with the IRS.

A MAJOR TAX BATTLE resumes today in a U.S. appeals court in California.

In one of this year's most closely watched tax cases, the Justice Department squared off in Pasadena against Albertson's Inc., a Boise, Idaho, food- and drug-store chain. At issue: deferred pay, including what Albertson's called "interest," that it agreed to pay several executives and a director. The company deducted the interest currently, even though it won't pay it for years. The case will be heard by the same three-judge panel of the Ninth Circuit Appeals Court that sided with the company late last year.

The panel's decision to rehear the case is an "ominous" sign for Albertson's, says Frederick Robinson of the law firm of Miller & Chevalier in Washington. "The panel may believe it's made a mistake." If the earlier decision stands and is applied nationally, the Treasury says it could lose about \$7 billion in tax revenue over five years. If the IRS loses again, it may attack other companies elsewhere—or even tax individuals now on deferred interest.

This case will have a "very broad impact," says lawyer Lawrence Gibbs, a former IRS commissioner.

SO SORRY: A Postal Service official apologizes to New York Tax Chief James Wetzler for "undue delays" in delivering stacks of mail to the state. Mr. Wetzler says that included 40,000 checks totaling \$38 million, costing the state more than \$40,000 in lost interest — and also "creating the perception among 40,000 taxpayers we're not a very efficient government."

IRS CHIEF FROM MARS? A sarcastic letter to IRS Chief Richardson, who often refers to the tax system as "voluntary," asks if there is a "residency requirement" for her job. She says the author concluded there wasn't: "He told me I must be from Mars if I really believe the U.S. has a voluntary tax system."

STATES SCRIMP on aid to cities and counties, says Steven Gold of the Nelson A. Rockefeller Institute of Government in Albany, N.Y. In a new report, he says the slow growth of local aid is "one of the primary reasons" local taxes have been rising faster than state taxes.

FILING BY TELEPHONE will be available to more people next year.

About 519,000 taxpayers filed their federal income-tax returns this year using a touch-tone phone. The IRS's "TeleFile" program was available only in seven states: Ohio, Florida, Indiana, Kentucky, Michigan, South Carolina and West Virginia. More states will be included next year, IRS officials say. The IRS praises the program because it produces cleaner, easier-to-process returns with fewer errors. Taxpayers like it because it is relatively easy to use and typically leads to faster refunds.

The IRS this year offered the program only to single taxpayers with no dependents who would otherwise use Form 1040EZ, which applies to income under \$50,000. The program also was open only to people who received special tax packages earlier this year. TeleFile also usually isn't completely paper-free.

Taxpayers enter their data on a touch-tone phone, but most then have to fill a special return with W-2 forms.

RIERS: The IRS audited 16.9% of all income-tax returns in fiscal 1993, down from 22.9% in 1985. ... Confirming what many people may already suspect, a new study by economist Arthur Hall of the Tax Foundation in Washington concludes that our tax system creates a "strong disincentive" for people to save.

—TOM HERMAN

Mr. Clinton's Defense Fund

IT IS NOT a happy day for the presidency when the White House has to establish a legal defense fund for the occupant of the Oval Office. But President Clinton's move to establish such a fund yesterday to pay his legal bills in the Paula Jones lawsuit and the Whitewater matter was inevitable. All the potential alternatives—accepting free legal help, getting a big bank loan, winning favored treatment from his lawyers by getting them to sit on their bills until after he had left the White House—raised even more serious ethical questions. Better to have a fund that's out in the open and subject to public scrutiny.

Unfortunately, Mr. Clinton did not go as far as he could to minimize potential conflicts or to insulate himself from criticisms that contributors to his legal defense might be buying special influence. The fund will not be accepting contributions from corporations, labor unions, political action committees or business partnerships. But the fund's organizers have decided to accept donations from lobbyists.

This decision is inconsistent with the president's own rhetoric about the dangers of Washington influence peddling. The White House claims it would be difficult to police whether lobbyists were giving. This is preposterous. The lobbyists are registered, and in any event many would be deterred by a White House stricture. It is unseemly that lobbyists trying

to influence legislation might be asked to help pay the president's lawyers. Mr. Clinton should be setting a higher standard.

Similarly, the president's men and women considered and then rejected a \$500 limit on contributions to the fund and instead set the ceiling at \$1,000. The difference may not seem great—influence, after all, is not bought by the pound. But the point of a lower limit was to force the president's fund-raisers to seek as broad a contributor base as possible. The more people involved in giving, the less any one person or group will be able to claim any privilege.

In other respects, procedures for the fund look sound. The list of contributors will be fully disclosed twice a year—though more frequent disclosure would be helpful. The organizers should also make public the business affiliations of donors, which is what is done under the campaign finance laws. The fund will be run by trustees who seem to have been drawn from a who's who of blue ribbon panels—among them Father Theodore Hesburg, former attorneys general Elliot Richardson and Nicholas Katzenbach and former representative John Brademas. Such a distinguished group will surely understand the dangers of accepting donations from lobbyists. Their first order of business should be to decide to turn them down.

The Religious Village

NEW YORK STATE bent over backward to accommodate the special needs of a community of Hasidic Jews in Orange County. On Monday the U.S. Supreme Court ruled the state had gone too far. On a vote of 6-3, the justices held that creation of a special school district for the community represented an unconstitutional delegation of a state's discretionary authority over public schools to a group defined by its religious character. A review of the facts in this case would have made any other conclusion startling.

Members of the Satmar Hasidic community came to the United States after World War II and settled primarily in Brooklyn. The group is very conservative and traditional in dress and language, speaking Yiddish in the home and generally separating itself from aspects of American culture—television, movies—deemed harmful. In the mid-'70s, a group of Satmars established a community in the town of Monroe and petitioned the town board to form a new village. The petition was opposed by neighbors who were not Satmars, and after negotiations the Village of Kiryas Joel was created with boundaries including only the 320 acres owned and inhabited by members of the religious group. It now has a population of about 8,500. Five years ago, at the request of the Satmars, the New York state legislature passed a law creating a separate school district for the village, a decision rarely made in that forum. While most

village children continued to attend private religious schools, the new authority established a school for handicapped children whose parents had been unhappy with the secular special education facilities provided by the Monroe public schools.

While the state must make certain accommodations to religious practice, the New York statute did far more. Because of the earlier government decision to carve out a village that encompassed only members of one religious sect, creating a school district for that village in effect ceded public authority to that sect. It is without constitutional significance that technically the power to run the schools was given to a board elected by the citizens of that village rather than to a single religious leader, since every single citizen of the community is part of the religious group. What the legislature created, the court found, is "a purposeful and forbidden fusion of governmental and religious functions." Instead, wrote Justice Souter for the plurality, the Satmars and the Monroe public school district should explore alternatives including providing special bilingual and bicultural education to the affected children at an existing public school or other neutral place.

More subtle church-state problems and, with them, the future application of the court's three-pronged test for determining constitutionality in these cases remain for consideration another day.

Clintons Establish Fund To Meet Legal Expenses

Lobbyists Allowed to Contribute Up to \$1,000

By Ruth Marcus
Washington Post Staff Writer

President Clinton and First Lady Hillary Rodham Clinton yesterday established an unprecedented defense fund to help them pay legal fees for the Whitewater investigation and the Paula Corbin Jones lawsuit that could run as high as \$2 million annually.

The fund will not accept contributions from corporations, labor unions, political action committees or other organizations. The donations and outlays will be reported twice yearly.

But in a recognition of the fact that lobbyists constitute a fertile source of fund-raising, Clinton will accept contributions of up to \$1,000 annually from the Washington lobbyists whose activities he decried during the campaign and since taking office.

"The model we were following is the campaign contribution law which allows individual contributions," a senior official said yesterday, explaining the decision not to prohibit contributions by lobbyists. "We didn't feel we should bar individuals who choose to give money of their own accord on a voluntary basis."

FUND. From A1

The official also pointed to the "impossibility of policing" a prohibition on lobbyist contributions because of the practical difficulty of identifying lobbyists. "One thousand dollars a year is not going to curry favor on behalf of any lobbyist," the official said.

White House press secretary Dee Dee Myers said the Clintons decided to establish the fund because "it's in the best interest of the country and the president" to have the large legal bills paid, and the Clintons could not afford it on his \$200,000 salary.

In a statement, the chairman of the fund, the Rev. Theodore M. Hesburgh and former attorney general Nicholas deB. Katzenbach, said: "No previous president has had to face the enormous personal legal expenses confronting President Clinton. Whatever the merits or motivations of these proceedings, we believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities."

Also on the board of trustees overseeing the fund are two Republicans, former attorney general Elliot L. Richardson and former secretary of state John Whitehead; former Democratic representatives Barbara Jordan of Texas and John Brademas of Indiana; Los Angeles lawyer Ronald Olson; former Columbia University president Michael Sovern, and Michael Cardozo, an investment banker who was White House deputy counsel for President Jimmy Carter.

Clinton's advisers had initially considered a contribution limit of \$500 but decided to opt for the higher figure and pointed to that amount as the cap placed on campaign contributions.

In his campaign book, "Putting People First," Clinton described the previous 12 years of Republican administrations as "nothing less than an extended hunting season for high-priced lobbyists and Washington influence peddlers."

After taking office, Clinton proposed a campaign finance reform bill that would prohibit lobbyists from

contributing money to those they lobby. "Particularly, we have taken aim at the lobbyists who symbolize the reason that nothing ever seems to get done here in this city," Clinton said in unveiling the proposal.

The Clintons are paying legal fees stemming from the independent counsel investigation into their failed Whitewater real estate development and to defend against the lawsuit filed against the president by Paula Jones, the former Arkansas state employee who alleges that Clinton sexually harassed her.

Although the Clintons may be reimbursed for some of the Whitewater fees with the passage of a new independent counsel act, a White House official said that at most they would be able to recover \$40-\$75 an hour—far less than the reported \$300 to \$400 an hour charged by their Whitewater lawyer, David Kendall of Williams & Connolly. Robert S. Bennett, the lawyer handling the Jones case, charges a reported \$475 hourly fee.

"I don't know that we know how much we will need," White House special counsel Lloyd N. Cutler said. "It will clearly be many times the president's salary." A senior official said that, since news reports about the plans for a legal defense fund, a "significant number of checks"—including one "in the five figures"—had been sent to the White House.

Cardozo, who is serving as executive director of the fund, said the trustees had ruled out holding fund-raising "events," such as dinners or other galas to solicit contributions.

The rules governing the Clinton fund are far stricter than those imposed on similar defense funds for members of Congress. Senators may accept contributions as high as \$10,000 yearly, including from political action committees, special-interest groups, corporations, unions and other groups. House members may take up to \$5,000, also from a broad array of groups.

The first two contributors to the Presidential Legal Expense Trust are the Clintons themselves, who each gave the \$1,000 maximum.

WEDNESDAY, JUNE 29, 1994 THE WASHINGTON POST

U.S. Seeks New Process Sites For Wave of Fleeing Haitians

House Hearing On Whitewater Opens July 26

WASHINGTON, June 28 (AP) — The House of Representatives plans to begin hearings on the Whitewater affair on July 26, focusing first on the removal of files from a White House lawyer's office soon after his suicide.

Representative Henry B. Gonzalez, the Texas Democrat who heads the House Banking Committee, announced on Monday that one of the first witnesses would be Robert B. Fiske Jr., the special counsel investigating accusations that President Clinton and his wife, Hillary, benefited improperly in the 1980's from their ties with a savings and loan owner who was their partner in the Whitewater real estate venture.

Mr. Gonzalez said he would ask Mr. Fiske to report on the suicide of Vincent W. Foster Jr., the deputy White House counsel, who had handled some Whitewater matters for the President, and on the later removal of Whitewater papers from Mr. Foster's office by White House officials shortly after his death.

Several top and former White House officials have also been asked to testify on the Foster documents, including Thomas F. McLarty 3d, who became counselor to the president on Monday after serving as Mr. Clinton's chief of staff; Margaret Ann Williams, chief staff to Mrs. Clinton, and Bernard W. Nussbaum, the former White House counsel, who removed the files from Mr. Foster's office and gave some to the President's private lawyer.

The White House counsel, Lloyd N. Cutler, pledged Administration cooperation with the hearings, saying in a statement: "As the President has previously announced, the White House will cooperate fully with the responsible congressional committees."

Mr. Fiske may also report on the propriety of contacts between White House officials and Federal regulators who were investigating the Madison Guaranty Savings and Loan Association, the failed institution that was owned by the Clintons' Whitewater partner, James B. MacDougal.

Those contacts are to be the main focus of the second part of the House hearings. Those asked to testify include Treasury Secretary Lloyd Bentsen and Deputy Secretary Roger C. Altman.

The Senate will begin similar hearings no later than July 29. Democrats there have insisted on a narrow focus — Mr. Foster's death, the handling of his documents and the Administration-regulator contracts — to avoid interfering with Mr. Fiske's criminal inquiry.

By STEVEN GREENHOUSE

Special to The New York Times

WASHINGTON, June 28 — Fearing that its centers for processing fleeing Haitians will soon be overwhelmed, the Clinton Administration tried today to find additional interview sites as Coast Guard vessels picked up more than 600 Haitians trying to leave the country.

But in a speech at the National Press Club, the exiled Haitian President, the Rev. Jean-Bertrand Aristide, refused to discourage his countrymen from leaving, even in rickety vessels. Although United States officials have asked him to make such an appeal, Father Aristide said: "Haiti looks like a house on fire. We cannot ask people to stay in this house on fire."

After the Coast Guard stopped 1,265 Haitians on Monday, the largest number picked up in a single day in more than two years, Defense Secretary William Perry said the Administration was considering the use of Guantánamo Bay in Cuba to interview Haitians.

As a result of the recent surge, the Coast Guard has picked up almost 2,700 Haitians in the last five days — more than the number intercepted in all of 1993.

Wave of Haitians Leave

The latest wave of Haitians leaving their country began after President Clinton announced on May 8 that he was reversing his policy of summarily repatriating Haitians without first granting them an interview to determine whether they should be granted refugee status.

Many Haitians have been encouraged to depart by boat after learning that the United States has granted refugee status to about 30 percent of the Haitians interviewed at a new processing center on a ship off the Jamaican coast.

An emergency meeting of President Clinton's foreign policy team was called today at the White House to discuss the drastic increase in the number of Haitians fleeing their country.

"There has been a significant increase in refugees, perhaps as a result of political repression in Haiti and perhaps anxiety over tougher sanctions," President Clinton said today. "We are going to examine what our options are there."

2 Ships in Area

William H. Gray 3d, the President's special adviser on Haiti, said today that the Administration was asking other Caribbean island nations to let the United States process Haitians on their territory, as fears grew that the two ships being used off the Jamaican coast to handle Haitians are being swamped. The United States has a 1,000-bed Navy ship, the Comfort, in Kingston Harbor as well as a ship that can hold up to 300 Haitians.

"If this is a wave as opposed to a surge, obviously the Comfort and the other ship will not be sufficient to handle these people," Mr. Gray told reporters.

One step being taken is to rush a larger holding ship that can handle about 800 Haitians to Kingston to replace the smaller vessel.

In addition, Administration officials said that talks were going well with the Bahamas and that they were optimistic that the United States could soon process Haitians there.

Crane Breaks Down

The Clinton Administration hopes to open a processing center in the Turks and Caicos Islands around July 15. At the White House meeting today, one concern adding to the anxiety was that a crane needed to build a processing center there had broken, threatening to delay by several days the use of those islands.

Father Aristide and American officials expressed doubt over suggestions by aides of Haiti's military leader, Lieut. Gen. Raoul Cédras, that the general might step down in October.

Michael McCurry, the State Department spokesman, said General Cédras "said in the Governors Island Accords that he would leave in October 1993 and he failed to make good on that commitment."

Father Aristide said he saw no reason why General Cédras would make good on a new promise to cede power after failing to do so last year. "It's a dilatory maneuver to waste time," the exiled Haitian President said.

Radio Broadcasts Planned

Mr. Gray told the Senate Foreign Relations Committee that within the next few days the United States would set up a radio service to Haiti that would allow Father Aristide to address the Haitian people.

He said that after being banned from the Haitian airwaves for more than two years, Father Aristide could convey his message of reconciliation and could dispel the misinformation broadcast by Haiti's military.

At the hearing, Mr. Gray repeated that military intervention was an option for ousting the Haitian military junta, but he said no imminent action was planned.

Mr. Gray indicated that in its latest step to increase pressure on Haiti's military and wealthy, the Administration would soon stop granting visas to Haitians and would revoke outstanding visas.

Denial of Visas Hit Wealthy

Because most Haitians cannot afford to travel to the United States, the decision to deny visas is directed primarily at wealthy Haitians and is intended to persuade them to abandon their support of Haiti's military.

Like last week's decision to freeze Haitian assets in the United States, the move is intended to show Haiti's military and their wealthy backers that the Administration is intent on exerting maximum pressure to force the coup leaders to cede power.

"No visas would be honored in the United States, which would basically cut off all travel between Haiti and the United States," an Administration official said.

Several officials said that Haitians attending colleges in the United States would also have their visas denied or canceled.

The decision to deny visas comes after the United States, Canada, Panama and the Netherlands have halted flights in and out of Haiti. The Administration is pressing France in the hope that it will stop Air France's three weekly flights to Haiti.

According to Administration officials, there will be limited exceptions to the ban on travel visas, such as for members of Father Aristide's government. They also said there would be exceptions like Haitians working for relief groups and for medical emergencies.

c-clinton-fund-ndy - a1847
ndy) (ATTN: National editors) (Includes optional trims)
Clinton Pass the Hat for Legal-Defense Costs (Washn)
by Martin Kasindorf= (c) 1994, Newsday=

WASHINGTON President Clinton and first lady Hillary Rodham Clinton Tuesday created an unprecedented legal-defense fund so the public can help them pay the costs of lawsuits in the Whitewater matter, a sexual-harassment case and other potential court troubles.

To avoid conflicts between Clinton's private interests and public duties, contributors will be limited to \$1,000 a year and gifts can only come from individual American citizens, according to the nine-page document forming the "presidential legal expense trust." While individuals who work as registered lobbyists can contribute, donations will not be accepted from corporations, unions, political-action committees or other lobbying entities.

A blue-ribbon panel of nine trustees will oversee the trust.

With Whitewater special counsel Robert Fiske's investigation and the Paula Jones sexual-harassment action in Arkansas likely to extend past this year, the Clintons' legal expenses "could easily run to \$1 (million) or \$2 million a year," one lawyer briefing reporters on the defense fund, who spoke on condition of anonymity, said Tuesday.

If an Arkansas federal judge rejects Clinton's claim that he should be immune from civil suits while serving as president, which he is filing to postpone the sexual harassment case, "we might have a hundred cases" filed against the president, the lawyer warned.

"Whatever the merits or motivations of these proceedings, we believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities," the trust's co-chairmen, the Rev. Theodore Hesburgh, retired president of the University of Notre Dame, and former Attorney General Nicholas Katzenbach, said in a statement.

(Begin optional trim)

Trustees, selected by the Clintons in consultation with White House Special Counsel Lloyd Cutler, include two prominent Republicans: former Attorney General Elliot Richardson and John Whitehead, former Reagan administration deputy secretary of state.

Among other trustees are John Brademas and Michael Sovern, former presidents, respectively, of New York University and Columbia University, and former Democratic Rep. Barbara Jordan of Texas.

The Clintons launched the fund by signing separate, lavender-colored \$1,000 checks on their Little Rock, Ark., bank account. Promising "dignified" fund-raising to augment the \$2,000 base, trustees have ruled out dinners or similar "events," but soon will decide whether to use direct mail or other techniques, one trustee said.

(End optional trim)

For now, trustees are publicizing the mailing address for contributions, which are non-deductible: Presidential Legal Expense Trust Fund, Department 70, Washington, D.C. 20055-0070.

Sources connected with the trust said it would not pay any settlements the Clintons might reach to end lawsuits short of trial.

Distributed by the Los Angeles Times-Washington Post News Service

**** filed by:LAWP(--) on 06/29/94 at 02:34EDT ****
**** printed by:WHPR(JEL) on 06/29/94 at 08:28EDT ****

Law: Clintons Establish Public Fund to Pay Their Legal Fees ---- By
Iveca Novak Staff Reporter of The Wall Street Journal

WASHINGTON -- A legal defense fund established for President Clinton and Hillary Rodham Clinton will take contributions of as much as \$1,000 a year from individuals whose identities will be publicly disclosed at least every six months.

Mr. Clinton became the first sitting president to set up such a fund, which will mainly help defray the costs of his defense against the sexual-harassment suit filed by Paula Jones and of the representation of both Clintons in the various aspects of the Whitewater investigation being conducted by Special Counsel Robert Fiske.

An individual close to the president said the Clintons' legal bills in these matters could run \$1 million to \$2 million a year. The terms of the fund provide that it can be used for legal expenses dating back to the start of his presidency.

The terms leave open the possibility that the money could be used for the Clintons' legal fees in other matters, as well. "It's written that way because depending on how the presidential immunity claims come out in the Paula Jones case, there could be 100 cases" filed against Mr. Clinton, said White House Counsel Lloyd Cutler. Mr. Clinton is arguing that he should be given immunity from civil suits such as Ms. Jones's claim until he leaves office.

Corporations, labor unions and other entities will be barred from contributing to the fund. But the only individuals who can't donate to the fund are federal government employees, meaning lobbyists aren't excluded. The trust fund hasn't decided whether the business affiliations of donors would be disclosed publicly, Mr. Cutler said. The Clintons can reject donations from any individual.

The Rev. Theodore Hesburgh, president emeritus of Notre Dame University, and Nicholas Katzenbach, who was attorney general in the Johnson administration, will chair the fund, which was started with \$2,000 from the first couple.

Michael Cardozo, who served in the Carter White House and is managing director of the merchant banking firm G. William Miller & Co., is executive director of the trust and will head the fund-raising effort. He said decisions about how the money will be solicited had yet to be made, but he ruled out fund-raising events.

The fund is set up as a trust, with the donations to be considered gifts on which the Clintons won't be required to pay taxes. The Clintons will be liable for taxes on any investment income earned by the trust, but the trust would reimburse them for those taxes. If there are any funds left when all the legal expenses have been paid, Mr. Cutler said, the Clintons have said they will donate the money to charity or the federal government and won't take a tax deduction.

According to Mr. Cutler, a significant number of checks have already been sent to the White House to help with the Clintons' legal bills. He said they would all be returned, with a letter suggesting the donations be resubmitted to the new fund.

**** filed by:WSJ(--) on 06/29/94 at 02:35EDT ****
**** printed by:WHPR(JEL) on 06/29/94 at 08:28EDT ****

bc-clinton-fund-ndy - a1847

(ndy) (ATTN: National editors) (Includes optional trims)

Clinton Pass the Hat for Legal-Defense Costs (Washn)

By Martin Kasindorf= (c) 1994, Newsday=

WASHINGTON President Clinton and first lady Hillary Rodham Clinton Tuesday created an unprecedented legal-defense fund so the public can help them pay the costs of lawsuits in the Whitewater matter, a sexual-harassment case and other potential court troubles.

To avoid conflicts between Clinton's private interests and public duties, contributors will be limited to \$1,000 a year and gifts can only come from individual American citizens, according to the nine-page document forming the "presidential legal expense trust." While individuals who work as registered lobbyists can contribute, donations will not be accepted from corporations, unions, political-action committees or other lobbying entities.

A blue-ribbon panel of nine trustees will oversee the trust.

With Whitewater special counsel Robert Fiske's investigation and the Paula Jones sexual-harassment action in Arkansas likely to extend past this year, the Clintons' legal expenses "could easily run to \$1 (million) or \$2 million a year," one lawyer briefing reporters on the defense fund, who spoke on condition of anonymity, said Tuesday.

If an Arkansas federal judge rejects Clinton's claim that he should be immune from civil suits while serving as president, which he is filing to postpone the sexual harassment case, "we might have a hundred cases" filed against the president, the lawyer warned.

"Whatever the merits or motivations of these proceedings, we believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities," the trust's co-chairmen, the Rev. Theodore Hesburgh, retired president of the University of Notre Dame, and former Attorney General Nicholas Katzenbach, said in a statement.

(Begin optional trim)

Trustees, selected by the Clintons in consultation with White House Special Counsel Lloyd Cutler, include two prominent Republicans: former Attorney General Elliot Richardson and John Whitehead, former Reagan administration deputy secretary of state.

Among other trustees are John Brademas and Michael Sovern, former presidents, respectively, of New York University and Columbia University, and former Democratic Rep. Barbara Jordan of Texas.

The Clintons launched the fund by signing separate, lavender-colored \$1,000 checks on their Little Rock, Ark., bank account. Promising "dignified" fund-raising to augment the \$2,000 base, trustees have ruled out dinners or similar "events," but soon will decide whether to use direct mail or other techniques, one trustee said.

(End optional trim)

For now, trustees are publicizing the mailing address for contributions, which are non-deductible: Presidential Legal Expense Trust Fund, Department 70, Washington, D.C. 20055-0070.

Sources connected with the trust said it would not pay any settlements the Clintons might reach to end lawsuits short of trial.

Distributed by the Los Angeles Times-Washington Post News Service

**** filed by:LAWP(--) on 06/29/94 at 02:34EDT ****

**** printed by:WHPR(JEL) on 06/29/94 at 08:28EDT ****

House panel invites Fiske to testify

By Jerry Seper
THE WASHINGTON TIMES

Whitewater-Madison special counsel Robert B. Fiske Jr. has been asked to testify before the House Banking Committee when it begins hearings on the affair July 26.

Committee Chairman Henry B. Gonzalez announced yesterday his invitation to Mr. Fiske to testify on "certain aspects of the Whitewater case."

In a letter to Mr. Fiske, Mr. Gonzalez's invitation limits the special counsel's pending testimony to the "Washington phase" of his ongoing Whitewater-Madison probe, which Mr. Fiske is now reporting to the Justice Department.

The House agreed June 15 to hold Whitewater-Madison hearings but to limit them to the Washington matters:

- A review of the July 20 death of White House Deputy Counsel Vincent W. Foster Jr., whose body was found in a Virginia park.

- The White House handling of the death, which was ruled a suicide.

- Meetings between Clinton administration officials and government regulators looking into a failed Arkansas thrift owned by a longtime Clinton friend and business partner.

"I understand you have approached the House and Senate leadership, indicating the Washington phase of your investigation is near completion, and that in the near future you will give Congress the green light to hold hearings on certain issues related to your investigation," Mr. Gonzalez wrote to Mr. Fiske.

"Accordingly, I respectfully request that you appear before the Banking Committee... to discuss the scope and findings related to the Washington phase of your investigation," he said.

A spokeswoman for Mr. Fiske said yesterday he was aware of the invitation but had not yet responded. He is in Washington to deliver the results of the first phase to the Justice Department.

Mr. Gonzalez, Texas Democrat, also formally asked the White House to produce by July 8 docu-

ments it needs for the hearings. The Senate committee made a similar request last week in a letter co-signed by its Democratic chairman and ranking Republican member.

Acting White House Counsel Lloyd Cutler said President Clinton "will cooperate fully with the responsible congressional committees."

Mr. Gonzalez has told the House Democratic leadership he does not plan to include the Foster death as part of his committee's Whitewater-Madison review. He said the panel does not have the expertise to conduct a review into the death and suggested it be dropped as a hearing topic.

Mr. Fiske, a former federal prosecutor, heads an investigation by two federal grand juries into suspected illegal financial ties between Madison Guaranty Savings and Loan Association and Whitewater Development Corp., a partnership of the Clintons, Madison owner James B. McDougal and his ex-wife, Susan.

He is trying to determine if Madison funds were improperly diverted to Whitewater and to the campaigns of several prominent Arkansas politicians, including Mr. Clinton, Madison, which also is the subject of another probe by the Resolution Trust Corp., was seized by federal regulators in 1989 at a cost to taxpayers of \$50 million.

Mr. Fiske has asked the House and Senate not to proceed into Madison and Whitewater concerns until his investigators complete their inquiry, and have had an opportunity to interview witnesses and review documents.

Sen. Donald W. Riegle Jr., chairman of the Senate Banking Committee, said yesterday he had appointed a Boston lawyer, J. William Codinha, as special counsel to the committee for pending Senate hearings on Whitewater-Madison.

Mr. Riegle, Michigan Democrat, said Mr. Codinha formerly served as chief counsel to the U.S. Senate Select Committee on POW-MIA affairs.

• Frank J. Murray contributed to this report.

Clinton seeks to delay lawsuit

By Jerry Seper
THE WASHINGTON TIMES

President Clinton yesterday moved to delay a sexual harassment lawsuit by former Arkansas state employee Paula Corbin Jones until after he leaves office.

A motion filed in U.S. District Court in Little Rock by Mr. Clinton's attorney, Robert S. Bennett, asks that the court "dismiss this complaint without prejudice to reinstatement after the conclusion of his presidency."

Mr. Bennett's motion yesterday cited a 1982 Supreme Court ruling involving former President Nixon. It found that presidents are immune from being sued for official actions while in office.

"This would give the president some status the rest of us don't have," Mrs. Jones' attorney, Gilbert K. Davis, responded.

Mr. Bennett will formalize the immunity move in an Aug. 5 motion to U.S. District Judge Susan Webber Wright. He will argue that responding to the Jones allegations would distract Mr. Clinton from his official duties and, ultimately, harm the country.

Mr. Davis disputed the notion that Mr. Clinton would be swamped by other civil suits. He said he knows of no others. "Where are they all?"

Mr. Davis also said that a delay could hurt Mrs. Jones' case. "Witnesses could die. Evidence could be lost. Memories could fade," he said.

A favorable ruling, permitting immunity arguments to be filed separately, could postpone the need for Mr. Clinton to directly respond to the sexual accusations and delay additional court action for more than a year, legal experts said.

The immunity challenge was first raised June 16 by Mr. Bennett in a teleconference from his Washington offices with Judge

Wright. Mr. Davis and Joseph Cammarata, another attorney for Mrs. Jones, participated in the conference and opposed the Bennett request.

At the time, Mr. Bennett asked the judge to allow him to make arguments that the presidency is protected from lawsuits such as the one filed by Mrs. Jones in an initial filing, while reserving the right to file other motions at a later time.

Judge Wright, a Bush appointee and a former law student of Mr. Clinton's, asked for written reasoning on the request, giving Mr. Bennett 10 days to file, then allowing 11 days for the defense team to respond.

Mrs. Jones, 27, filed her lawsuit May 6 saying her rights were violated by an unsolicited sexual advance by Mr. Clinton in 1991, when she was a state employee and he was the governor. Afterward, she said, Mr. Clinton and others imposed a hostile work environment on her.

She said statements by Mr. Clinton, "his agents and employees" and Arkansas State Trooper Danny Ferguson defamed her.

She also has sued Trooper Ferguson, charging that he approached her with an invitation from Mr. Clinton to visit his room at the Excelsior Hotel in Little Rock, then escorted her to the governor's room.

While alone with Mr. Clinton, Mrs. Jones said, he exposed himself to her and tried to coerce her into performing oral sex on him.

Trooper Ferguson, in an answer to the suit filed in U.S. District Court, denied many of the specifics of her complaint. He did say, however, he met Mrs. Jones in the lobby of the hotel, rode up to Mr. Clinton's floor in an elevator with her and pointed out the governor's room.

Mr. Clinton has denied Mrs. Jones' accusations, saying he did not recall ever meeting her.

BC-USA-LIMBAUGH

MEDIA GROUP SAYS LIMBAUGH HAS A ``REIGN OF ERROR''

NEW YORK (Reuter) - Conservative talk show host Rush Limbaugh, who has been exchanging harsh words with President Clinton, describes himself as a ``truth detector'' but a media watchdog group says he is running a ``reign of error.''

Fairness & Accuracy in Reporting, a New York-based group, released a study Tuesday that chronicled what it said was disinformation by Limbaugh on his popular radio and television talk shows and in his books.

The study was published in the July/August issue of the group's magazine ``EXTRA!.''

It was completed before President Clinton lashed out at Limbaugh last week saying he was contributing to cynicism in the country.

Limbaugh responded by saying that he was a ``truth detector.''

But the group said that Limbaugh is ``a perpetual source of disinformation.''

A Limbaugh spokesman did not immediately return calls seeking comment on the article.

Among the statements listed by the group were one on the Iran-Contra investigation, quoting Limbaugh as saying on his TV show in January: ``There is not one indictment. There is not one charge.''

But the report said that prosecutor Lawrence Walsh received indictments against 14 people. Of the 14, 11 pleaded guilty or were convicted.

On Bosnia, it quoted Limbaugh as saying April 18 that ``for the first time in military history, U.S. military personnel are not under the command of United States generals.''

It quoted a Pentagon spokesman as saying that British generals commanded U.S. troops during World War Two and French generals were in charge of U.S. soldiers during World War One.

It said Limbaugh claimed that Chelsea Clinton's school required students to write a paper on ``Why I Feel Guilty Being White.''. The article said the school denied the story, and said the project would be especially difficult for the 28 percent of the student body that is not white.

``This kind of sloppiness, ignorance and or fabrication is run of the mill in Limbaugh's commentary, both broadcast and print,''' the article said.

``From dioxin to Whitewater, from Rodney King to Reaganomics, Rush Limbaugh has a finely honed ability to twist and distort reality,''' it said.

REUTER

**** filed by:RB--(--) on 06/28/94 at 20:10EDT ****
**** printed by:WHPR(JEL) on 06/29/94 at 08:33EDT ****

bc-whitewater

(wap) (ATTN: National editors)

Banking Panel Sets Whitewater Hearing Date (Washn)

By Susan Schmidt= (c) 1994, The Washington Post=

WASHINGTON House Banking Committee Chairman Henry B. Gonzalez, D-Texas, announced Monday he will begin Whitewater hearings July 26 and call as his first witness special counsel Robert B. Fiske Jr. Gonzalez has been opposed to congressional inquiries into the Whitewater investment held jointly by President Clinton, Hillary Rodham Clinton, James B. McDougal, owner of a now-failed Arkansas savings and loan, and his former wife, Susan. But House leaders decided this month that the banking committee should conduct hearings. Hearings also are planned by the Senate banking committee, to be started by July 29.

The congressional hearings will focus on the so-called Washington phase of the Whitewater investigation, and leaders of both houses agreed to wait until Fiske completes his work in that area before commencing.

Fiske has promised to tell Congress this week whether Whitewater hearings this summer will interfere with his investigation. He has said he will release a report this week on the death last summer of deputy White House counsel Vincent Foster.

Other Washington aspects of the Whitewater affair concern how White House aides disposed of Whitewater-related documents in Foster's office after his death, and whether there were improper contacts between White House aides and Treasury officials in charge of the Resolution Trust Corp., the agency overseeing the banking activities related to the Whitewater probe.

**** filed by:LAWP(--) on 06/28/94 at 03:03EDT ****
**** printed by:WHPR(JEL) on 06/28/94 at 08:17EDT ****

Hearings on Whitewater Are Scheduled For Late July by House Banking Chief

By VIVECA NOVAK

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The House Banking Committee became the first congressional panel to set a date for limited hearings on the Whitewater case this summer, with committee Chairman Henry Gonzalez inviting Whitewater Special Counsel Robert Fiske to testify on July 26.

Mr. Fiske would be joined by 20 current or former White House aides and Treasury Department officials, as well as a representative from the Resolution Trust Corp., according to a tentative witness list released by Rep. Gonzalez, a Texas Democrat.

Among them are White House Counsel Lloyd Cutler and his predecessor, Bernard Nussbaum; Thomas McLarty, until yesterday President Clinton's chief of staff; senior presidential advisers George Stephanopoulos and Bruce Lindsey; Patsy Thomasson, head of the White House office of administration; Treasury Secretary Lloyd Bentsen; his deputy, Roger Altman; and Treasury General Counsel Jean Hanson. The RTC representative would be Stephen Katsanos, director of corporate communications.

The panel will have at least two hearings, one on the handling of documents in Deputy White House Counsel Vincent Foster's office just after his suicide, and the other on contacts between White House and Treasury officials and the RTC regarding Madison Guaranty Savings & Loan and Whitewater Development Corp.

The RTC was investigating whether funds from Madison were improperly funneled to the 1984 Arkansas gubernatorial campaign of Mr. Clinton or to his investment in Whitewater. The former owner of Madison was a partner of the Clintons in Whitewater. The Clintons have denied any wrongdoing.

Both the House and Senate have agreed that their Banking Committees would hold hearings by the end of July on the limited aspects of the Whitewater controversy that will be addressed in Mr. Fiske's first report on the matter, expected to be released soon.

Notably absent from Rep. Gonzalez's schedule is a hearing or request for records on the Park Service investigation into Mr. Foster's death, a third area that Mr. Fiske will address in his report.

A request for documents by the Banking Committee last week that went to a similar list of recipients touched on all three areas. Yesterday, the panel announced the appointment of veteran litigator J. William Codrino as its special Whitewater counsel.

Year	Trade Account	Capital Account	Official Assets
1980	32.8	84.4	33.8
1981	3.8	6.2	1.4
1982	3.4	8.5	2.8
1983	4.4	8.3	2.4
1984	8.8	8.7	1.9
1985	5.4	4.8	1.3
1986	3.8	8.6	-0.1
1987	2.8	4.7	3.5
1988	8.8	7.2	-1.7
1989	8.4	2.1	-2.3
1990	2.3	-12.8	18.3
1991	-1.4	-28.5	29.9
1992	-8.8	-8.4	11.2
1993	7.1	-13.3	6.2
1994	2.8	-11.8	8.9
1995	18.1	-24.4	6.2
1996	4.2	-18.4	15.1
1997	-14.8	-21.8	38.4
1998	-15.4	-19.8	34.4
1999	-1.0	14.7	-13.7
2000	1.1	-9.7	8.6
2001	8.9	-7.7	8.8
2002	-5.9	7.2	-1.4
2003	-40.1	35.5	4.6
2004	-98.8	98.9	0.0
2005	-122.3	127.3	-5.0
2006	-145.4	109.5	35.9
2007	-188.2	105.7	54.4
2008	-128.2	98.8	35.8
2009	-108.3	123.0	-16.7
2010	-82.1	61.8	30.2
2011	-8.3	-14.8	23.4
2012	-66.4	21.8	44.6
2013	-109.2	39.3	69.8

Note: In billions. Pluses represent inflows, minuses outflows.

Trade Account is balance on current account.

Capital Account is sum of changes in: U.S. private assets abroad, foreign private assets in U.S., statistical discrepancy, U.S. government non-reserve assets abroad. Official Financing is sum of changes in: U.S. official assets, foreign official assets in U.S.

Data Source: Bureau of Economic Analysis, Department of Commerce.

A13C THE WALL STREET JOURNAL TUESDAY, JUNE 28, 1994

Fed Proposes Changes in Data Filed by Dealers

By JOHN CONNOR

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Federal Reserve is proposing changes in the reports it uses to collect data on positions, transactions and financing activities from U.S. government securities dealers.

The Fed said "significant" changes in reports filed by primary dealers are being recommended in light of a joint report by the Fed, the Treasury and the Securities and Exchange Commission. That report on the government securities market was issued two years ago as a result of the Salomon Brothers Inc. Treasury bond scandal.

The proposed changes already have received initial Federal Reserve Board approval and will be submitted to the board for final approval after comments are received and analyzed.

The affected reports, known as the "FR 2004 series," cover on a weekly and daily basis the government market activities of the 39 dealers recognized by the Federal Reserve Bank of New York as primary dealers in government securities. Primary dealers are the

firms with which the Federal Reserve conducts its open-market operations.

A key proposed change is for a new weekly Report on Specific Issues to collect data on recent Treasury issues for market-surveillance purposes. This change would institute regular weekly reporting on active Treasury issues, including financing-market activity related to such issues, instead of reporting pursuant to special requests by the Fed. In a recent report to Congress, the Fed described this change as a "major improvement."

In a notice filed in yesterday's edition of the Federal Register, the Fed said comments on the proposed changes are due by July 5. It said the shortened comment period "is due to the fact that all 39 primary dealers have consulted with the Federal Reserve staff regarding these changes and have implemented all of the necessary programming changes."

Proposed changes include adding net financing commitments to the Daily Report of Dealers Positions. Dealers finance their positions in Treasury securities in the so-called financing, or repurchase agreement, market.

The proposed Report on Specific Issues also will include data on dealers' financing activities. This report "is designed to collect information on specific Treasury issues for market surveillance," the Fed said. "It will be collected weekly on a routine basis. Also, the Federal Reserve will have the authority to call for reporting of any issue daily, on an as-needed basis."

The Fed indicated in a recent report to Congress on intermarket coordination issues that the revised dealer reports will be introduced soon.

For the Weekly Report on Dealer Positions, the Fed is proposing, among other things, that pass-through mortgage-backed securities and all other mortgage-backed securities be combined into one category.

THE WALL STREET JOURNAL TUESDAY, JUNE 28, 1994

AM-Whitewater Hearings, 1st Ld-Writethru,600

House Whitewater Hearings To Begin July 26

EDS: Combines pvs, minor editing

By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) The House Banking Committee will begin Whitewater hearings July 26 and has asked special counsel Robert B. Fiske Jr. to testify along with top White House officials.

Chairman Henry B. Gonzalez announced Monday he invited Fiske to the initial hearing to report on the "Washington phase" of his investigation into President Clinton's Arkansas land venture.

This phase has covered: contacts between administration officials and banking regulators who were investigating Whitewater; circumstances of the death of Vincent Foster, the deputy White House counsel who handled some Whitewater matters for the president; and removal of Whitewater papers and other documents from Foster's office.

The Senate plans to start similar hearings by July 29, but has set no date.

Gonzalez said the first hearing would focus on the removal of Whitewater files from Foster's office by White House officials after his death last July. The Texas Democrat is not expected to concentrate on the circumstances of Foster's death, which authorities ruled a suicide.

Initially, there were questions about whether Foster took his own life, but Gonzalez has said he would discourage probing deeply into the cause of death to avoid tormenting Foster's family any further. However, Fiske can report on the suicide ruling.

White House officials invited to testify on the Foster documents include White House Counsel Lloyd N. Cutler; Mack McLarty, who became counselor to the president Monday after serving as President Clinton's chief of staff, and Margaret Ann Williams, chief of Hillary Rodham Clinton's staff.

Also invited to testify was Bernard W. Nussbaum, the former White House counsel who removed the Whitewater files from Foster's office and gave some of them to the president's private attorney.

Cutler said in a statement, "As the president has previously announced, the White House will cooperate fully with the responsible congressional committees."

Gonzalez set no date for subsequent hearings, to cover contacts between White House officials and thrift regulators in the Treasury Department and Resolution Trust Corp.

The officials of Treasury and RTC the savings and loan cleanup agency were investigating the failed Madison Guaranty Savings and Loan, which was owned by James McDougal, the Whitewater business partner of the Clintons.

The regulators were investigating, in part, whether depositors' money in the Arkansas thrift was lost through investments in the Whitewater Development Corp. the Arkansas real estate venture the Clintons owned with McDougal and his wife.

Gonzalez' asked Cutler, Nussbaum, McLarty and Williams to return a second time to testify on the contacts with regulators.

To that hearing, he also invited; Mark Gearan, assistant to the president for communications; Lisa M. Caputo, Mrs. Clinton's press secretary; Harold Ickes, deputy White House chief of staff; Bruce R. Lindsey, assistant to the president; John D. Podesta, White House staff secretary, and George Stephanopoulos, a senior White House policy advisor.

Treasury Secretary Lloyd Bentsen also was invited, along with Roger C. Altman, deputy secretary of the Treasury who also served as acting head of the RTC.

Witnesses have been asked to provide copies of all records in their possession on the subjects involved.

**** filed by:APW-(AR) on 06/27/94 at 20:42EDT ****

**** printed by:WHPR(JEL) on 06/28/94 at 08:18EDT ****

AM-Whitewater Hearings, 1st Ld-Writethru, a0697-a0700,600
House Whitewater Hearings To Begin July 26
Eds: Combines pvs., minor editing
By LARRY MARGASAK= Associated Press Writer=
WASHINGTON (AP) The House Banking Committee will begin Whitewater hearings July 26 and has asked special counsel Robert B. Fiske Jr. to testify along with top White House officials.

Chairman Henry B. Gonzalez announced Monday he invited Fiske to the initial hearing to report on the "Washington phase" of his investigation into President Clinton's Arkansas land venture.

This phase has covered: contacts between administration officials and banking regulators who were investigating Whitewater; circumstances of the death of Vincent Foster, the deputy White House counsel who handled some Whitewater matters for the president; and removal of Whitewater papers and other documents from Foster's office.

The Senate plans to start similar hearings by July 29, but has set no date.

Gonzalez said the first hearing would focus on the removal of Whitewater files from Foster's office by White House officials after his death last July. The Texas Democrat is not expected to concentrate on the circumstances of Foster's death, which authorities ruled a suicide.

Initially, there were questions about whether Foster took his own life, but Gonzalez has said he would discourage probing deeply into the cause of death to avoid tormenting Foster's family any further. However, Fiske can report on the suicide ruling.

White House officials invited to testify on the Foster documents include White House Counsel Lloyd N. Cutler; Mack McLarty, who became counselor to the president Monday after serving as President Clinton's chief of staff, and Margaret Ann Williams, chief of Hillary Rodham Clinton's staff.

Also invited to testify was Bernard W. Nussbaum, the former White House counsel who removed the Whitewater files from Foster's office and gave some of them to the president's private attorney.

Cutler said in a statement, "As the president has previously announced, the White House will cooperate fully with the responsible congressional committees."

Gonzalez set no date for subsequent hearings, to cover contacts between White House officials and thrift regulators in the Treasury Department and Resolution Trust Corp.

The officials of Treasury and RTC the savings and loan cleanup agency were investigating the failed Madison Guaranty Savings and Loan, which was owned by James McDougal, the Whitewater business partner of the Clintons.

The regulators were investigating, in part, whether depositors' money in the Arkansas thrift was lost through investments in the Whitewater Development Corp. the Arkansas real estate venture the Clintons owned with McDougal and his wife.

Gonzalez' asked Cutler, Nussbaum, McLarty and Williams to return a second time to testify on the contacts with regulators.

To that hearing, he also invited; Mark Gearan, assistant to the president for communications; Lisa M. Caputo, Mrs. Clinton's press secretary; Harold Ickes, deputy White House chief of staff; Bruce R. Lindsey, assistant to the president; John D. Podesta, White House staff secretary, and George Stephanopoulos, a senior White House policy advisor.

Treasury Secretary Lloyd Bentsen also was invited, along with Roger C. Altman, deputy secretary of the Treasury who also served as acting head of the RTC.

Witnesses have been asked to provide copies of all records in their possession on the subjects involved.

**** filed by:APE(--) on 06/27/94 at 19:44EDT ****
**** printed by:WHPR(JEL) on 06/28/94 at 08:18EDT ****

BC-WHITewater CONGRESS

HOUSE PANEL SETS JULY 26 HEARINGS ON WHITEWATER

By William Scally

WASHINGTON, June 27 (Reuter) - The House of Representatives Banking Committee will open hearings on the Whitewater affair involving President Clinton and Hillary Rodham Clinton on July 26, the panel's chairman said Monday.

The first witness will be Robert Fiske, the special counsel named to look into the affair involving the Clintons' financial dealings when Bill Clinton was governor of Arkansas, committee chairman Henry Gonzalez said.

Under resolutions adopted by both the House and the Senate, congressional investigations into Whitewater will be structured so as not to interfere with Fiske's investigation.

Fiske has said that he will be winding up the Washington phase of his inquiries shortly and would then not object to Congress doing its own investigation into this aspect.

His inquiry into the complex financial affairs involving the Clintons' investment in the Whitewater vacation development, in partnership with the head of a failed savings and loan institution, will take much longer.

The Washington investigation involves contacts between White House officials and officials of the Treasury Department and federal bank regulators, the death of White House aide Vincent Foster and the handling of documents in his office following his suicide last July.

Gonzalez sent letters to more than twenty officials, including top White House aides, notifying them of the intention to hold hearings and asking them to provide records relating to the inquiry by July 8.

He asked Fiske to appear before the committee on July 26 to discuss the scope and findings of the Washington phase of his investigation.

Gonzalez's announcement followed days of political confrontation in the Senate where Republicans sought to broaden the scope of its planned hearings.

But Democrats pushed through resolutions calling for initial hearings to be limited to the three aspects of the Washington phase, to begin no later than July 29.

REUTER

**** filed by:RB--(--) on 06/27/94 at 19:11EDT ****
**** printed by:WHPR(JEL) on 06/28/94 at 08:18EDT ****

White House Will Provide Whitewater Data To Panel

WASHINGTON -- The White House said it would provide documents that the Senate Banking Committee requested for the first phase of its inquiry into questions stemming from the first family's investment in Whitewater Development Corp., The Wall Street Journal reported.

In preparation for hearings later this summer, the panel's leaders had requested documents describing communications between White House officials, the Treasury Department and the Resolution Trust Corp. about Madison Guaranty Savings & Loan Association, a failed Arkansas thrift. Madison's owner was a Whitewater partner of Bill and Hillary Rodham Clinton.

In addition, committee Chairman Donald Riegle (D., Mich) and New York Sen. Alfonse D'Amato, the panel's ranking Republican, asked for the Park Service police report into the death of White House Deputy Counsel Vincent Foster and White House records on how officials handled documents in Mr. Foster's office following his suicide.

All of these documents have been turned over to Robert Fiske, the special counsel who is investigating allegations that funds from Madison may have illegally financed Mr. Clinton's political campaigns or real-estate investments. The Clintons have denied any wrongdoing.

(END) DOW JONES NEWS 06-24-94

6 00 AM

**** filed by:TAPE(--) on 06/25/94 at 21:01EDT ****
**** printed by:WHPR(JEL) on 06/27/94 at 08:12EDT ****

BC-USA-LEACH

GONZALEZ DIFFERS AS ETHICS PANEL CLEARS LEACH

WASHINGTON, June 24 (Reuter) - The ethics committee of the House of Representatives said Friday that Whitewater critic James Leach had not broken any rules by lending his name to a university chair financed by bankers in his state of Iowa.

But Banking Committee Chairman Henry Gonzalez, who had asked for a committee opinion, repeated that such action was improper.

Gonzalez and Leach, the committee's top Republican, have long been feuding over the Texas Democrat's refusal to hold hearings on the Whitewater affair involving President and Hillary Rodham Clinton.

Leach is the leading House critic on Whitewater, and conducted his own investigation of Arkansas financial transactions related to the Clintons' investment in the vacation development.

In a letter to Gonzalez, the ethics panel said: "We are of the opinion that the particular activities described do not indicate a violation of any law, rule, or regulation within the purview of the committee."

It said the committee viewed Leach's activities in the establishment of the college chair at Wartburg College "to be fully consistent with applicable ethical standards."

But in a further letter to ethics committee chairman Jim McDermott, a Washington Democrat, Gonzalez said the practice should not be allowed under the rules.

He urged McDermott to lead "in advising members of the impropriety of lending one's name to a charity to which lobbyists may contribute without requirement of reporting or disclosure."

Leach had said in an earlier statement that he agreed to lend his name to establishment of a chair in banking and economics on condition that he not engage in any fundraising. He said he personally contributed \$10,000 to the endowment.

Press reports said Iowa bankers gave \$1 million.

REUTER

**** filed by:RB--(--) on 06/24/94 at 18:37EDT ****
**** printed by:WHPR(JEL) on 06/27/94 at 08:13EDT ****

The Miami Herald

FRIDAY, JUNE 24, 1994

Fresh possibilities in Korea

The momentary thaw in relations between the United States and North Korea may not, in the end, eliminate North Korea's nuclear threat or the risk of war. The stakes are still enormous for Americans and for the world, and Pyongyang's defiance of the Nuclear Non-Proliferation Treaty is still intolerable.

But thanks largely to former President Jimmy Carter's trip to North Korea last week, there is a chance today that the matter can be resolved peacefully and constructively. That is new, and it's deeply welcome.

President Clinton on Wednesday said that Pyongyang is willing to freeze its most worrisome nuclear activities and allow the International Atomic Energy Agency to continue monitoring its Yongbyon nuclear reactor for any possible violation. In exchange, Washington would resume direct talks to find a permanent solution. Meanwhile, North Korea's deputy foreign minister promises that his country won't reprocess the spent nuclear rods that it had recently removed, nor will it reload the reactor.

"This does not solve the problem," Mr. Clinton said Wednesday, and that is profoundly true. Even with this breakthrough, North Korea will not be abiding by even the minimum requirements of the nonproliferation treaty. Inspectors won't be free to roam and test whatever they please, as that treaty sensibly requires. Pyongyang could, while talks drag on, destroy evidence of its past

WAR RECEDES, FOR NOW
Jimmy Carter opened a new avenue for seeking solutions. But the risks remain enormous.

diversion of nuclear fuel to bomb-making. All of that is deeply worrisome, both as a threat to North Korea's neighbors and as a sorry message to other rogue states.

Still, Mr. Clinton said, this new calm "gives us the basis for seeking a solution." Therein lies Mr. Carter's signal achievement: Until now, the only apparent "solution" lay in confrontation — first economic, then almost certainly military. Meanwhile, the inspection would be suspended and the nuclear production would escalate. A few congressional he-men, notably Sens. John McCain, R-Ariz., and Jesse Helms, R-Kan., still prefer confrontation to the matter. But fortunately, the majority remains more level-headed.

Preparing for confrontation, of course, is imperative. The administration has agreed for now to suspend its push for U.N. economic sanctions; but it dare not cease planning and preparation for military action if needed. North Korea has proven repeatedly that its word can be inconsequential and that it does not shrink at provoking a suicidal war. These are hardly encouraging realities with which to begin negotiations.

But there is no excuse, moral or practical, for lurching toward conflict without first exhausting the possibilities of diplomacy. Because of Mr. Carter's timely mission, those possibilities have widened a bit. That's hardly the end of trouble. But it just might be the beginning of the end.

Defending Mr. Clinton

The new independent counsel law that Congress passed this week could, among other things, spare President Clinton enormous legal costs in the unfolding Whitewater investigation. The law, like one that expired in 1992, requires the government to pay the legal bills of public officials undergoing investigation by an independent counsel.

The bill paves the way for Robert Fiske, currently the Justice Department's special Whitewater counsel, to set up a free-standing office as independent counsel. Mr. Clinton then will be off the hook for most of his Whitewater legal bills. It's only fair: Presidents Reagan and Bush got the same treatment.

But that still leaves the president with potentially ruinous costs in the case of Paula Jones, the former Arkansas secretary who accuses him of sexual harassment. Defending himself in that case — which is not a government matter and thus isn't affected by the independent counsel law — could cost more than \$1 million. The Clintons reported earning \$291,000 last year; a seven-figure defense is plainly beyond their means.

Though the sum sounds appalling, it is reasonable under the circumstances: a sitting president accused of an odious offense by a plaintiff who's riding a ferociously efficient publicity machine. Presidents — and the smooth operation of the government — easily can be undermined by hard lawsuits designed as bait for TV cameras. They need a defense that can handle the media onslaught as effectively as the legal battle. That's not cheap.

So the plan now under discussion is to

WHO'LL PAY THE BILL?
Raising a defense fund may be unseemly, but fending off presidential lawsuits costs a bundle.

assemble a defense fund from private donations. Though the Clintons have made no final decisions, aides have said that the proposed fund would accept no more than \$500 or \$1,000 from any one person. It

would be managed by a trustee safely outside the White House. And no one in the administration would be allowed to solicit donations.

For Mr. Clinton, this is a bad moment for fund-raising of any kind. The watchdog group Common Cause complains, correctly, that he's done little to push campaign fund-raising reform through Congress. Meanwhile, the Democratic Party is amassing campaign donations by side channels that elude the weak existing controls. So a parallel fund-raising effort to pay legal bills is sure to arouse suspicion.

Still, the alternatives are far worse. He could, aides say, ask his lawyers to wait for their payment until he has left the White House and has a chance to make bigger bucks. Such an unusual deal, jury-rigged for the president, would leave him in luck to already powerful Washington lawyers. Worse, it would raise disquieting questions about how Mr. Clinton plans to make a cool million, fast, the minute he leaves office.

The best of the bad options available, then, is a defense fund with reasonable donation caps, run by someone outside presidential politics, in which all the uses of the money are spelled out clearly in advance. It's repulsive that a president should be in this position at all. But now that he's in it, he's entitled to a first-class defense — for his office's sake, not just his own.

Senate panel starts own probe into limited area of Whitewater

By Frank J. Murray
THE WASHINGTON TIMES

The Senate Banking Committee requested documents yesterday from the White House, two Cabinet members and two dozen other people for its restricted investigation of Washington events related to Whitewater-Madison.

Recipients were given a July 1 deadline to supply documents related to the death of former White House Deputy Counsel Vincent W. Foster Jr., the handling of documents taken from his office after the shooting, and talks between White House officials and the Treasury Department concerning a Resolution Trust Corp. probe of Whitewater-Madison.

White House Counsel Lloyd Cutler also was asked to supply policies — present and past — on how White House officials may deal with investigative and enforcement agencies or departments.

It lists the Treasury Department, RTC, U.S. Park Police, and other law-enforcement agencies but was not limited to that group.

The White House said it will furnish materials to the Senate as it did with Whitewater-Madison special counsel Robert B. Fiske Jr. and with grand jury subpoenas.

"As the president has previously announced, the White House will cooperate fully with the responsible congressional committees," Mr. Cutler said in a written statement issued yesterday.

Although no hearing date has been set, a Senate official said yesterday they probably will begin during the week of July 24 since the legislation set a deadline of Friday, July 29.

"We intend to comply," White House Press Secretary Dee Dee Myers said yesterday. She said there had been no invitations to testify but would be met with cooperation when they are issued.

The list includes legal counsel and public relations aides and ranges from the Cabinet to Betsy Pond, who was secretary to Bernard W. Nussbaum when he was White House counsel.

Letters went to Treasury Secretary Lloyd Bentsen, Attorney General Janet Reno, who was merely asked for records collected by her department, Deputy Treasury Secretary Robert C. Altman, whose conversations with White House officials sparked one of the

Plea bargain silences testimony

LITTLE ROCK, Ark. (AP) — Whitewater-Madison special counsel Robert B. Fiske Jr. struck a plea bargain yesterday that will keep a lid on testimony by a man who says Gov. Bill Clinton pressured him into making an illegal federally backed loan to a Clinton business partner.

The plea agreement came four days into a trial peripherally related to the Whitewater investigation of the Clintons' real estate dealings. The case involves two men accused of conspiring to defraud the Small Business Administration (SBA).

A third man involved in the scheme, David L. Hale, was supposed to take the stand, but Mr. Fiske feared that his testimony could jeopardize the probe of Whitewater-Madison by tipping off people under investigation.

Mr. Fiske agreed to reduce felony fraud charges against Charles Matthews and Eugene Fitzhugh to misdemeanors in exchange for their guilty pleas, cutting short the first Whitewater-related case to go to trial.

"These two individuals had nothing to do with Whitewater. This will allow us to devote ourselves fully to Whitewater," Mr. Fiske said.

Mr. Fitzhugh pleaded guilty to one count of improperly trying

to influence a banker; Mr. Matthews pleaded guilty to two counts.

U.S. District Judge Stephen Reasoner said he would send Mr. Fitzhugh to prison for up to a year and give Mr. Matthews one to 1½ years. He said he may also fine them. No sentencing date was set.

The original conspiracy charge carried up to five years in prison.

Hale is a former Pulaski County municipal judge who operated Capital-Management Services Inc., a lending company that administered SBA-backed loans.

His case became part of the Whitewater-Madison investigation last fall when he accused Mr. Clinton of pressuring him into making a \$300,000 federally backed loan to Susan McDougal when Mr. Clinton was governor.

Mrs. McDougal and her husband, James B. McDougal, were partners from 1978 to 1992 with Mr. Clinton and Hillary Rodham Clinton in the Whitewater real estate venture in Arkansas.

Prosecutors charged that Mr. Matthews and Mr. Fitzhugh were key players in a scheme to trick the SBA into giving Hale's company \$900,000 to lend.

episodes being probed, former Deputy Attorney General Philip Heymann, U.S. Park Police Chief Robert Langston, White House Chief of Staff Thomas F. "Mack" McLarty, former White House Counsel Bernard W. Nussbaum, and senior presidential adviser George Stephanopoulos.

The demands for information were broad, specifying that material is wanted "regardless of format."

The resolution prescribing the hearings restricts them to events occurring in Washington, postponing any inquiry of pre-election events in Arkansas until Mr. Fiske and the grand jury complete that phase of their investigation.

Meanwhile, Mr. Fiske said he plans to release results next week of his Washington-based investiga-

tion of the three areas under scrutiny by the Senate Banking Committee.

And Mr. Fiske continued to probe the Clinton administration officials involved in the contact with Treasury officials.

RTC investigator L. Jean Lewis — who aggressively investigated Arkansas' Madison Guaranty Savings and Loan Association, now at the center of the Whitewater probe — appeared for more than an hour before a federal grand jury in Washington.

The findings of Mrs. Lewis and other RTC investigators were referred for possible criminal prosecution, triggering the discussions between White House and Treasury Department officials.

• This article is based in part on wire service reports.

Explosive temper

Treasury Secretary Lloyd Bentsen has stepped forward to rebut allegations in Bob Woodward's book about the Bill Clinton White House that Clinton has a terrible temper.

Here's the way USA Today reported Bentsen's feeble and not altogether convincing effort: "Treasury Secretary Lloyd Bentsen, who has worked with eight presidents, acknowledged Tuesday that President Clinton does have a temper — but it's no worse than anyone else's."

To that I would respond, "Mr. Treasury Secretary, I know Bill Clinton. Bill Clinton was once a friend of mine. Unless you've been the object of it, as I have twice, you don't have the vaguest idea what Clinton's temper is like."

Clinton's is not the worst temper I ever encountered. I've seen at least half a dozen that were worse.

However, to say that Clinton's temper is no worse than anyone else's marks Bentsen as a sycophant who is making excuses for the boss. Clinton's temper is worse than almost anyone else's. I speak from experience and with a degree of expertise. I can recognize a bad temper because I have one.

The saving grace of Clinton's temper is that he explodes and then forgets about it. That's why his employees, who are the ones he takes it out on when he gets mad at somebody else, can continue to work for him.

Attack dogs no more

Complaining in *Reason* magazine about reluctance of the press to really get after Clinton, Thomas W. Hazlett, a professor of economics and public policy at the University of California at Davis, wrote:

"I remember the attack-dog press in its heyday, when reporters chased Republicans up a tree, barking like bloodhounds. When scandal was in the air, they didn't do 90-minute 'Nightline' specials wondering whether the press was being too tough on politicians. They pounded on the vaunted Credibility Gap, howled over each appearance of impropriety and fixed on 'the public's right to know' as their guiding star."

"Nowadays, *Newsweek's* Eleanor Clift, in an 'interview' with the First Lady, asks the following hardball question: 'So if there was nothing wrong, why were you so resistant to making records public? My theory is that you have a thing about privacy.' (Six of Clift's 10 'ques-

John R. Starr



tions' do not end with question marks."

Who's in charge?

As crunch time nears for Bill and Hillary Clinton's health care reform plan, Democratic congressmen said that he is sending signals that he might be willing to compromise on his demand that all Americans must be covered by whatever plan Congress adopts.

Clinton might be willing to settle for less than 100 percent coverage, these congressmen say, and sources in the administration already are beginning to talk about how "full" coverage might be defined.

Clinton seemed to be saying he'd accept less than a full loaf.

After a couple of days of high-level waffling, Hillary Clinton, architect of the plan, said most emphatically Tuesday that Clinton would veto any plan with less than 100 percent coverage, and Clinton began to talk tough again.

Which caused the office wag to ask, "Who's running the White House?"

Taking shots at Lonoke

Lynn Rosellini and Greg Ferguson of *U.S. News & World Report* dropped into Lonoke County recently, telling the locals that they had come to do a story on the "real" Paula Jones, who once called Lonoke home. Jones, *nee* Paula Corbis, is the young woman who has sued Clinton for making improper sexual advances to her.

Like most of the journalists who come to Arkansas seeking "the truth" about some element of Clinton's past, Rosellini and Ferguson could not resist taking a couple of shots at the landscape. Among other things, they wrote that, in many ways, Lonoke "is an alien world."

Which led defenders of Lonoke to counter that to many and in many ways, New York City and Washington, D.C., are a great deal more alien than Lonoke.

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

raft of Whitewater papers

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — Congressional hearings into the Whitewater affair took another step toward reality Thursday, as administration officials agreed to turn over specified Whitewater-related documents to the Senate Banking Committee.

Also, the Whitewater special counsel, Robert Fiske Jr., said Thursday that he probably would release a report next week on part of the investigation, and administration aides appeared confident that the report would include no indictments against them.

Late Wednesday and early Thursday, officials in the White House, the Treasury Department, the U.S. Park Police and former Deputy Attorney General Philip Heymann received requests from the committee for documents relating to three narrowly defined Whitewater-related issues.

The request is for copies of any record of communications between the White House, the Treasury Department or the Resolution Trust Corporation relating to Whitewater Development Corp. and Madison

• Related article 12A

Guaranty Savings & Loan Association; records concerning the Park Police investigation into last summer's suicide of White House Deputy Counsel Vincent Foster Jr.; and records concerning the handling of documents in Foster's office immediately after his death.

Fiske and a Washington-based grand jury have been investigating those topics since disclosures in March that White House and Treasury aides met to discuss Madison Guaranty, a failed Arkansas S&L with links to Whitewater Development.

In the weeks after the disclosure, several top administration aides were called to testify before the Washington grand jury. But there has been no notification from Fiske that indictments are likely, and with a report on the topics to be issued soon, White House aides are taking that lack of notification — a normal courtesy in high-profile cases — as a sign there will be no indictments.

Fiske made the announcement about the report after a court appearance Thursday in Little Rock.

Fiske opposes broader congressional hearings into such issues as the financial dealings of the former governor, Bill Clinton, and first lady Hillary Rodham Clinton concerning Whitewater, a failed real estate investment in Northwest Arkansas. He is continuing a broader criminal investigation into those questions, with a final report not expected for months.

"The White House counsel's office received a letter last night from Chairman (Sen. Donald) Riegle (D-Mich.) and ranking minority member (Sen. Alfonse) D'Amato (R-N.Y.) requesting documents related to the matters of the upcoming Senate hearings," the White House press secretary, Dee Dee Myers, said Thursday. The same letter was sent to 12 White House staff members and several other officials. With 25 people in all receiving the request.

6/24/94

department has put Whitewater behind it. In a recent interview, he said he has full confidence in all of his senior aides. But he conceded that the conversations between White House and Treasury aides that led to controversy should have set off alarms somewhere but evidently did not.

"In retrospect, some of the meetings that my associates attended were wrong," Bentsen conceded. "But I believe that anything that was done that shouldn't have been done was inadvertent. I believe I have one of the best sets of administrative officials in the government."

L.A. To Get \$46.5 Million in New Quake Aid (Washn) By James Bornemeier= (c) 1994, Los Angeles Times=

WASHINGTON The Clinton administration announced \$46.5 million in additional earthquake aid Thursday, most aimed at assisting small Los Angeles-area businesses whose heavy indebtedness makes them ineligible for existing federal loan programs.

Under the plan, applications for aid denied by the Small Business Administration will be sent to the Commerce Department's Economic Development Administration, which will get \$30 million of the federal funds to help businesses restructure their debt.

Federal officials hope that once the quake-impacted businesses get back on their feet, they will be able to expand by obtaining loans from more conventional government and private sources.

"We have heard over and over about tragic stories of small businessmen but haven't been able until today to address these problems adequately," said Commerce Secretary Ronald Brown.

Federal officials estimated about 1,000 businesses in the area damaged by the Jan. 17 earthquake might be eligible for the EDA program, but, with loans averaging \$150,000, only about 200 may receive the funds. The program covers Los Angeles and Ventura counties, the areas hit hardest by the magnitude 6.8 earthquake.

(Optional add end)

To be eligible for the federal money, businesses must show that they have been affected by the quake, rejected for a Small Business Administration loan and have strong potential to create new jobs.

The money comes from a \$500 million contingency aid fund that the Clinton administration had at its disposal since shortly after the quake struck in January. After several previous allocations, \$42.4 million remains in the account, officials said.

Congress approved an \$11 billion earthquake aid package in February. The White House earlier this month requested an additional \$400 million to augment the Small Business Administration's loan program.

GOP, Democrats Square Off Over Religious Right (Washn) By Michael Ross= (c) 1994, Los Angeles Times=

WASHINGTON Partisan animosities and election-year politics flared in Congress Thursday as GOP senators joined conservative counterparts in the House in attacking Rep. Vic Fazio, D-Calif., for criticizing the rising influence of the religious right on the Republican Party.

The speed and vehemence of the GOP response appeared to take the Democrats by surprise. But coming on the heels of a testy partisan debate in the Senate over Whitewater hearings, it also underscored the polarization gripping Congress as it struggles to find increasingly elusive compromises on health care and other major reforms during the countdown to the November midterm elections.

The skirmish was touched off earlier this week when Fazio, chairman of the Democratic Congressional Campaign Committee, launched a controversial attack on the GOP and the rise of the "intolerant... religious right." The comments came in the wake of several victories by religious conservatives in a number of Republican Party primaries over the past month.

Clearly concerned about predictions that suggest the GOP may pick up 20 to 30 House seats in November, Fazio began the new Democratic line of attack by warning voters to beware of "the radical right" and the way its candidates are forcing more mainstream Republicans "to the fringes" of their own party.

Charging that Pat Robertson's Christian Coalition and other socially conservative groups were using "subterranean tactics" to subvert the Republican Party, Fazio said the religious right now controls the GOP political apparatus in at least 15 states. Americans ignore the growing political strength of these "radical fringe" groups at their peril, he warned.

On Thursday, the GOP's big guns on both sides of the Capitol fired back, accusing Fazio and the Democrats of "religious bigotry" and asking President Clinton, in a letter signed by all 44 Republican senators, to disavow his own party's attacks.

"We write to ask that you now join with us in repudiating the remarks of those who use terms like 'fire-breathing Christian radical right,' and who cheapen our democracy through religious bigotry," the senators wrote.

"It's becoming increasingly clear that some members of the Democratic Party are resorting to campaign tactics based on religious bigotry to divert attention from (the Democratic Party's) own failings," Senate Minority Leader Bob Dole, R-Kan., added on the Senate floor.

(Optional Add End)

In the House, Republican Policy Committee Chairman Rep. Henry J. Hyde of Illinois denounced what he said was a "calculated smear campaign" by the Democrats, while Rep. Robert K. Dornan, R-Calif., recited the dictionary definition of McCarthyism and said it would be replaced in the future by a new word: "Fazioism."

Fazio, in response, accused the Republicans of distorting his remarks and said their reaction "confirms that we really hit a nerve."

"We certainly appreciate that Christians are participating in politics across the spectrum but what we are referring to is the radical right, people like Jerry Falwell and Pat Robertson, whose views are outside the political mainstream," he said.

Citing Evangelical Christian gains in Kentucky, Texas, Minnesota and Virginia, where they helped Oliver North to win the Republican Party's senatorial nomination, Fazio added that, "This is not something we're manufacturing. This is not hysteria. This is what is happening."

endit

Upcoming White House Conference on Africa Alienates Groups (Washn) By John M. Broder= (c) 1994, Los Angeles Times=

6/24/94

not undercut them by insisting on something more conservative.

Hopes for a compromise in the Finance Committee are riding on the group of moderates, who say they are close to agreement. Their plan would first put into place a set of changes in insurance practices that are aimed at making health coverage more affordable.

Presumably, those measures alone would expand the number of people who have health coverage now roughly 85 percent of all Americans. But if 95 percent of the public did not have coverage by the year 2002, a so-called "individual mandate" would kick in, forcing people to buy health coverage, just as state law now requires them to buy insurance for their cars.

The moderates' approach is an effort to reach Clinton's goal of universal coverage without his proposal to require businesses to pay for 80 percent of their workers' insurance. That has proven the single most controversial provision of the Clinton plan, with business groups warning that the additional cost would force many small firms to lay off workers or shut down entirely.

However, it is far from certain that there would be any more support for a bill that could force middle-class families to spend thousands of dollars a year on health coverage. Moreover, it is unclear whether such a requirement could be enforced.

(Optional add end)

Poor and low-income people would receive government subsidies to help them afford the coverage. However, paying for those subsidies could mean hundreds of billions in new taxes.

Conservatives already had expressed opposition to the individual mandate. On Thursday, liberal groups chimed in as well.

"The Senate Finance Committee is moving toward abandoning millions of American health care consumers," said Robert Carolla, legislative counsel to the Consumers Union.

In a letter to each member of the Finance Committee, the Health Care Reform Project a coalition of 56 organizations that support the president's plan also said that it opposes the alternative being crafted by the moderates.

"We strongly urge you to reject this approach or any others that fail to meet the test of guaranteeing all Americans affordable comprehensive coverage," the groups wrote.

Administration Officials Not Expecting Whitewater Indictments(Washn) By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON Senior officials at the Treasury Department and the White House have been told by their personal attorneys that they do not expect special counsel Robert Fiske to seek any criminal indictments against them for their controversial meetings linked to the Whitewater scandal.

Fiske is said to be close to completing the first phase of his Whitewater investigation, focusing both on the suicide of White House deputy counsel Vincent Foster Jr. and the way in which administration officials responded to the news of a Whitewater-related criminal referral by federal regulators.

That aspect of the probe will focus in part on a series of meetings between Treasury and White House officials in the fall of 1993 and early in 1994 to discuss how to respond to a criminal referral from investigators at the

Resolution Trust Corp. to the Justice Department that named President Clinton's 1984 gubernatorial campaign as a possible beneficiary of criminal acts at a failed Arkansas thrift.

But administration sources say they are increasingly confident that Fiske will conclude that portion of his investigation without seeking any criminal charges against current or former officials of the Clinton administration. Although administration sources stress that they have not been given any information by Fiske's office on the status of his investigation, they say that attorneys hired by administration officials who have been subpoenaed and investigated by Fiske are now certain that Fiske will not move against them.

"Based upon my understanding and assessment of what is going on, I don't see the basis for any criminal indictments," said Steven Tabackman, an attorney who represents Jack Devore, the former chief spokesman for the Treasury Department who testified about his involvement before the Whitewater grand jury earlier this year.

The Treasury Department became embroiled in the Whitewater controversy because of the administration's inability to name someone to run the RTC on a permanent basis. In the interim, deputy Treasury Secretary Roger Altman became acting RTC chairman last year, and other senior Treasury aides helped him work on RTC issues on an ad-hoc basis. The duality of their roles as Clinton political appointees and running an independent regulatory agency raised questions about their actions after they held a series of meetings with White House officials to discuss the Whitewater case.

(Begin optional trim)

Fiske has been moving to conclude the Washington portion of his investigation first in order to allow Congress to begin hearings this summer on the controversy. The Arkansas portion of his probe covering the origins of the controversy including the Clintons' investment in the Whitewater real estate development and the failure of a Little Rock, Ark., thrift owned by their Whitewater partner is likely to take much longer.

Separately, the White House said it would comply with a request by the Senate Banking Committee for Whitewater-related documents, which the committee wants in preparation for the start of Whitewater hearings, probably in late July. Presidential spokeswoman Dee Dee Myers said the White House received a letter Wednesday night from Senate Banking Committee Chairman Donald Riegle, D-Mich., and Sen. Alfonse D'Amato, R-N.Y., the ranking Republican on the panel, asking for documents already turned over by the White House to Fiske. The committee said in a statement that it wants documents from current and former officials at the White House and other agencies, who may have had some involvement in the Washington aspects of the Whitewater case.

"It was not a subpoena. Just a letter," said Myers. "We will cooperate."

(End optional trim)

The growing sense that no indictments will be forthcoming from Fiske has had a positive effect both at the White House and the Treasury Department, and has helped heal wounds between officials in the two buildings.

Indeed, the pressure from the scandal this spring had led to a quiet round of finger-pointing about news leaks among White House aides and Treasury staffers. And it seemed to make officials on both sides wary of informal conversations and spur-of-the-moment meetings.

Now, Treasury Secretary Lloyd Bentsen believes that his

WASHINGTON

ELSEWHERE IN THE WORLD

Poll: Japanese, Americans still differ on WW II roles

Americans and Japanese, though economic partners and military allies for half a century now, still strongly disagree on their countries' roles in World War II.

A USA TODAY International/Sankel Shimbun/Fuji Television/Gallup poll shows only half as many Americans as Japanese, 23% against 50.8%, believe the United States should apologize for using atomic bombs against Japan in 1945. However, Americans and Japanese agree, 51% and 49%, respectively, that Japan should make an official apology for the Dec. 7, 1941, attack on Pearl Harbor that killed 2,300 U.S. troops and thrust the United States into World War II.

EU SUMMIT: Russian President Boris Yeltsin arrived on the Greek island of Corfu, where he'll sign a trade deal with members of the European Union. The "Partnership Agreement," which promises Russia tight economic and political links with the EU but no membership, will top the agenda when the dozen leaders open the two-day summit today.

RWANDA FORCE: French marines and Foreign Legionnaires headed into the chaos of Rwanda to try to stem the ethnic slaughter that has horrified the world. They pledged not to pick a fight with rebel forces, who view them as enemies. The United Nations and aid groups estimate more than 200,000 Rwandans have died the past 2 months, most of them civilians, in tribal fighting between Hutu government forces and Tutsi rebels. A small group of French soldiers in armored vehicles met no opposition and was welcomed by locals after advancing several miles into western Rwanda, French military officials said.

France has pledged not to make deep raids in Rwanda or to be drawn into fighting, but the 2,500 troops are empowered to fight back if attacked.

KING HUSSEIN OK: Jordan's King Hussein, who battled ureter cancer two years ago, said he has been given a clean bill of health at the Mayo Clinic in Rochester, Minn.

SOUTH AFRICA RETURNS: South African Foreign Minister Alfred Nzo walked into the U.N. General Assembly to reclaim Pretoria's seat after 20 years of ostracism by the world body because of its apartheid policies.

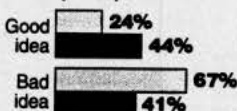
Changing Japan

Poll respondents in the USA and Japan differ on change in Japan:

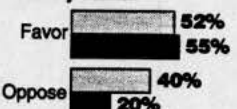


■ Americans
■ Japanese

A major military buildup in Japan



Japan joining U.N. Security Council



Source: USA TODAY/Sankel Shimbun/Fuji Television/Gallup poll of 1,013 U.S. adults on June 17-19 and 986 Japanese adults on June 18-19. Margin of error: ±3 percentage points.

USA TODAY

Whitewater papers to be turned over

The White House says it will comply with a Senate Banking Committee request, giving it all Whitewater-related documents subpoenaed earlier by prosecutor Robert Fiske, including the investigation of the death of deputy counsel Vincent Foster and communications with the Treasury Department or Resolution Trust Corp. relating to Whitewater.

In Little Rock, the first Whitewater case prosecuted by Fiske ended Thursday with a plea bargain, eliminating David Hale as a witness. Fiske was worried Hale's testimony would damage the larger Whitewater probe. Fiske also said next week he'll release reports on Foster's death and decide if the White House interfered with the probe.

CRIME BILL SLOWS: President Clinton's crime bill may be halted for months after the House and Senate failed to agree on a provision allowing death row inmates to appeal sentences based on racial bias. Further compromise sessions for the bill are canceled until the problem is resolved. Supporters say Clinton must get involved or the entire bill, including 100,000 police officers and billions of dollars for prison building, could go down the drain. "The Senate is less than a dozen votes off," says Rep. John Conyers, D-Mich. "I think they're persuadable especially when the administration weighs in."



CONYERS: 'Less than dozen votes'

— Leslie Phillips

\$450 A PHOTO: A Long Island teen who tried to get President Clinton's autograph earlier this week was invited to the president's weekly radio address. But he shouldn't count on an autograph. Blake Levine, 15, repeatedly tried to get an autograph during Clinton's morning jog but was turned away by Secret Service agents. The White House invited Levine, but later learned the teen is an autograph dealer who sells Clinton-signed color photos for \$450 each.

NO JUNKMAN: Hillary Rodham Clinton said her husband has good eating habits despite the junk food image. Taking a swipe at former president George Bush, she said Clinton eats plenty of fruit and vegetables, including broccoli, banned from the White House when Bush was there.

POSTAL INQUIRY: A House ethics committee wants to investigate the House post office but U.S. Attorney Eric Holder said it may interfere with another criminal investigation. Republicans have requested the investigation for months but were halted by Democrats honoring Holder's request. The 17-count indictment of Rep. Dan Rostenkowski, D-Ill., on charges including embezzlement through the post office, has prompted the call for action.

WEAPONS TREATY: Gen. John Shalikashvili, Joint Chiefs of Staff chairman, called for a quick ratification of an international weapons treaty despite suggestions to delay. Sen. Richard Lugar, R-Ind., suggested waiting until Russia gives up a chemical weapons program.

IOWA POLL: The race for the 1996 Republican presidential nomination unofficially kicks off in Des Moines tonight when the Iowa GOP holds a straw poll to assess potential challengers to President Clinton. While the election is still more than two years away, the straw poll is significant because Iowa caucuses, set for February 1996, are the first test in the nomination process.

— Richard Benedetto

Written by Charmagne Helton

Stocks Tumble, Led by Nasdaq; Dollar Is Mixed

THURSDAY'S MARKETS

By STEVEN E. LEVINGSTON

Staff Reporter of THE WALL STREET JOURNAL

Stock prices tumbled, with the Nasdaq Composite Index suffering the brunt of the losses. Bond prices were mixed, and the dollar was mixed.

The Dow Jones Industrial Average slid 25.68 points to 3699.09, erasing its gains of the previous day. The Standard & Poor's 500-stock index fell 3.46 to 449.63, while the Nasdaq Composite Index tumbled 11.89 to 700.85.

The Dow industrials began the session with a gain of more than 16 points, but they reversed to sink more than 30 points before recovering a bit by the close. The carnage in the Nasdaq Stock Market was even worse, with a rout in networking stocks decimating the entire technology sector. Some analysts said Nasdaq's troubles weighed on the whole stock market.

The Dow Jones Transportation Average bucked the downward trend, gaining 4.64 to 1625.48. The rise was driven by UAL, parent of United Airlines, which advanced sharply on speculation about United's pending employee buyout.

The dollar rose slightly against the yen, and slipped against the mark. That didn't provide much comfort for the bond market, where prices remained mostly flat. A slightly stronger-than-expected report on durable-goods orders in May knocked bonds lower early in the day. But prices soon recovered after traders recognized that the data were heavily influenced by a gain in orders for transportation equipment, and that overall the report suggested economic growth is moderating.

World-wide, stock prices rose in dollar terms. The Dow Jones World Stock Index gained 0.10 to 114.42.

In major market action:

Stock prices tumbled. Volume totaled 256,152,670 shares on the New York Stock Exchange, where 1,424 issues fell and 720 rose.

Bond prices were mixed. The Treasury's benchmark 30-year issue lost 1/32 point to yield 7.40%.

The dollar was mixed. In late New York trading the currency was quoted at 1.6040 marks and 101.27 yen compared with 1.6055 marks and 101.05 yen Wednesday.

Lockheed Faces Possible Action By Air Force

By ROY J. HARRIS JR.
And THOMAS E. RICKS

Staff Reporters of THE WALL STREET JOURNAL

Lockheed Corp. could face possible suspension from new Air Force contracts because of its indictment Wednesday, along with two former employees, on charges of making illegal foreign payments.

An Air Force spokeswoman said the service is "considering whether suspension or debarment is appropriate in this case." A decision on what to do, or if the service should take any action at all, isn't likely to be reached for several weeks, she said.

Any suspension or other action could be aimed at either the nation's No. 2 defense contractor or a unit that was involved in the alleged wrongdoing. The business cited in the case is Lockheed Aeronautical Systems Co. in Marietta, Ga., which last year was responsible for \$1.8 billion of Lockheed's overall \$6.9 billion of new contracts.

'Excellent Record'

Robert Gusman, Lockheed's assistant general counsel, said in an interview, however, that he didn't expect any suspension or action barring Lockheed from competition. "Lockheed has an excellent record of integrity, so the prospect of suspension is very remote," he said. He said such a review by the Air Force is normal in cases of an indictment, but that "given the importance of Lockheed's programs to the Department of Defense," he would expect Lockheed to have a chance to present its case before any action is taken.

A grand jury in Atlanta charged that Lockheed and two former executives, Allen R. Love and Suleiman A. Nassar, violated the Foreign Corrupt Practices Act and committed other offenses in making payments to Leila I. Takla. Ms. Takla, retained in the 1980s as a consultant in Egypt, was involved in helping Lockheed sell C-130 Hercules aircraft to Egypt, the grand jury charged, although she was a government official at the time.

and the two former executives concealed payments is being made to Ms. Takla, who is ineligible to receive consulting fees or commissions because of her position in the Egyptian parliament from 1987 to 1990. The payments allegedly related to Lockheed's sale of three C-130 cargo planes for \$79 million.

Forfeiting Commission

To hide the payments to her, including commissions of \$600,000 for each aircraft, an Egyptian company was set up that was to be run by her husband, Abdelkerim Darwish, but actually was under her control, the indictment said. Payments were made in \$3,000 increments to various Swiss banks, it was charged. The indictment also said that after U.S. investigators discovered improper payments, a letter was prepared in October 1989 "purportedly forfeiting their entire \$1.8 million commission." Three months later, however, Lockheed began negotiating what the grand jury called a \$1 million "termination fee" in lieu of her commission.

The indictment resulted from an investigation by the Defense Criminal Investigative Service with assistance from the Defense Contract Audit Agency, and authorities in Switzerland and Egypt. The case was handled by the U.S. attorney's office in Atlanta.

In a statement, Lockheed said it "emphatically denies the allegations in the indictment and intends to vigorously defend itself against the charges." Mr. Love didn't return a phone call, and Mr. Nassar couldn't be located. Lockheed said Mr. Love had retired, and that Mr. Nassar was "no longer an employee."

Lockheed is also the producer of the F-16, the main Air Force fighter, and the next-generation F-22 fighter, along with numerous missile and space systems.

In the mid-1970s, Lockheed was among the major defense contractors tarred in a scandal over overseas bribes, eventually admitting to having made \$38 million in questionable payments to win foreign business. The company then launched a major overhaul of its sales efforts abroad aimed at eliminating the kind of activity that had drawn it into controversy.

White House Will Provide Whitewater Data to Panel

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The White House said it would provide documents that the Senate Banking Committee requested for the first phase of its inquiry into transactions stemming from the first family's investment in Whitewater Development Corp.

In preparation for hearings later this summer, the panel's leaders had requested documents describing communications between White House officials, the Treasury Department and the Resolution Trust Corp. about Madison Guaranty Savings & Loan Association, a failed Arkansas thrift. Madison's owner was a Whitewater partner of Bill and Hillary Rodham Clinton.

In addition, committee Chairman Donald Riegle (D., Mich.) and New York Sen. Alfonse D'Amato, the panel's ranking Republican, asked for the Park Service police report into the death of White House Deputy Counsel Vincent Foster and White House records on how officials handled documents in Mr. Foster's office following his suicide.

All of these documents have been turned over to Robert Fiske, the special counsel who is investigating allegations that funds from Madison may have illegally financed Mr. Clinton's political campaigns or real-estate investments. The Clintons have denied any wrongdoing.

THE WALL STREET JOURNAL FRIDAY, JUNE 24, 1994

Investors Who Bailed Out S&Ls Can Get Money Back, Court Rules

By RICHARD B. SCHMITT
Staff Reporter of THE WALL STREET JOURNAL
Investors who helped rescue a failing savings-and-loan association can get their money back in a breach-of-contract case against federal regulators, a federal appeals court in Denver has ruled.

The decision comes as investors are seeking billions of dollars in damages in similar suits. It also marks the latest in a recent string of stunning court defeats for the government as it struggles to finish cleaning up the thrift mess. Last week, the U.S. Supreme Court rebuffed regulators in a big case against the law firm O'Melveny & Myers.

The Denver case arose out of federal efforts in the mid-1980s to encourage investors to take over dead or dying thrifts that the government couldn't afford to liquidate. One big carrot was an accounting device that allowed investors to count certain unrealized losses as a form of capital known as "goodwill." Most of the deals soured after Congress enacted tough new capital standards for thrifts in 1989.

Investors in Security Federal Savings & Loan Association, Albuquerque, N.M., claimed in a suit that the government action, which effectively disallowed the goodwill provision, constituted a breach of contract. The 10th U.S. Circuit Court of Appeals agreed. Rejecting claims of government immunity to such a suit, the court held that the investors were entitled to rescind the transaction and be returned the \$6 million that they sank in the thrift as part of a U.S.-sponsored bailout in 1985.

The decision sets out the governing legal rule for cases in Colorado, Kansas, New Mexico, Oklahoma, Utah and Wyoming, the states under the jurisdiction of the 10th circuit. If adopted by courts in other federal circuits, it could have a dramatic economic impact.

The Denver ruling is at odds with a decision last year by the U.S. Court of Appeals for the Federal Circuit in a case involving Glendale Federal Bank and a number of other institutions. But the appeals court in that case has agreed to reconsider its position, and thrift attorneys said they viewed the latest ruling as a hopeful sign.

"Most of the principal issues involved in the Federal Circuit case were at issue in the 10th Circuit case and were resolved in favor of the thrift institutions," said Steven Rosenthal, a partner in the Washington office of Morrison & Foerster, which represents California Federal Bank in one such case. "It is very helpful to our position."



Last week, in the O'Melveny & Myers case, the U.S. Supreme Court gave attorneys and auditors of failed thrifts a major new shield in defending suits by the government. The decision has already been applied in an expansive way by one lower court. Meanwhile, a federal-appeals court in New Orleans issued a ruling this week that raises the degree of wrongdoing that the U.S. must show to hold officers and directors liable for the collapse of a thrift. That ruling potentially affects numerous government suits in Texas.

"There has been a disturbing spate of losses," concedes Jack Smith, deputy general counsel of the Federal Deposit Insurance Corp., adding that the agency is concerned about the Denver ruling, and is weighing an appeal. As the thrift crisis is being resolved and the issue fades from public view, courts may be losing some of their earlier zeal for making sure wrongdoers pay, Mr. Smith suggests.

Legal Publishing Proposal

In a move aimed at boosting competition in legal publishing, the Wisconsin bar has recommended that the state adopt its own system of citing cases, rather than using private companies' systems.

Traditionally, courts in every state have required lawyers to refer to legal precedents using the volume and page numbers found in books by certain officially approved publishers. For example, many courts require lawyers to use the citations in the bound archives of West Publishing Co., which holds a copyright preventing competitors from using its system without paying a licensing fee.

The Wisconsin proposal, which must be approved by the state Supreme Court, calls for the courts to design their own citation system. Reliance on commercial publishers, bar officials contend, unfairly keeps other companies, particularly those that offer cases on line or on CD-ROM, from competing with West and other official publishers.

"Basically, it's going to put everyone on the same footing," said Jon Lederer, a lawyer who is chairman of the state bar's technology-resource committee.

Whitewater Plea Accord

Plea agreements ended the first Whitewater-related trial.

Whitewater special counsel Robert Fiske agreed to reduce felony charges against Charles Matthews and Eugene Fitzhugh to misdemeanors. Messrs. Matthews and Fitzhugh had been accused of defrauding the Small Business Administration. They were originally co-defendants of David Hale, who pleaded guilty to two felony counts earlier this year and is now cooperating with Mr. Fiske.

The case settled yesterday in federal court in Little Rock wasn't directly related to the Whitewater affair. It was prosecuted by Mr. Fiske's office because Mr. Hale, whose Capital Management Services Inc. company made federally sponsored loans, has alleged that then-Gov. Clinton pressured him to make a \$300,000 loan to Susan McDougal, one of the Clintons' partners in their Whitewater real-estate investment.

After a hearing before U.S. District Judge Stephen Reasoner, Mr. Fiske said, "Now we can devote fully our attention" to Whitewater.

A sentencing date hasn't been set. The judge said he would sentence Mr. Fitzhugh to as much as a year in prison. The judge said he would sentence Mr. Matthews to as much as 18 months because he believed Mr. Matthews had perjured himself at a hearing earlier this year.

—Edward Felsenthal and Ellen Joan Hollock contributed to this article.

Senate Panel Asks for Whitewater Files

White House Says It Plans to Comply

By MICHAEL WINES
Special to The New York Times

WASHINGTON, June 23 — The Senate committee that plans limited hearings on the Whitewater affair next month has asked the White House and other Federal agencies to turn over documents related to its inquiry. "Our intention at this point is to comply," President Clinton's spokeswoman, Dee Dee Myers, said today.

She also said that the White House would cooperate with the committee, should it seek to question aides to Mr. Clinton in public. She stopped short of flatly guaranteeing that they would testify if asked.

Ms. Myers said the Senate Banking Committee sought the documents in letters delivered late Wednesday to

the White House counsel, Lloyd N. Cutler, and to 12 aides to Mr. Clinton and his wife, Hillary.

The Banking Committee stated later that it had made similar requests of 13 other current and former Administration officials in the Treasury and Justice Departments, the Resolution Trust Corporation and the United States Park Police.

"This is not a subpoena; it's just a letter requesting documents," Ms. Myers said. "We will cooperate." A Treasury Department spokesman said later that the agency expected to provide its share of the documents by July 1.

The Banking Committee's hearings are scheduled to begin no later than July 29.

An independent prosecutor, Robert B. Fiske Jr., is already conducting a broad inquiry into the Clintons' involvement with the operator of an Arkansas savings and loan institution in the Whitewater Development Company, an unsuccessful land venture in the Ozarks.

The savings and loan, Madison Guaranty, also failed, and later came under investigation by the Resolution Trust Corporation, the Federal agency that oversees the bailout of failed savings and loan institutions.

Senate Republicans had sought public hearings along the same broad scope of issues. But the Senate voted instead this month to limit the Banking Committee's hearings to three areas Mr. Fiske has already studied, and which he plans to review in a public report expected to be issued next week.

Some of the documents being sought involve contacts between the White House and officials of other agencies about Federal inquiries into Madison Guaranty and Whitewater. The committee also has asked for documents relating to the death last year of Vincent W. Foster Jr., a deputy White House counsel who kept files on the Clintons' role in Whitewater. Mr. Foster's death was investigated by the Park Police, who ruled it a suicide.

Foster's Files Sought

The banking panel has also asked for any papers relating to the handling of Whitewater documents that were in Mr. Foster's office at his death. Mr. Foster's office was not immediately sealed after his death, and aides to Mr. Clinton removed some Whitewater files, which were later given to the President's private lawyer.

Among those outside the White House who received requests for documents were Treasury Secretary Lloyd Bentsen and his deputy, Robert C. Altman; Attorney General Janet Reno and her former deputy, Philip Heymann, and Jack Ryan, the acting president of the Resolution Trust Corporation.

In a related matter, Mr. Fiske reached a plea agreement in Little Rock, Ark., today with two co-defendants of David Hale, a cooperating witness in the Whitewater investigation. They were being tried this week.

The defendants, Eugene Fitzhugh and Charles Matthews, pleaded guilty to misdemeanor charges of making misrepresentations concerning money used to gain financing from the Small Business Administration. The charges were reduced from felonies of conspiracy to defraud the agency.

Mr. Matthews and Mr. Fitzhugh were originally charged along with Mr. Hale, a former municipal judge who pleaded guilty in March to conspiring to defraud the agency of \$900,000 through his lending company, Capital Management Services, which was backed by the agency.

Mr. Fiske said neither Mr. Matthews nor Mr. Fitzhugh would cooperate with the Federal investigation. "We wanted to get this thing out of court," Mr. Fiske said.

Denis J. McInerney, the prosecutor's lead counsel in the trial, said the main purpose of reaching a plea agreement after three days of a jury trial was so the special prosecutor and his staff could move on to other aspects of the investigation.

Prosecutor Saves Testimony

The end to a court trial also eliminates the possibility that Mr. Hale would be called to testify in the case. Mr. Fiske had attempted both before and during the trial to limit the testimony of Mr. Hale, saying it might endanger his investigation of Whitewater.

Under Mr. Hale's agreement, he is cooperating with Mr. Fiske's investigation into Madison Savings and Loan and the Whitewater Development Corporation.

Mr. Hale has maintained that President Clinton, while Governor of Arkansas in 1985 and 1986, twice pressured him to lend money to politically connected friends, including the wife of James B. McDougal, the owner of Madison, who was the Clintons' co-investor in Whitewater.

No Excuses Sportswear Adds Clinton's Accuser to Roster

By MAUREEN DOWD

Realism raced past satire once again today, as Paula Jones became the latest cause célèbre to promote No Excuses sportswear.

At a press conference high atop Rockefeller Center, Mrs. Jones wore a pair of black No Excuses jeans and a white T-shirt with the red No Excuses logo. "I see this as an opportunity to take an unfortunate situation and turn it into a positive action," she said, her soft voice colored by an Arkansas accent.

Asked whether such a racy, commercial association — on top of her early alliance with conservatives — would damage her credibility as she tries to bring the President into a courtroom to defend himself against a three-year-old sexual harassment charge, Mrs. Jones replied that the company's \$50,000 cash award would help pay her legal bills. "It enables me to continue my fight to restore my good name," she said. She is giving half to charity.

The news conference heightened the sense that the case is proceeding on two tracks: There is a surreal side, illustrated by Mrs. Jones getting the gimmicky corporate award today as "the Most Alive and Uncensored Woman in America," and there is a serious side, as a President juggling foreign and domestic problems must also figure out how to pay mounting bills from high-priced Washington lawyers fighting to get the case dismissed, or have Mr. Clinton declared immune from lawsuits while he is in office.

Not Selling Story

Despite repeated requests from a Fox television reporter to "take the pledge," Mrs. Jones refused to promise to donate all proceeds from her story to charity. "I'm not thinking about selling my story," she replied. "I mean, the whole world already knows about my story. There's nothing really to tell."

No Excuses has gained a certain notoriety by making advertisements with notorious women. The company turned down the figure skater Tonya Harding when she offered to pose in jeans last winter, but it used Donna Rice as a pitchwoman in the wake of the "Monkey Business" scandal that forced Gary Hart to drop out of the 1988 Presidential race. Marla Maples romped in commercials several years ago after she attained tabloid fame in a seamy triangle with Donald

and Ivana Trump.

Although the company seems more famous for its pitchwomen than its product, Mrs. Jones expressed surprise later in the day when a reporter asked her whether it was wise, while she is pursuing her sensitive lawsuit, to follow in the flashy footsteps of Ms. Rice and Ms. Maples.

"You know, today's the first time I heard about any prior campaigns," she said, sipping a cola in her penthouse suite at the Macklowe Hotel, wearing a blue linen suit as she waited for her 23-month-old son, Madison, to return from an outing with her mother-in-law.

What Other Women?

Turning to her lawyer, Joseph Cammarata, she asked: "Did you know about that? I mean, I knew the company favors women's rights."

Mr. Cammarata, a northern Virginia lawyer who is trying to get a jury trial in the case against the President, also professed ignorance of No Excuses' theme of scandal stars.

Mrs. Jones, who is on a public relations blitz this month, said that she had been attracted by the chance to give money to a charity involved in women's causes and to be part of a new campaign based on the premise that there is "no excuse for violence" against women in America.

Mrs. Jones said she would not appear in ads. She merely showed up today to accept the \$50,000 award from the company's President, Robert Reiss.

Mrs. Jones, who said she thought of herself as a victim, kept half the money for her legal defense fund. And in keeping with the socially aware theme, Mrs. Jones gave the other half to the Women's Center in northern Virginia, a nonprofit community haven for women with complaints of domestic violence, physical and sexual abuse and sexual harassment.

She said that she believed Anita Hill when the law professor claimed she had been harassed by Clarence Thomas and that she did not think it was fair that women's groups have been so wary about supporting her.

"I'm just a woman left out," she said. "Some American people have put in their minds that I'm a liar, a low life come out of lil' ol' Lonokey, Ark. I don't have no credentials, no law degree like Anita Hill. It really hurts me. But the truth will come out."

THE NEW YORK TIMES, FRIDAY, JUNE 24, 1994

Clinton Defense Fund Limit May Go to \$1,000

Other White House Officials Seek Reimbursement for Legal Expenses From Justice Department

By Ruth Marcus
Washington Post Staff Writer

President Clinton's advisers plan to recommend that he accept contributions of up to \$1,000 to help defray his legal expenses, double the \$500 limit that had been under consideration, sources familiar with the proposal said yesterday.

As the Clintons prepare to establish the first legal defense fund for a sitting president, other White House officials are seeking government reimbursement for the legal fees they incurred in the investigation by Whitewater special counsel Robert B. Fiske Jr.

Justice Department spokesman Carl Stern said four White House aides involved in the Whitewater inquiry had applied for reimbursement from a special Justice Department fund that is used to reimburse government officials who are called as witnesses about their official actions.

White House counsel Lloyd N. Cutler refused to provide the names of the aides, citing their privacy rights, but said that would be made public if they are repaid.

Cutler last month submitted a letter on behalf of the four stating that they had been questioned about their official activities and that it was in the

interest of the United States that their fees be paid—the requirements for reimbursement in such cases.

Stern said the department had not yet acted on the reimbursement requests. A Justice Department regulation permits government employees who are questioned about their

"There are not many little old ladies in Ohio who can cough up \$1,000."

— Charles Lewis,
Center for Public Integrity

official acts but who cannot be represented by the Justice Department to apply for reimbursement of their legal bills.

For example, Stern said, staffers at the National Security Council questioned by Iran-contra independent counsel Lawrence E. Walsh received reimbursement from that fund.

Clinton and First Lady Hillary Rodham Clinton have not yet signed off on the details of their legal defense fund,

the sources said. White House officials have previously said that the contributions would be limited to "small" dollar amounts; that labor union and corporations would be barred from giving; and that the contributions would be publicly disclosed.

Among those involved in establishing the fund are Cutler and Michael Berman, a prominent Democratic lobbyist with close ties to the administration. Sources said the announcement of the fund could come as early as next week.

In an effort to avoid suggestions of cronyism or special treatment, the planners are putting together a board of trustees that sources said will be devoid of "FOB [Friends of Bill] types" and of Washington lobbyists. Cutler has been recruiting trustees for the board.

Those involved in planning the legal defense fund considered imposing a \$500 limit on donations but decided to go for the higher figure instead. In opting for the \$1,000 cap, they adopted the same limit imposed on individual contributions to candidates for public office.

But some public interest groups and others yesterday criticized the \$1,000 limit as too high. "There are not many little old ladies in Ohio who can cough up \$1,000 for Bill's de-

fense," said Charles Lewis, head of the Center for Public Integrity.

Although "it makes life infinitely easier at \$1,000" for the fund to amass the money to pay the Clintons' legal bills, Lewis said, "the less money there is, the less potential influence-buying there is. If you're going to these lengths to try to keep the president above the fray, so to speak, then you ought to do it the right way and the right way is \$500 or even less."

The White House had earlier rejected the idea of a legal defense fund, but reconsidered after the sexual harassment lawsuit was filed against the president by former Arkansas state employee Paula Corbin Jones. The Clintons were facing the prospect of legal bills from the Whitewater probe and the Jones case.

White House officials have the Clintons' legal bills could mount into the millions of dollars, although some of that would be defrayed with the passage this week of the new independent counsel statute. The statute would allow the Clintons, if they are not indicted, to seek reimbursement for some of their Whitewater legal expenses.

White House Pledges to Cooperate With Hearings

By Susan Schmidt
Washington Post Staff Writer

The White House said yesterday it would "cooperate fully" with a request from the Senate for Whitewater-related documents in preparation for congressional hearings this summer.

In response to a bipartisan letter from leaders of the Senate Banking Committee, the White House said it will provide materials relating to the Washington phase of special counsel Robert B. Fiske Jr.'s investigation. The matters include events surrounding the death last year of former deputy White House counsel Vincent Foster and potentially improper contacts between White House aides and Treasury Department officials overseeing the early phase of the Whitewater investigation.

The Banking Committee sent out letters

Wednesday night to 26 witnesses from the White House, Treasury, U.S. Park Police and the Resolution Trust Corp., and to former deputy attorney general Philip B. Heymann, who resigned earlier this year.

The requested documents were subpoenaed by Fiske this spring and number in the thousands, according to administration aides. The Senate has asked for copies by July 1.

White House officials said they will turn over the documents voluntarily, without a congressional subpoena, but will not release the documents publicly.

"As the president has previously announced, the White House will cooperate fully with the responsible congressional committees," White House counsel Lloyd Cutler said in a statement.

Fiske said he will tell Congress next week whether summer hearings would interfere with

his probe of President and Mrs. Clinton's Whitewater investment and their involvement with the now-failed Madison Guaranty Savings & Loan. His report on Foster's death may be released next week.

In Little Rock, Ark., yesterday, Fiske's office agreed to accept a plea bargain in the ongoing trial of two men accused of defrauding the federal Small Business Administration. The plea will keep a third man involved in the alleged fraud, David Hale, from being called to testify.

Hale, a former municipal judge who ran an SBA-backed capital venture firm, has alleged that Clinton and others pressured him to make fraudulent loans. He is cooperating with Fiske, who feared his testimony might harm the Whitewater probe.

Hale associates Charles Matthews and Eugene Fitzhugh agreed to plead guilty to misdemeanor counts carrying sentences of one year in prison.

White House Will Provide Whitewater Data To Panel

WASHINGTON -- The White House said it would provide documents that the Senate Banking Committee requested for the first phase of its inquiry into questions stemming from the first family's investment in Whitewater Development Corp., The Wall Street Journal reported.

In preparation for hearings later this summer, the panel's leaders had requested documents describing communications between White House officials, the Treasury Department and the Resolution Trust Corp. about Madison Guaranty Savings & Loan Association, a failed Arkansas thrift. Madison's owner was a Whitewater partner of Bill and Hillary Rodham Clinton.

In addition, committee Chairman Donald Riegle (D., Mich) and New York Sen. Alfonse D'Amato, the panel's ranking Republican, asked for the Park Service police report into the death of White House Deputy Counsel Vincent Foster and White House records on how officials handled documents in Mr. Foster's office following his suicide.

All of these documents have been turned over to Robert Fiske, the special counsel who is investigating allegations that funds from Madison may have illegally financed Mr. Clinton's political campaigns or real-estate investments. The Clintons have denied any wrongdoing.

(END) DOW JONES NEWS 06-24-94

6 00 AM

**** filed by:TAPE(--) on 06/24/94 at 06:13EDT ****
**** printed by:WHPR(JEL) on 06/24/94 at 08:01EDT ****

PM-Whitewater Trial,0345

Whitewater Prosecutor Says Pleas Allow Him to Move on With Probe

By JOEL WILLIAMS= Associated Press Writer=

LITTLE ROCK, Ark. (AP) Whitewater counsel Robert Fiske Jr. says guilty pleas by two men his office prosecuted will allow him to move on with his wide-ranging investigation of Arkansas business dealings.

Plea bargains by Little Rock lawyers Charles Matthews and Eugene Fitzhugh eliminate the need for testimony from David Hale, who is cooperating with Whitewater investigators as part of an earlier plea agreement.

Fiske feared Hale's testimony in their trial could jeopardize the Whitewater probe by tipping off people under investigation.

"These two individuals had nothing to do with Whitewater. This will allow us to devote ourselves fully to Whitewater," Fiske said Thursday.

Fiske said that next week, he plans to release the results of his investigations into the death of Deputy White House Counsel Vincent Foster last year, the handling of documents in Foster's office, and contacts between White House officials and the Treasury Department concerning the investigation.

The cases of Hale, Matthews and Fitzhugh became part of the Whitewater probe after Hale claimed last year that then-Gov. Bill Clinton pressured him into making a loan to a Clinton business partner.

Fiske agreed to reduce felony charges against Matthews and Fitzhugh to misdemeanors in exchange for their guilty pleas Thursday.

They were accused of conspiring to defraud the federal Small Business Administration. They pleaded guilty to trying to influence a banker.

Hale, a former municipal judge who operated a lending company, accused Clinton last year of pressuring him into making a \$300,000 federally backed SBA loan to Susan McDougal in 1986.

Mrs. McDougal and her husband, James McDougal, were investors from 1978 to 1992 with Clinton and Hillary Rodham Clinton in Whitewater Development Corp. Hale said part of the loan made its way into a Whitewater account.

Prosecutors alleged Matthews and Fitzhugh were key players in a scheme to trick the SBA into giving Hale's company \$900,000 to lend.

**** filed by:APE(--) on 06/24/94 at 04:11EDT ****

**** printed by:WHPR(JEL) on 06/24/94 at 08:02EDT ****

bc-clinton-fund

(wap) (ATTN: National editors)

Clinton Advisors to Recommend He Accept Higher Contributions
to Defray Legal Expenses (Washn)

By Ruth Marcus= (c) 1994, The Washington Post=

WASHINGTON President Clinton's advisers plan to recommend that he accept contributions of up to \$1,000 to help defray his legal expenses, double the \$500 limit that had been under consideration, sources familiar with the proposal said Thursday.

As the Clintons prepare to establish the first legal defense fund for a sitting president, other White House officials are seeking government reimbursement for the legal fees they incurred in the investigation by Whitewater special counsel Robert B. Fiske Jr.

Justice Department spokesman Carl Stern said four White House aides involved in the Whitewater inquiry had applied for reimbursement from a special Justice Department fund that is used to reimburse government officials who are called as witnesses about their official actions.

White House counsel Lloyd N. Cutler refused to provide the names of the aides, citing their privacy rights, but said that would be made public if they are repaid.

Cutler last month submitted a letter on behalf of the four stating that they had been questioned about their official activities and that it was in the interest of the United States that their fees be paid the requirements for reimbursement in such cases.

Stern said the department had not yet acted on the reimbursement requests. A Justice Department regulation permits government employees who are questioned about their official acts but who cannot be represented by the Justice Department to apply for reimbursement of their legal bills.

For example, Stern said, staffers at the National Security Council questioned by Iran-Contra independent counsel Lawrence E. Walsh received reimbursement from that fund.

Clinton and First Lady Hillary Rodham Clinton have not yet signed off on the details of their legal defense fund, the sources said. White House officials have previously said that the contributions would be limited to "small" dollar amounts; that labor union and corporations would be barred from giving; and that the contributions would be publicly disclosed.

Among those involved in establishing the fund are Cutler and Michael Berman, a prominent Democratic lobbyist with close ties to the administration. Sources said the announcement of the fund could come as early as next week.

In an effort to avoid suggestions of cronyism or special treatment, the planners are putting together a board of trustees that sources said will be devoid of "FOB (Friends of Bill) types" and of Washington lobbyists. Cutler has been recruiting trustees for the board.

Those involved in planning the legal defense fund considered imposing a \$500 limit on donations but decided to go for the higher figure instead. In opting for the \$1,000 cap, they adopted the same limit imposed on individual contributions to candidates for public office.

But some public interest groups and others Thursday criticized the \$1,000 limit as too high. "There are not many little old ladies in Ohio who can cough up \$1,000 for Bill's defense," said Charles Lewis, executive director of the Center for Public Integrity.

Although "it makes life infinitely easier at \$1,000" for the fund to amass the money necessary to pay the Clintons' legal bills, Lewis said, "the less money there is, the less potential influence-buying there is. If you're going to these lengths to try to keep the president above the fray, so to speak, then you ought to do it the right way and the right way is \$500 or even less."

The White House had earlier rejected the idea of a legal defense fund, but reconsidered in the wake of the sexual harassment lawsuit filed against the president by former Arkansas state employee Paula Corbin Jones. The Clintons

were facing the prospect of legal bills from both the Whitewater investigation and the Jones case.

White House officials have said the Clintons' legal bills could mount into the millions of dollars, although some of that would be defrayed with the passage this week of the new independent counsel statute. The statute would allow the Clintons, if they are not indicted, to seek reimbursement for some of their Whitewater legal expenses.

**** filed by:LAWP(--) on 06/24/94 at 02:51EDT ****
**** printed by:WHPR(JEL) on 06/24/94 at 08:02EDT ****

BC-Lawmakers-Ask-White-House-Counsel-For

Lawmakers Ask White House Counsel For Documents on Whitewater

Washington, June 23 (Bloomberg) -- Sens. Donald Riegle (D-Mich.) and Alfonse D'Amato (R-N.Y.) have requested information related to the Clintons' Whitewater investments, the White House special counsel said today.

The lawmakers requested the papers to prepare for Senate hearings on the Whitewater Development Corp. and President Clinton's link to the failed Arkansas thrift, Madison Guaranty Savings & Loan, according to a statement released today by the special counsel, Lloyd Cutler. President Clinton and Hillary Rodham Clinton invested in Whitewater years ago in Arkansas.

The senators asked for information on communications between officials of the White House and the Department of Treasury relating to the investigation; the Park Service Police investigation into the death of White House deputy counsel Vincent Foster; and the way in which White House officials handled documents in Foster's office at the time of his death.

The Senate is trying to find out whether there were improper contacts between White House officials and bank regulators. Foster committed suicide in a Virginia park last year.

"As the President has previously announced, the White House will cooperate fully with the responsible congressional committees," Cutler said in his statement. -- Dina Temple-Raston at the White House (202) 434-1884 /ba (For more on Clinton, NI EXE. For more on Congress, NI CNG) -0- (BBN)
Jun/23/94 17:19 EOS (BBN) Jun/23/94 17:19 86

**** filed by:BB-F(--) on 06/23/94 at 17:25EDT ****
**** printed by:WHPR(JEL) on 06/24/94 at 08:07EDT ****

Essay

WILLIAM SAFIRE

See-Nothing Congress

WASHINGTON

"I only picked up the phone," said the judge, not all that happy to be speaking to a columnist, "because the secretary is out to lunch and my clerk is in labor."

He is David B. Sentelle, Presiding Judge of the Independent Counsel Panel of the U.S. Court of Appeals, a Reagan appointee. Along with Judge John D. Butzner Jr. (Kennedy-Johnson) and Joseph T. Sneed (Nixon), Judge Sentelle will soon be faced with a momentous decision affecting the separation of powers and the Clinton Presidency.

After an 18-month lapse (thanks to President Bush's fear of an independent counsel looking into Iraqgate) the Independent Counsel Act has been resuscitated; before the July 4 recess, President Clinton is expected to keep his promise to sign it.

Then Attorney General Janet Reno will go before the Sentelle panel to ask for the court to appoint a prosecutor truly independent of the Administration to take over the Whitewater

"Fiske fix"; this makes it possible for the judicial panel to appoint Mr. Fiske to be Independent Counsel even though he is a government employee, which previous law prohibited. To grease the skids for this, Ms. Reno has assured Congress in writing that Mr. Fiske could continue to investigate civil Whitewater matters as well as criminal if he is given the court's imprimatur.

What a setup: the Democrats' favorite Republican prosecutor provides Democrats in Congress cover for stonewalling hearings; the Democratic majority puts through the "Fiske fix"; the Clinton A.G. asks the court panel to legitimize the lawyer chosen for her by former White House Counsel Bernard Nussbaum.

The purpose of my call to the judge was to find out if his panel still exists, in light of the Act's lapse. "We're ongoing," he informed me, "grandfathered by the need to supervise previously appointed Independent Counsel." (I asked if his panel would rubber-stamp the Fiske fix; that's when he gave me the brush, talking about his clerk in labor.)

The judicial branch should not accept direction from the legislative branch to appoint counsel chosen by the executive branch. That would defeat the entire purpose of the legislation, which is to assure public perception of total independence.

What about continuity of Fiske's investigation? Let the court appoint true independent counsel; let the new prosecutor keep Fiske on for the civil side and add to the present staff. Continuity plus independence.

That would defeat the Democratic strategy to block bipartisan Congressional oversight. The Senate majority leader, George Mitchell, and House Speaker Tom Foley are tainting their entire careers with this partisan passion to contain the scandal by tightly controlling hearings.

Their use of Fiske as a shield against disclosure of wrongdoing shows how one-party control of government can corrupt the democratic process. Mitchell apparently wants a circus atmosphere in the Banking Committee, where Democrats dominate by 11 to 8, with the Keating Five chairman, Don Riegle, gaveling down Al D'Amato for daring to ask questions about matters that Fiske and Democrats deem out of public view until after the 1996 elections.

The place to stop this stonewalling deal is in the Independent Counsel Panel of the Court of Appeals. □

Whitewater cover-up rolls on.

investigation. (Republicans in Congress can force her to, under the Act.)

Rather than cite credible evidence that a Federal crime has been committed by the President, she is likely to simply declare her Department in a political conflict of interest, thereby turning authority for investigation over to the judicial branch.

But what of Robert Fiske, whom she appointed special counsel under White House pressure? In January, she rightly complained that for a Clinton appointee to appoint counsel, "that does not make that person independent." She predicted that if the Act were reborn, "there might be the possibility for me to petition the court for the appointment of an independent counsel and the court might appoint even a third lawyer."

Sure enough, it has come to pass that Clinton appointee Fiske has conspired with Democrats in the see-nothing 103d Congress to contain the scandal, limiting Congressional oversight to what he determines the public may know.

Congress passed the Act with the

No Charges Seen in Washington Portion Of Fiske's Probe Into Whitewater Case

By ELLEN JOAN POLLOCK

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Lawyers for White House and Treasury officials said Special Counsel Robert Fiske has given them no notification that their clients face indictment, indicating that Mr. Fiske will close the Washington portion of the Whitewater inquiry without any finding of illegality.

Mr. Fiske is expected to issue an interim report in the next few weeks calling the death of former White House Deputy Counsel Vincent Foster a suicide. As part of the Washington investigation, Mr. Fiske has also questioned White House officials about their examination of the contents of Mr. Foster's office after his death and has looked into the propriety of discussions between Treasury and White House officials about a federal investigation of Madison Guaranty Savings & Loan.

Lawyers and other spokesmen for the dozen officials subpoenaed in connection with those investigations said none of their clients have received any notification that there will be indictments. Federal prosecutors often issue so-called target letters shortly before an indictment; none of the subpoenaed officials have received such letters or have been asked to meet with Mr. Fiske or his staffers to discuss possible charges, which would be another typical sign that indictments are imminent. Some of the lawyers for the Washington officials said they haven't heard from his office in six or eight weeks.

Declines to Comment

Mr. Fiske yesterday declined to comment on possible indictments. Roderick Lankier, who is in charge of Mr. Fiske's Washington operation, also declined to comment.

Among the officials subpoenaed were Deputy Treasury Secretary Robert Altman, Treasury General Counsel Jean Hanson, Deputy White House Chief of Staff Harold Ickes, and White House staff secretary John Podesta. "I can't imagine that there will be any indictments," said Steven Tabackman, a lawyer for Jack DeVore Jr., a former Treasury official. Lawyers for many of the other officials made similar comments.

Mr. Fiske was appointed by Attorney General Janet Reno to look into allegations that money was diverted from Madison Guaranty to President Clinton's Whitewater Development Corp. real-estate investment or his 1984 gubernatorial campaign in Arkansas. He is also looking into the 1989 collapse of Madison Guaranty, which was owned by James McDougal, the Clintons' partner in Whitewater.

Lawyers familiar with the Washington investigation suggested that Mr. Fiske might issue a report on issues surrounding Mr. Foster's death, but only a brief statement winding up his investigation of White House and Treasury contacts in the Madison investigation.

Mr. Fiske concluded early in his investigation that Mr. Foster's death last July was in fact a suicide, despite speculation otherwise. Lisa Foster, Mr. Foster's wife, recently returned to Washington from Little Rock for interviews with Mr. Fiske's staff. But Mr. Fiske's staff has continued to investigate what documents were taken out of Mr. Foster's office on the night of his death by former White House Counsel Bernard Nussbaum and others. Last month, Mr. Fiske issued a subpoena for more information about those documents.

Lawyers for the White House officials subpoenaed in connection with the examination of Mr. Foster's office said they don't expect their clients to be indicted. "Nothing's going to happen to Bernie" Nussbaum, said Lawrence Pedowitz, his lawyer. "He didn't do anything wrong."

But one lawyer familiar with the investigation, who declined to be identified, said that more disclosures about the handling of Mr. Foster's office in the days after his death are likely to result from Mr. Fiske's probe. Mr. Podesta said that he expected more details about the examination of Mr. Foster's office would come out during congressional hearings this year, but that he knew of no disclosures emanating out of Mr. Fiske's investigation.

Meetings Between Officials

The Madison Guaranty part of the inquiry centers on meetings between White House and Treasury officials to discuss a pending investigation of Madison by the Resolution Trust Corp. At issue is whether the discussions constituted illegal interference with the investigations. "It's inconceivable to me under the case law that anyone could say this was obstruction," said Stanley Brand, who represents

Please Turn to Page A4, Column 4

White House aide George Stephanopoulos. "I can't see anybody say it was prosecutable." He said he hasn't heard from Mr. Fiske's staff for six or eight weeks.

Mr. Fiske's investigation into Whitewater and Madison is continuing in Little Rock, and this week his staff is trying two co-defendants of David Hale, who pleaded guilty to defrauding the Small Business Administration in a case that isn't directly related to Whitewater. Mr. Hale, who is cooperating with Mr. Fiske, has alleged that Mr. Clinton pressured him to make a \$300,000 loan to Susan McDougal, Mr. McDougal's former wife and a Whitewater partner. Mr. Clinton has denied this.

Mr. Fiske does appear to be concluding some portions of his Little Rock-based investigation. People familiar with the investigation said he is finished looking into the shredding of documents at the Rose Law Firm, where Hillary Rodham Clinton and Mr. Foster were once partners. Two Rose couriers said they shredded documents that allegedly belonged to Mr. Foster. Madison Aydelott, a lawyer for the couriers, said Mr. Fiske's inquiries "ended very quietly, and then [he] apparently moved on to other aspects of the investigation." Mr. Fiske wouldn't comment.

6/23/94

sometimes unwarranted nervousness of investors. "There remains a significant inflation premium, embodied in long-term interest rates, reflecting a still skeptical world financial market view that American fiscal and monetary policies retain some inflation bias," Greenspan said.

The Fed chairman refused to discuss the volatile performance of the dollar against foreign currencies, other than telling the committee he and Bentsen "have been following developments closely." Later in the day Bentsen issued a statement saying the U.S., in concert with the other G-7 industrial powers, "continues to be prepared to act as appropriate," holding open the possibility of steps to buy dollars to strengthen the currency.

But the dollar's rebound Wednesday apparently took place without any concerted action by governments.

(Optional add end)

President Clinton, speaking briefly at a White House photo session with King Hussein of Jordan, said the financial markets eventually would be calmed by the underlying soundness of the U.S. recovery. "I think we just have to keep working on our fundamentals and know that in the end that the markets will have to respond to the ... realities of the American economy," Clinton said.

Greenspan said the Fed's maneuvers to hike interest rates, starting in February, were vital to temper the economy's expansion and prevent a future resurgence of inflation. If short-term rates had remained low, Greenspan said, "we would have engendered a degree of inflationary instability destructive of jobs," he said.

Despite higher rates, the economic expansion continues, the Fed reported Wednesday in the latest issue of its "beige book," a nationwide survey of the business climate.

Manufacturing shows strength in most regions, and home sales "continued at a strong pace," the Fed reported.

During the budget committee hearings, Democrats were pleased and Republicans irked as Greenspan declared that the Clinton administration budget package adopted last year was successful in helping reduce the deficit. He also said, to the enthusiasm of Democrats and dismay of Republicans, that the increases in personal tax rates for higher-income Americans had no short term damaging impact on the economy.

Rep. Christopher Cox, R-Calif., accused Greenspan of steering Fed policy "hand-in-glove with the Clinton administration."

The Fed decision-making process "whether it produces lower rates or higher rates at any given time must be seen as an integral part of the Clinton game plan," Cox said. "It could even be argued that the Federal Reserve's independence has been compromised," he said.

Greenspan responded by insisting that the Fed must work in consultation with the White House while retaining its independence.

Lewis, a lowly federal bureaucrat who has stumbled into the Whitewater scandal, guards the tape so fiercely because she believes it is her best defense against the mounting attacks on her reputation from Washington.

But the tape, which sources say is a recording of a private conversation between Lewis and April Breslaw, a senior government attorney who denies the conversation ever took place, is like everything else about Jean Lewis and her critical role in the Whitewater scandal: It remains shrouded in intrigue.

With congressional hearings into Whitewater looming as Washington's summertime spectacle, L. Jean Lewis is emerging, for better or for worse, as Whitewater's mystery woman. But when the hearings open on Capitol Hill, perhaps as early as next month, Lewis will tell her story a story that will include allegations of check kiting and other questionable dealings between Bill and Hillary Clinton and their Arkansas business partner, and, even more troubling, explosive allegations of a possible cover-up within the Clinton administration. All that figures to make her the star witness in what still seems likely to become the biggest Washington scandal since Iran-Contra.

Today, Jean Lewis is struggling to cope with her new-found status as presidential whistle-blower, but clearly life at Whitewater's vortex isn't easy.

"I'm just trying to maintain ... some days are better than others," says Lewis, in a soft Texas drawl. "I find myself in a very difficult situation. I don't want any publicity out of this, I really don't. Any quotes you may have seen from me in the press have all been surprise interviews, where reporters got me outside my house. I hope there comes a time where I can talk more freely, but right now. ..."

(Begin optional trim)

At first blush, Lewis seems an unlikely choice for such a controversial, high-profile role. A 40-year-old Houston native and the daughter of a retired U.S. Army major general, Lewis is a bureaucrat in the field office of an obscure federal regulatory agency here and has never met President Clinton or his wife, first lady Hillary Rodham Clinton.

Her \$54,000-a-year job at the Resolution Trust Corp., the federal government's S&L-cleanup agency, is unglamorous and filled with tedium.

What she does for a living is comb through the mountains of paperwork and documents and the eye-glazing computer files left behind by failed savings and loans after they are seized by federal regulators. As a senior criminal investigator at the RTC regional office here, her job is to search through the documents of dissolved thrifts to reconstruct questionable transactions and look for signs of criminal wrongdoing by S&L executives and their friends and business partners. If she finds something suspicious, she is supposed to send a recommendation for criminal action to the Justice Department.

(End optional trim)

Lewis joined the RTC in 1991 after a government investigator she had worked with at the Dallas S&L recommended her for an opening in the Tulsa, Okla., office. It was a good time for the move; childless, Lewis was going through a divorce in Dallas from her first husband (she has since remarried).

Soon, she was assigned to investigate the wreckage of Madison Guaranty Savings and Loan, a Little Rock S&L owned by James McDougal the Clintons' partner in Whitewater, a failed land development project in the Ozark Mountains of

X The Mystery Woman of Whitewater Case Emerges (Kansas City) By James Risen= (c) 1994, Los Angeles Times=

KANSAS CITY, Mo. Somewhere safe, Laura Jean Lewis keeps her most valuable, and perhaps most volatile, possession. It is an audio cassette tape, a recording so important, so politically charged, that she is known to have played it for only one person.

6/23/94

northern Arkansas.

After an initial probe in 1991 that turned up little out of Madison's disastrously disorganized records, she and her colleagues set the case aside again. But then, a bombshell struck; in March 1992, in the midst of the presidential campaign, the New York Times first reported the existence of Whitewater and McDougal's business ties to the Clintons. That prompted Lewis and the RTC to reopen the case and to search for clues of links between Madison's failure and Whitewater.

Ultimately, she and other RTC staffers went back through the documents at Madison and pieced together enough evidence to submit a criminal referral in September 1992, to the Republican-appointed U.S. Attorney in Little Rock that, while it didn't accuse the Clintons of any crimes, named Whitewater and the Clintons as possible beneficiaries of criminal acts at Madison.

Then something happened that Lewis couldn't quite fathom; the criminal referral naming the next president of the United States was swallowed up by the federal bureaucracy.

An increasingly suspicious Lewis didn't receive final word until the fall that the new U.S. Attorney in Little Rock, Paula Casey, a former law student of Bill Clinton, had turned down her recommendation for criminal action.

In the meantime, Lewis and other investigators in Kansas City had begun work on a new round of criminal referrals in the Madison case. In October 1993, Lewis issued nine new referrals, including one naming President Clinton's 1984 gubernatorial campaign, which received campaign contributions from a McDougal fund-raiser, as a beneficiary of criminal acts at Madison. What's more, Lewis was prepared to show that Whitewater had become a funnel for siphoning money out of Madison; she claimed that as much as \$70,000 in Madison funds had gone through Whitewater in one six-month period alone. (The Clintons, to be sure, have denied any wrongdoing in Whitewater.)

This time, the referrals didn't get buried. In fact, they led quickly to a furious round of high-level meetings in Washington between Treasury and White House officials.

And Jean Lewis was pulled off the Madison case almost immediately. Mike Forshey, a Dallas attorney who now represents Lewis, says that her supervisor in Kansas City, Richard Iorio, was ordered to remove her from the Madison case by RTC attorneys soon after the Madison referrals were issued. Forshey says Iorio never told Lewis the reason she was being reassigned, "because Iorio was never given a reason."

But while the case was turned over to Michael Caron, a colleague in Kansas City, Lewis found it hard to simply drop the Madison file and forget about it. While others saw nothing more than typical bureaucratic incompetence behind the long delays and mishandling of the initial referral, Lewis seemed increasingly convinced that a cover-up was in the works.

So Lewis could not keep her suspicions in check when April Breslaw, a senior attorney at the RTC's headquarters in Washington, came to Kansas City in early February to check on the Madison case. And when Breslaw came to her office to talk, sources say Lewis secretly taped their conversation.<

In notes she wrote after the meeting, Lewis claimed that Breslaw told her that "people at the top" in Washington wanted to be able to say that Whitewater did not cause a loss at Madison; if that were true, that would help extricate the Clintons from the scandal.<

"April stated very clearly that the 'head people' wanted to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them," Lewis wrote in a memo to herself. "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." Breslaw refused to comment for this article, but she has previously denied that she ever made the comments that Lewis has attributed to her. RTC spokesman Steve Katsanos refused to comment on the case and said that RTC management discourages all of its employees from discussing ongoing investigations with the press.<

<
^(Optional add end)<
<

After her meeting with Breslaw, Lewis says she had heard and seen enough. By mid-February, she had made contact with Rep. Jim Leach, R-Iowa, the Republican Party's point man on Whitewater, who she knew was already leading a campaign in the House to begin a congressional investigation into Whitewater.<

Still wary, she refused to talk to Leach's staffers, and would deal only with the Iowa congressman directly. Within days, Leach, the ranking Republican on the House Banking Committee, flew secretly to Kansas City to meet with her. Lewis played the tape of her conversation with Breslaw for Leach, and gave him sheafs of internal RTC documents and memos, including copies of her E-mail. Leach said in an interview that the tape confirms Lewis' versions of events.<

Her celebrity status now seems to give her job security; the RTC just renewed her annual employment contract, even though the agency is rapidly downsizing and is scheduled to go out of existence at the end of 1995.<

✓ FDA Looks at Potential of Home AIDS Test Kits (Washn) By Marlene Cimon= (c) 1994, Los Angeles Times=

WASHINGTON The Food and Drug Administration Wednesday reopened the controversial debate over whether to approve home AIDS test kits, an idea that was rejected four years ago.

During a day-long hearing before the agency's blood products advisory committee, advocates predicted that the availability of a home test kit will encourage more people to be tested thus prolonging or saving additional lives while opponents argued that the kits hold the potential for abuses, possibly even dire consequences, particularly in the absence of face-to-face counseling.

The tests do not work like home pregnancy tests, in that results are not immediately available. They are, in fact, home collection kits, meaning that an individual takes a blood sample at home and mails it to a lab, and then calls a week later for the results.

"Testing is all we have, testing is what we must do," said former Surgeon General C. Everett Koop, a consultant to Direct Access Diagnostics, a subsidiary of Johnson & Johnson, developer of the leading test kit. "We cannot only triple the volume of people who are tested, but we can do it without government budgets and without government bureaucracies."

But Marion Brown, director of HIV counseling and testing for the Whitman Walker Clinic, a gay and lesbian health services center in Washington, warned: "I shiver when I think of people getting tested for HIV without the benefit of face-to-face pretest counseling, and then receiving their test results over the phone."

The panel is not expected to make a recommendation immediately. Although the FDA is not bound by the committee's advice, it typically wields considerable influence in the agency's final decision-making.

The FDA now acknowledges that the climate toward the idea has begun to change. Many who initially opposed the concept of home testing have said they now believe that the potential benefits are greater than the risks, and that the availability of home testing could fill critical

Fitzhugh directed unusual deals, 3 testify

BY JOE STUMPE
Democrat-Gazette Staff Writer

Two businessmen and a former legal associate testified in U.S. District Court on Wednesday that Little Rock lawyer Eugene Fitzhugh directed them to make a series of unusual financial transactions.

Fitzhugh and former stockbroker Charles Matthews of North Little Rock are on trial for allegedly conspiring with

former Pulaski County Municipal Judge David Hale to defraud the Small Business Administration.

Hale pleaded guilty in March to two felony charges as part of a plea bargain. He is cooperating with special counsel Robert Fiske Jr.'s investigation of the Whitewater Development Corp. affair.

Robert McIntire, a rare coin dealer from Jacksonville, and

Dwayne Skinner, a North Little Rock salesman, testified that they asked Fitzhugh for help in obtaining financing for their business activities.

Fitzhugh served as both men's attorney.

In November 1988, McIntire said, Fitzhugh arranged for him to receive a \$300,000 check from Hale's federally licensed lending company, Capital Management Services Inc. of Little Rock.

"The next morning, he (Fitzhugh) called me and said that Judge Hale had called him and decided they weren't going through in buying the stock" in McIntire's company, McIntire testified.

Instead of returning the money directly to Hale, McIntire said, Fitzhugh told him to write a check for \$300,000 to Gerald

See TRIAL, Page 11A

• Continued from Page 1A

Nesbitt, a Little Rock businessman with no direct role in Hale's company.

When he asked why, McIntire said, "(Fitzhugh) led me to believe Gerald Nesbitt was a member of Capital Management Services."

Federal prosecutors allege that Hale wrote the \$300,000 check to McIntire — and check totaling \$500,000 to two other businesses — to make it appear he was making loans to the companies.

The government alleges the money was transferred to Nesbitt's account at the Little Rock office of Prudential-Bache and then transferred again to the Prudential-Bache accounts of a wealthy Shreveport man, Harry Townsend, and his mother.

In that way, the government contends, Hale was able to disguise from the SBA the fact that he was repaying a short-term loan to his company from the Townsends.

The prosecution alleges that Hale used the infusion of money from the Townsends to qualify for \$900,000 from the SBA in violation of federal regulations.

Under rules governing federally insured small-business investment corporations, Capital Management was supposed to raise private capital to match SBA funds. The money was then to be loaned to socially and economically disadvantaged companies and individuals.

Skinner testified that Fitzhugh advised him to set up a bank account in the name of River Valley Hydraulics in 1988. When he told Fitzhugh he had not done so by November of that year, Skinner said that Fitzhugh replied, "Why don't I come by and pick you up for lunch, and we'll go down and open it (the account) up?"

On the same day, Skinner said, Fitzhugh deposited a \$200,000 check from Capital Management in the River Valley Hydraulics account. Two days later, Skinner said, Fitzhugh told him to transfer the money to Nesbitt's account.

Skinner said he never expected to receive use of the \$200,000, although he did expect to obtain a loan through Fitzhugh later.

Skinner testified that Fitzhugh told him "he had to do ... a dry run to make sure the paperwork flowed right."

Robert Hall, a Corning lawyer who worked in Fitzhugh's office in the late 1980s, testified that Fitzhugh told him to form several corporations for Harry Townsend. After Hall had opened a bank account for one of those companies — known as LAME — Hale loaned the company \$300,000, Hall said.

Hall said Fitzhugh then told him to write a check for \$300,000 to Nesbitt.

On cross-examination by Bill Bristow of Jonesboro, an attorney for Matthews, McIntire and Skinner testified they had not had any dealings with Matthews.

Hall said Matthews attended the meeting where he received the \$300,000 check from Hale, but Bristow demonstrated that Hall had not mentioned Matthews' participation in previous statements to the FBI and SBA.

Attorneys for Fitzhugh and Matthews contend that if any laws were broken, Hale was at fault.

Also Wednesday, Philip Anderson of Little Rock, an attorney representing the *Arkansas Democrat-Gazette*, and Thomas Mars of Springdale, an attorney representing *The New York*

Times, asked U.S. District Judge Stephen Reasoner not to close portions of the trial to the media unless prosecutors show good cause for doing so.

Fiske has contended that some testimony by Hale could jeopardize his overall Whitewater investigation.

There was no mention of President Clinton on Wednesday. But the possibility of Whitewater developments has attracted reporters from *The New York Times*, *Newsweek* and other publications to the trial.

Just before he was indicted by a federal grand jury last fall, Hale alleged that then-Gov. Bill Clinton pressured him during the 1980s to loan \$300,000 to Susan McDougal.

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

Fiske is investigating allegations that money was transferred illegally between Madison and Whitewater accounts.

Arkansas Democrat-Gazette

THURSDAY, JUNE 23, 1994

Children and Smoke-Filled Rooms

Once America learned that secondhand smoke was at the least a nuisance, and at the worst a health hazard, states and localities all over the country began developing regulations to protect nonsmokers from other people's bad habit. New York might be well on its way toward intelligent new restrictions too, had the State Legislature enacted the bill known as "Prokids" last year. Although the Assembly has passed it twice, overwhelmingly, it has yet to make it to the Senate floor.

The bill would prohibit smoking in schools and on school grounds, and ban the sale of out-of-package or "loose" cigarettes. It would also require separate, enclosed smoking rooms in workplace lounges and cafeterias, and would limit hospital smoking to patients who obtained written authorization from physicians. Smoking in transportation terminals, buses and restrooms would be banned too, as well as in youth centers, child care facilities, group homes for children, public institutions

for children and residential treatment facilities.

So what is there not to like about a bill that is so kind to children?

According to a recent survey, 36 state senators do like the bill, none are opposed and the rest have not yet taken a position. Gov. Mario Cuomo, at whose request it was introduced, likes it too. So do a wide array of medical and public health associations, the Board of Regents and organizations ranging from the League of Women Voters to the Federation of Protestant Welfare Agencies.

So far the Senate majority leader, Ralph Marino, has not shown himself to be among the bill's fans. Last year he thought the tobacco industry, which had just been handed a 17-cent-per-pack tax increase, had taken enough of a hit. This year his office says the bill is still under review, and that there is no final decision on it yet. Meanwhile, young New Yorkers are still taking in secondhand smoke — and that is a hit they cannot afford.

Pentagon Funds for U.N. Peacekeeping

The House has deleted \$300 million for United Nations peacekeeping from the Pentagon budget. The Senate should vote this week to restore funding.

The cost of peacekeeping to the Pentagon is quite modest — about one-tenth of 1 percent of its total budget. And the benefits could be great. U.N. operations that meet the Clinton Administration's strict new peacekeeping standards can strengthen American security without the need to commit many American troops. That ultimately saves the Pentagon money.

Those opposed to peacekeeping want to have the money come out of a tight State Department budget. But the Defense Department budget is the right place to find the funds. Otherwise, peacekeeping dues would have to compete for funds with Commerce and Justice Department domestic programs that are already desperately short of money.

Holding the purse strings would also give the Pentagon more power to assure that the operations it pays for are prudent and well planned, helping correct glaring deficiencies in U.N. peacekeeping.

One of those deficiencies is sheer profligacy. The U.N. can do something about that by ending its practice of separate funding for each of its peacekeeping operations. There are now 18 such operations on five continents. Surely the U.N. can economize by establishing a single peacekeeping budget, permitting the transfer of funds and equipment from one operation to another.

The House can also help. It can provide timely full financing for peacekeeping next year and begin to make good on America's past delinquency by voting this week to pay \$1.1 billion in arrears to the world body.

Those in Congress who oppose funding for peacekeeping want to turn their backs on the U.N. and adopt a go-it-alone approach. But many dangers to peace around the globe are best dealt with multilaterally through the U.N. Such efforts will be hamstrung if Congress does not provide the funds. An America-only approach is inappropriate in today's world. By voting to pay for peacekeeping, Congress can show it recognizes that.

Getting It Right in Whitewater Hearings

To the Editor:

"Running for Cover on Whitewater" (editorial, June 17) asserts that "Senate Democrats are rushing toward a partisan cover-up of the Whitewater affair." The facts simply do not support such a conclusion.

The Senate is committed by a resolution passed on March 17 by a 98 to 0 vote to conduct oversight hearings that will look into all aspects of the events connected with the Whitewater Development Company matter.

In that resolution the Senate instructed that the hearings should be structured and sequenced in such a manner as not to interfere with the continuing investigation into these matters by the special counsel, Robert B. Fiske Jr.

Mr. Fiske, a highly respected former prosecutor, is conducting a thorough, independent investigation. That investigation has the confidence and support of Congress and the public.

In public statements, meetings and correspondence, Mr. Fiske has made explicit his concerns that Congressional hearings conducted prematurely could undermine his investigation. As recently as May 26, Mr. Fiske reiterated these concerns in a meeting with the bipartisan leadership of the House of Representatives.

Senate Democrats have repeatedly voted to authorize full and complete hearings into "all matters related to Madison Guaranty Savings and Loan Association, Whitewater Development Company and Capital Management Services" (the so-called Whitewater matter).

I have on numerous public and

private occasions stated my commitment to full and complete hearings. The resolution that I have offered in the Senate, conforming to the mandate in the March 17 resolution, follows through on this commitment. The alternative now being offered by the Senate Republicans provides no such commitment.

We have learned from the experience of the Iran-contra Congressional hearings. The difficulties encountered by the independent counsel in that matter, arising as a consequence of those Congressional hearings, support the view of Mr. Fiske that ill-timed Congressional hearings could undermine his investigation.

Indeed Lawrence Walsh, the independent counsel in the Iran-contra investigation, stated this year:

"I think the views of some of those in the Congressional committees that there was a possibility of concurrent activity that the Congress could investigate on television and that the criminal prosecution could also go on, was just proved to be wrong, and I think the lesson is very clear as we spelled out in the report. Congress has control. It's a political decision as to which is more important, but it can't have both."

The resolution I have offered in the Senate, supported repeatedly by my Democratic colleagues, and the agreement of the Republican and Democratic leaders of the House, will assure that Congress meets its Constitutional obligation while permitting the special counsel to fulfill his mandate.

GEORGE J. MITCHELL
Senate Majority Leader
Washington, June 17, 1994

Dole Warns Democrats on Whitewater

By Helen Dewar
Washington Post Staff Writer

Senate Minority Leader Robert J. Dole (R-Kan.) warned yesterday that Democrats may face a "long hot summer" of partisan battles over major legislation unless they agree to broader hearings on President Clinton's involvement with the Whitewater affair.

Dole's warning came as the Senate voted for a 10th time along straight party lines to reject GOP demands to extend the scope of initial Whitewater hearings beyond the relatively narrow limits set by the Democrats.

With an implied threat to health care and other Clinton priorities, Dole accused the Democrats of pursuing bipartisanship only when it advances their agenda and warned bluntly that they should expect a comparable response from Republicans unless they bend on Whitewater hearings.

Democrats will say they need Republican cooperation on issues like trade, health care and crime, Dole said. "Well, if we give the same cooperation we have had on this issue, it will be a long, hot summer. And maybe it should be a long, hot summer," he asserted.

When Democrats plead for cooperation, "I will go back and read all the speeches they made on Whitewater. Maybe Mr. Fiske can take over domestic policy if he has any spare time," Dole said acerbically.

This was a reference to Whitewater special counsel Robert B. Fiske Jr., who has asked Congress to refrain from delving into areas he has not yet probed in his inquiry into Clinton's involvement with the Whitewater Development Corp. and a failed savings

and loan while Clinton was governor of Arkansas in the 1980s.

Heeding Fiske, Democrats have insisted on limiting the Senate's initial hearings to White House contacts with other agencies about the Whitewater matter, questions arising from the suicide last year of deputy White House counsel Vincent Foster and the White House handling of his papers.

In their proposal yesterday, rejected 54 to 44, Republicans wanted the hearings broadened to include any "illegal, improper, unauthorized or unethical" Whitewater-related activities since Clinton became president.

Democrats shrugged off Dole's threats of intensified partisan warfare, which many have been predicting—with or without the standoff over Whitewater—as part of what they see as a GOP strategy to undermine Clinton's record as a breaker of legislative gridlock.

Asked for his response to Dole, Majority Leader George J. Mitchell (D-Maine) had two words: "What's new?"

Earlier, Mitchell noted that Republicans have been pushing for votes on Whitewater for three weeks, describing the debate as "pretty much a waste of time."

Potentially more ominous for the Democrats than Dole's warning was a similarly blunt message from Sen. William S. Cohen (R-Maine), one of the party moderates Democrats are relying on to help them pass top legislative priorities.

Cohen has taken a less combative position on Whitewater hearings than most conservatives, who have been pressing Dole to take a tougher stand. But yesterday Cohen was as

tough as any conservative, warning that Democratic intransigence on Whitewater could "harden the heart and spirit" of the Republicans most likely to cooperate and "affect how we respond to the majority" on major legislation.

Moreover, Cohen said, the ill will could spill over next year to the new Congress, which may be more heavily Republican.

To underscore the political stakes, Dole said Republicans will "take our case to the American people" as a campaign issue in November.

In other developments yesterday, House Banking Committee Chairman Henry B. Gonzalez (D-Tex.) called for an ethics committee investigation of the committee's ranking Republican, Rep. Jim Leach (Iowa), over Leach's decision to let an Iowa college use his name to raise funds for an endowed chair in banking and economics. Leach has been a leading voice in calling for Whitewater hearings.

Gonzalez asked the ethics committee to look into a "grave and serious" threat to Congress's integrity brought on by a five-year drive to raise \$1 million for an endowed chair at Wartburg College in Waverly, Iowa.

Recent news stories have said Iowa banks that Leach has not permitted to contribute to his campaigns have contributed to the fund, and Leach's name helped the college persuade Federal Reserve Chairman Alan Greenspan to speak at the celebration of the endowment.

Leach said in a statement last night that he personally contributed \$10,000 toward the chair and views his effort to aid the college as a "positive contrast" to pork-barrel projects for which Congress is often criticized.

D.C.'s Prisons for Women Unsafe, Fire Consultant Says

By Brooke A. Masters
Washington Post Staff Writer

Fire-safety precautions in the women's prison at the Lorton Correctional Complex are "grossly inadequate" and fire could spread through an entire dormitory in five minutes, a fire-safety specialist testified yesterday on behalf of female prisoners who are suing the D.C. Department of Corrections.

Thomas W. Jaeger, a fire-protection consultant based in Fairfax, said the two women's dormitories at the District's prison complex in Virginia have no sprinklers. The smoke detectors and fire alarms are no better than "doorbells," he told U.S. District Court Judge June Green, because they ring only in the affected building and do not alert anyone outside.

Jaeger's testimony came as lawyers for the inmates wrapped up their case against the District. They allege that female prisoners at Lorton, the D.C. jail in Southeast Washington and the adjacent Correctional Treatment Facility endure sexual harassment and assault, dangerous

and unsanitary conditions and inadequate medical care and are given fewer educational and recreational activities than men.

D.C. Assistant Corporation Counsel Maria Amato said a fire specialist hired by the District will testify that "there is no fire hazard for the female inmates" and that corrections officials have fixed problems pointed out during Jaeger's inspection of the facilities in February.

Jaeger said that during his visit, the women's dormitories were crowded and many inmates' possessions were stored in cardboard boxes and plastic bags. Although he did not inspect the men's dormitories at Lorton, he found that fire alarms in the common kitchen, dining area and gymnasium were not working.

Jaeger said that he saw water leaking on exposed electrical conduits at the Correctional Treatment Facility and that facility employees did not have keys to activate the fire alarm.

D.C. Special Assistant Corporation Counsel Teresa Ferrante said the leaks have been repaired and employees now have alarm keys.

WASHINGTON AND THE WORLD

Presidential defense fund deemed legal

Independent counsel law would ease tab

By Judy Keen and Tony Mauro
USA TODAY

The White House has concluded creating a defense fund for President Clinton and Hillary Rodham Clinton is legal.

Meanwhile, Congress Tuesday reauthorized the independent counsel law, which may provide some relief from legal fees.

Once an independent counsel is appointed, the target of a probe can recover some legal costs if ultimately exonerated. Democrats said any payments would not cover legal costs already incurred by Clinton.

The Clintons haven't reviewed recommendations of White House counsel Lloyd Cutler's office and he authorized the fund's creation to offset what could be \$2 million legal bills.

The president, asked Tuesday whether he's decided to launch the probe, said, "I have nothing to say... I haven't seen the final details."

Cutler's office has concluded a fund seeking donations from individuals and disclosing donors' names would be legal, White House press secretary Dee Dee Myers says.



DEFENDANT: Charles Matthews, left, and lawyer Bill Bristow exit court Tuesday in Little Rock. Matthews is accused of defrauding the Small Business Administration.

Photos by Spencer Tracy, AP

Myers said White House lawyers "are in the process now of determining" how a defense fund "can be structured" to offset legal costs for the probe of the Whitewater land deal and former Arkansas state

worker Paula Jones' sexual harassment suit.

Myers says the Clintons "have chosen not to disclose how much they have been billed or how much they have paid" Robert Bennett, their

lawyer in the Jones case, or David Kendall, their Whitewater lawyer.

The fund would be the first ever for a sitting president. It would be administered by a private individual, and administration officials would

not be allowed to solicit donations.

Some ethics experts warn a fund could give the perception donors are buying influence. But the Clintons' options are limited, as they've chosen high-priced lawyers. Bennett

Lawyers question credibility of star Whitewater witness

By Dennis Cauchon
USA TODAY

LITTLE ROCK — Defense lawyers attacked the credibility of a controversial star witness in the Whitewater probe as testimony began Tuesday in the first trial handled by Whitewater special counsel Robert Fiske.

David Hale, who accuses then-governor Bill Clinton of pressuring him to make an improper Small Business Administration loan, wasn't in court, but the issue of whether he can be believed dominated the first day of testimony.

Little Rock stockbroker Charles Matthews and lawyer Eugene Fitzhugh are accused of helping Hale defraud the SBA of \$900,000. Hale pleaded guilty in March and agreed to cooperate.

Former SBA official Patricia DiMuzio testified the SBA did not notice he had loaned money to himself even though nine companies which got money listed Hale's address as their headquarters.

Defense lawyers say Hale also deceived Matthews and Fitzhugh. Prosecutors don't want to call Hale as a witness for fear his testimony will taint the larger Whitewater investigation. But Fitzhugh's lawyer may call Hale to challenge his credibility.



FITZHUGH: Also accused of fraud

charges \$475 an hour, Kendall about \$400 an hour. The Clintons' 1993 income: \$293,000.

Final passage of the independent counsel bill could provide relief. Passage in the House came over GOP objections the bill was a backdoor way of getting government funds to help pay the Clintons' legal costs.

Robert Fiske was appointed as a special Justice Department counsel for the Whitewater affair because the old independent counsel provision had expired.

The new law, which only needs Clinton's signature, restores the old method of a three-judge panel naming independent counsels.

Normally, federal employees cannot be independent counsels, but the law provides an exception for Fiske, now on the Justice Department payroll, to be named for the Whitewater probe. Appointing Fiske would not be automatic.

Also Tuesday, the Senate, on a 54-44 party-line vote, turned back the 10th attempt by Republicans to expand Whitewater hearings set to begin no later than July 29.

The hearings will be limited to three areas: the suicide of former White House deputy counsel Vincent Foster, contacts between Clinton administration officials and federal banking regulators about Whitewater, and White House handling of papers, including Whitewater files, in Foster's office after his death.

Contributing: Leslie Phillips

Broader hearings rejected again

Angry Dole vows partisan rejoinder

By Jerry Seper
THE WASHINGTON TIMES

A1

Senate Minority Leader Bob Dole yesterday promised Democrats a "long hot summer" over health care, trade and crime legislation after the defeat — for the 10th time — of a Republican-backed resolution to expand pending Whitewater-Madison hearings.

DOLE

From page A1

who supported a resolution by Senate Majority Leader George Mitchell calling for limited Whitewater-Madison hearings, could expect partisan votes on pending Senate legislation.

"If we give the same cooperation we have had on this issue, it will be a long, hot summer," Mr. Dole, Kansas Republican, said in a floor speech. "And maybe it should be a long, hot summer."

Democrats have beaten back every Republican effort to expand the Whitewater-Madison hearings, which under the Mitchell resolution excludes questions on Whitewater, Madison and Capital-Management Services Inc., a government-backed lending agency in Little Rock whose owner has accused Mr. Clinton of pressuring

him to make an illegal loan.

Mr. Mitchell proposed that the hearings initially deal only with suspected improper contacts between Clinton administration officials and federal banking regulators investigating Whitewater-Madison; the July 20 death of former White House Deputy Counsel Vincent W. Foster Jr., whose body was found in a Virginia park; and the removal by White House officials of papers, including Whitewater files, from Mr. Foster's office after his death.

He has said hearings could be expanded to additional topics but has offered no plan or timetable to include other remaining questions.

The Mitchell plan was approved 54-44 after the defeat of the GOP proposal by an identical vote. The Democrats said the hearings needed to be limited to avoid any conflict with an ongoing investigation by special counsel Robert B.

Fiske Jr., who has asked Congress to delay hearings until they will not interfere with his probe.

Mr. Fiske has told congressional leaders he is nearing completion of the first phase of his probe, covering the three areas contained in the Mitchell resolution.

"By agreeing to limit the scope of Whitewater hearings to three narrow issues, we have taken the extraordinary step of giving an independent counsel — an unelected bureaucrat — the opportunity to exercise veto power over our own oversight activities," Mr. Dole said.

"No permission slip from Mr. Fiske, no hearings. No bureaucratic sign-off, no investigation by Congress. So much for oversight, and so much for the separation of powers," Mr. Dole said.

Mr. D'Amato, New York Republican, described the Democratic resolution as "so limited and so unfair" that it would have been "re-

jected out of hand" by Democrats if a Republican was in the White House.

"Some of this institution's most shining moments resulted from our willingness to shine the light on the darker episodes in our nation's history," Mr. D'Amato said. "It would be a tragedy if the Senate chose to cover up a stain on the White House caused by Whitewater with a whitewash of its own."

Hearings under the Mitchell resolution would begin by July 29 before the Senate Banking Committee, which is controlled by Democrats, 11-8. The Republican compromise set a starting date of July 22.

Mr. Fiske is investigating suspected illegal financial ties between Madison and Whitewater, including an inquiry into accusations that Madison funds were improperly diverted to the real estate venture and to the campaigns of several prominent Arkansas poli-

ticians, including Mr. Clinton.

Madison was seized by federal regulators in 1989 at a cost to taxpayers of \$50 million.

Mr. Fiske, through grand juries in Washington and Little Rock, also is looking at the propriety of secret White House briefings with Treasury officials on the Whitewater-Madison affair and the Foster death.

Mr. Mitchell, Maine Democrat, has accused the GOP of trying to turn the hearings into "a political circus." He said the Republicans' purpose in offering a resolution was to "embarrass President Clinton and Mrs. Clinton."

"They're not interested in the nature or scope of the hearings, only in the politics," he said during rancorous floor debate last week.

The GOP resolution yesterday was scaled back from one originally offered more than a week ago.

It would have expanded the

Democrats defeated, by a 54-44 vote, a GOP resolution by Mr. Dole and Sen. Alfonse M. D'Amato that would have expanded the as-yet-unscheduled hearings to include questions on Whitewater Development Corp. and Madison Guaranty Savings and Loan Association after President Clinton assumed office in January 1993.

The hearings, under the Republican proposal, would have included the calling of witnesses to determine if Mr. Clinton — a partner in Whitewater with Madison's owner, James B. McDougal — had been involved in anything "illegal, improper, unauthorized or unethical."

"This will not be the last amendment offered on Whitewater," Mr. Dole said, adding that Democrats

see DOLE, page A17

The Washington Times
WEDNESDAY, JUNE 22, 1994

hearings to include White House interference with Resolution Trust Corp. investigations into Madison; the Clintons' Whitewater investments and the diversion of taxpayer funds to keep the real estate venture solvent; the improper use of federally insured Madison deposits; and improprieties in Hillary Rodham Clinton's cattle commodities trading, when she turned a \$1,000 investment into a \$100,000 profit in 10 months.

Mr. D'Amato also proposed the creation of a bipartisan 18-member special subcommittee to investigate Whitewater-Madison accusations. The panel would have included nine Democrats and nine Republicans.

"The American people want Congress to get to the bottom of the Whitewater affair," Mr. D'Amato said. "This barely scratches the surface of relevant questions involving Whitewater."

Gonzalez seeks probe of GOP rival Leach

College chair leads to ethics questions

By Jerry Seper
THE WASHINGTON TIMES

Rep. Henry B. Gonzalez yesterday asked the House ethics committee to investigate questions of whether the financing of the James A. Leach chair in banking and monetary economics at Wartburg College in Waverly, Iowa, violated House rules.

Mr. Gonzalez, Texas Democrat and chairman of the House Banking Committee, asked for the inquiry in a letter late yesterday afternoon to Rep. Jim McDermott, Washington Democrat and chairman of the House Committee on Standards of Official Conduct.

"I am writing to seek your opinion on whether this practice violates any laws or House rules and, if not, whether the issue should be further addressed in order to clarify what is and what is not proper and acceptable behavior for a member of the House," Mr. Gonzalez said.

Rep. Jim Leach, Iowa Republican, said he agreed to the establishment of the chair only on the condition he would not engage in any fund raising. He said he contributed \$10,000 toward the endowment of the chair.

"In an era in which members of Congress too often seem to dwell on getting taxpayer-financed pork-barrel projects for their districts, to the disadvantage of the nation as a whole, is it a positive contrast for a member to give of his own money and lend his own name to a private-sector effort to help a reputable, church-affiliated college endow an academic chair for undergraduate education?" he

said.

Mr. McDermott was not available for comment.

Mr. Gonzalez and Mr. Leach, the ranking GOP member of the Banking Committee, have been locked in a bitter battle for months over proposed hearings on the Whitewater-Madison affair.

The Texas Democrat has repeatedly blocked efforts by Mr. Leach to get hearings into the matter and has angrily denied efforts to get documents from government agencies that have looked into ties between Whitewater Development Corp., an Arkansas partnership involving President Clinton, and Madison Guaranty Savings and Loan Association, owned by James B. McDougal, a Whitewater partner.

Mr. Gonzalez's concerns, according to the letter, center on the establishment of a \$1 million endowed chair at Wartburg College with money raised by O. Jay Tomson, an Iowa banker and former head of the Independent Bankers Association of America. Tax-deductible contributions for the chair came from bankers across the country.

In the letter, Mr. Gonzalez said contributors had interests in legislation pending before the House, particularly before the Banking Committee.

"This particular case is especially egregious because the funds were raised almost exclusively from the industry under the member's jurisdiction," he said.

"It seems to me that when a member's name and interest are linked to an endeavor and lobbyists and others who have an inter-



Rep. Jim Leach

est in legislation falling under one's jurisdiction are allowed — encouraged, even — to contribute to maintaining that interest, there is at least an appearance of impropriety," he said.

Last month Mr. Leach sued two federal agencies for Whitewater-Madison documents, 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 Banking Committee. He asked the court to compel the Resolution Trust Corp. and the Office of Thrift Supervision to release all records involving Madison and Whitewater.

He said at the time that 75 percent of his requests for documents had been denied, "including about 99 percent of those records that would contain anything of interest." The suit says the decisions to withhold the records were made after the agencies received "instructions" from Mr. Gonzalez to "suppress" the documents.

Business leaders hear out Clinton

By Frank J. Murray
THE WASHINGTON TIMES

President Clinton appealed to the patriotism and profit motives of 200 of America's top business leaders yesterday in asking them to help doctor the ailing health care plan they had twice rejected.

"Don't walk away from health care," Mr. Clinton urged the Business Roundtable in a passionate lecture that showed he hasn't given up on the beleaguered bill he sees as the cornerstone of his presidency.

"I refuse to declare defeat. Why should we jump in the tank?" he said, using a euphemism for surrender.

He said the so-called "91 percent solution" that would result from voluntary employer compliance would require \$300 billion in additional government payments.

"Instead of an employer mandate, we would have to go back and raise the heck out of everybody's taxes, which we are not about to do," he said. "It would not be fair" to the middle class, he said.

As a group, Roundtable members oppose an "employer mandate" that would force big businesses to pay premiums for all workers, absorb costs of subsidizing smaller companies' premiums during the phase-in period and offset sharp cuts in Medicaid spending.

"A mandate is a tax. Who's going to pay for it?" demanded James T. Corcoran, a Dial Corp. government affairs vice president, who said it would win no converts.

"He mentioned everything we

President Clinton urges business leaders to lobby for passage of his health care program despite their opposition to many of the details.

agree with — pre-existing conditions, portability and cost-containment — but skipped over mandates and alliances and other objections," Mr. Corcoran said.

"He's very persuasive, there's no question about it," said Willard Nielsen, a vice president of Johnson & Johnson Co. who did not reply when pressed on how Roundtable members might react.

Mr. Clinton used the opportunity to renew his complaint that Washington responds cynically to his serious efforts to address major problems with solutions that don't fit usual political categories.

"This town still is, in my judgment, too partisan, too negative, too obsessed with process and conflict instead of results and progress, too interested in blame and too little interested in responsibility," Mr. Clinton said.

"I have a vision, a mission, a strategy for how I believe all this should take place, how we can move forward to the 21st century, what the partnership between government and business ought to be, what the whole atmosphere in this country, the feeling about our mission, ought to be," Mr. Clinton said.

As he has done often since June 6, Mr. Clinton likened the task facing him and his audience to that of the "Pathfinders," who led the way at Normandy and didn't enjoy the

luxury of walking away.

"Being cynical or negative is always an option that's there, but it's something we pay a terrible price for," the president said.

A Roundtable official said Mr. Clinton turned down two invitations to speak before reversing himself last week on condition the evening program be moved to 12:30 p.m.

His speech was billed as an "economic vision," but that topic got glancing attention after the main topic was changed yesterday to health care.

As he did at last year's meeting, Mr. Clinton began with a review of his record, a recitation that was notably colorless and occasionally stumbling. But halfway through he changed course to health care and warmed to the subject.

Unlike last year, he did not take questions after the speech. He left after shaking a few hands and giving a big embrace to American Federation of Teachers President Albert Shanker, who is seriously ill with cancer and was inexplicably in the front row among the industrialists.

There was no applause during the speech, but the audience laughed when Mr. Clinton invoked Harry S. Truman and joked, "I come from a family that liked him when he was unpopular."

The Washington Times
WEDNESDAY, JUNE 22, 1994

REED IRVINE / JOE GOULDEN

On June 16, two days after the Senate, in a party-line vote, had imposed strict limits on its proposed investigation of Whitewater, The Washington Post said the public appeared to be paying little if any attention to the battle in Congress on this issue. What chutzpah! The Post, along with nearly all the media, has been derelict in telling the public how the Democratic majority in Congress has been stalling a comprehensive congressional investigation of the scandals.

The same media that bellowed for congressional hearings and special prosecutors throughout the Reagan-Bush era fell mute when faced by the prospect of President Clinton's chums having to go before klieg lights to answer questions.

Last Dec. 21, Sen. Alfonse D'Amato, New York Republican, asked Sen. Don Riegle, Michigan Democrat, to hold hearings before his Senate Banking Committee. Mr. Riegle declined, saying the Justice Department was looking into various Whitewater matters. Chairman Henry Gonzales, Texas Democrat, used the same excuse to prevent House Banking Committee hearings. The White House was strongly opposing appointment of a special counsel.

But in early January, Sen. Patrick Daniel Moynihan, New York Democrat, said on NBC's "Meet the Press" that the attorney general should appoint a special counsel. Other Democratic senators joined him in pressuring Mr. Clinton, and on Jan. 12, Robert B. Fiske Jr. was given the job. That did not quell demands for a congressional investigation. Republicans pointed out that during the Reagan-Bush years congress-

Turning a blind eye to Whitewater woes

sional committees conducted 27 investigations relating to the president, his officials and his relatives. Many of these probes were held concurrently with investigations by independent prosecutors.

The White House turned to Majority Leader George Mitchell for damage control. Mr. Mitchell's first tactic was delay. Arguing that the Senate should not interfere with Mr. Fiske's work, and knowing that he commanded enough Democrat votes to prevent hearings, Mr. Mitchell bludgeoned Republicans into accepting a stop-gap resolution promising eventual hearings on "all matters relating to Madison Guaranty Savings & Loan Association, Whitewater Development Corp., and Capital Management Services Inc." These firms are at the core of the Whitewater story.

This was on March 16, and the GOP trusted Mr. Mitchell to start meaningful hearings during the current session of Congress. When it became clear that Mr. Mitchell was dragging his feet, the Republicans began offering amendments to an airport improvements bill that was up for a vote in the Senate on June 12. These amendments authorized the Senate Banking Committee to investigate 17 areas related to the scandals known as Whitewater, including Hillary Clinton's remarkable earnings in the commodity market.

Mr. Mitchell countered with an amendment that would confine the hearings to three areas: (1) communications between the White House, the Treasury Department and the Resolution Trust Corp. related to Whitewater and Madison Guaranty; (2) the Park Police investigation into the death of White House deputy counsel Vincent Foster; and (3) the way in which White House officials handled documents found in Mr. Foster's office. Mr.

Mitchell's amendment also denied the Republicans the power to subpoena witnesses.

Angry Republican senator after senator took the floor on June 12 and 14 to denounce Mr. Mitchell's proposal as a sham designed to block any genuine probe, accusing the Democrats of acting in bad faith. Sen. Lauch Faircloth of North Carolina pointed out that under Mr. Mitchell's restrictions, the committee would not even be able to look into charges that an Arkansas bank regulator who was a Clinton "political crony" had bowed to pressure not to shut down the bankrupt Madison Savings & Loan, owned by Mr. Clinton's partners in the Whitewater Development Corp. the delay had cost the taxpayers millions of dollars.

Mr. Mitchell's coverup amendment was approved by a party-line vote on June 14. There was no immediate eruption of public outrage. Most of the public had no idea what had happened. Not one of the Big Three TV networks ran a single word about the Democratic coverup and the heated debate it engendered. The Washington Post covered the coverup in a 200-word wire service story at the bottom of page 4 under this headline: "Senate Approves Narrowly Focused Whitewater Inquiry." The New York Times placed the story back on page 22 under the innocuous headline "Senate Will Hold Hearings on Whitewater." The L.A. Times buried it even deeper, omitting it from its national edition entirely.

Outrage was no doubt felt by many of those who watched the debate on C-SPAN, saw it discussed on "The Other Side of the Story" on National Empowerment Television (NET) or read about it on the front page of The Washington Times. That didn't add up to a large enough audience to intimidate the Democrats. But the Democrats are not yet out of the woods on this one. Three days after the vote, both the New York Times and the Wall Street Journal ran stinging editorials charging coverup by the Democrats. If the Republicans keep offering their amendments, they may succeed in breaking the media blackout and embarrass enough senators up for reelection to win approval of a genuine investigation.

Reed Irvine is chairman of Accuracy in Media. Joe Goulden is AIM's director of media analysis.



Senate Whitewater hearings to

TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — After days of negotiations and heated rhetoric, the Senate on Tuesday approved a Democratic plan to begin limited hearings into the Whitewater Development Corp. affair by July 29.

The Senate split along party lines in the 54-44 vote as Republicans lost their 10th try at forcing open-ended hearings.

The Republican plan would have allowed broader Whitewater hearings beginning by July 22. Tuesday's defeat led to GOP cries of a cover-up.

Senate Minority Leader Bob Dole, R-Kan., promised the Senate would face more Whitewater votes. Dole attacked the Democratic plan, which he said would allow hearings on just a "small piece of the Whitewater puzzle."

Republican senators, however, did not resume the Whitewater filibuster that had locked other Senate business for more than two weeks. Democrats said Tuesday's action will allow the chamber to proceed with more important matters.

"We want to get on with the business of this country," said Senate Majority Leader George Mitchell, D-Maine. "Our Republican colleagues want to talk about Whitewater."

The Democratic plan will allow Senate hearings to begin no later than July 29. The hearings will focus solely on the Washington phase of Whitewater special counsel Robert Fiske Jr.'s investigation.

The Washington phase of Fiske's inquiry includes the case of Vincent Foster, the top aide who was deputy

White House counsel when he committed suicide on July 20, 1993.

Republicans had hoped for hearings into other issues tied to Whitewater. 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 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 accounts are among the issues being examined by Fiske.

Fiske is expected to complete the Washington aspects of his investigation later this month.

Under the agreement approved Tuesday, members of the Senate Banking Committee will examine three areas investigated by Fiske. They are:

- The death of Foster, a former partner in Little Rock Rose Law Firm.

- The handling of Whitewater documents and other items in Foster's White House office following his death.

- Contacts between White House aides and federal regulators investigating Madison failure.

The Republican plan would have expanded the Senate hearings to include any "illegal, improper, unauthorized or unethical" activities related to Whitewater or Madison since Clinton took office in January 1993.

Siding with the minority, Sens. Dale Bumpers and David Pryor, both D-Ark., two Democrats

begin by July 29

rats — Sen. Christopher Dodd of Connecticut and Sen. Harry Reid of Nevada — did not vote.

The GOP proposal was written by Sen. Alfonse D'Amato, R-N.Y. D'Amato blasted the Democratic plan, which he described as a "whitewash."

"There's politics involved — the politics of a cover-up," D'Amato shouted on the Senate floor.

Mitchell noted that House Republicans have agreed to a hearing format similar to the Senate plan. He asked rhetorically whether House Republicans were involved in a cover-up.

Pryor said Republicans have a "fixation" on Whitewater and are trying to "promote a political goal."

In the Senate's 70 business days this year, Republicans have delivered 62 Whitewater

speeches, Pryor said.

Dole said Republicans will return with more amendments.

"We will be back," he said. "This will not be the last amendment offered on Whitewater."

He promised a "long, hot summer" of partisanship.

"If we give the same cooperation we have had on this issue, it will be a long, hot summer," Dole said. "And maybe it should be a long, hot summer."

When informed of Dole's comment, Mitchell grinned.

"What's new?" he asked.

Sen. William Cohen, R-Maine, said Mitchell's tactics will lead to "more partisanship, more polarization, more backbiting."

Dole said, "We talk a lot about cooperation around this place. This is an example of what happens when the Republicans need cooperation. Wage

Arkansas Democrat-Gazette
Wednesday, July 22, 1994

New York Daily News
6/22/94

Whitewater report delay seen

By DAVID HILL
The Washington Post

WASHINGTON — Special prosecutor Robert Fiske may not issue a report this month on the first phase of the Whitewater probe and instead just give Congress the go-ahead to start a second source said yesterday.

With a "thumbs-up" to Capitol Hill would be good news for the White House because it would suggest that Fiske had found no criminal wrongdoing in the Washington end of the investigation, one source close to the investigation said.

Fiske originally had indicated he would issue a report soon on ques-

tionable events involving Clinton advisers and Treasury Department officials. Those contacts reportedly concerned a failed Arkansas savings and loan linked to the Whitewater land deal along with the evidence of Deputy White House Counsel Vincent Foster.

But now — because of potential disclosure problems concerning grand jury testimony — some sources expect Fiske to delay congressional hearings and not put anything in writing on the Treasury contacts until his full probe of Arkansas BankOne's dealings is complete.

Fiske, who already has determined that Foster's July 26 death was a sui-

cide, may issue a report on the forensic evidence, one source said. However, Fiske may not report his findings of whether White House aides tried to conceal police on the suicide note or documents in Foster's office.

Fiske declined comment yesterday on whether he would leave a written report.

In the Senate, Republican Sen. 10th straight bid to broaden Whitewater hearings. It was a party line, 66-to-34 vote and GOP leader Bob Dole (R-Kans.) promised a number of partisan blaming Democrats brushed it off as a stress complete with "the stories."

Meanwhile, White House aides set-

ting up a defense fund for the Clintons and some key issues — such as whether individual lobbyists would be allowed to donate — may not be settled until the outside trustees are tapped.

For weeks, White House lawyers have lapsed with a legal fight that would prohibit corporate and union contributions and limit individual donations, perhaps to \$1,000.

The Clintons, who have signed off on the fund, are assessing legal bills that could top \$2 million. They must battle both Whitewater and Paula Jones' sexual harassment charges against the President. White House lawyers hope the fund will be set up within 10 days or so.

Clinton defense fund raises legal questions

By Ernie Freda
STAFF WRITER

A sitting president has never had a legal defense fund, but President Clinton's staff is looking for a way to ask the public to help pay his lawyers in the Paula Jones and Whitewater legal affairs.

Asked about it Tuesday, Clinton replied, "I have nothing to say about that. I haven't seen the final details of it."

The Associated Press, citing an unnamed White House official, said contributions would be capped at \$1,000 or less, be disclosed to the public and accepted only from individuals. But such a fund still could create the perception of influence-buying.

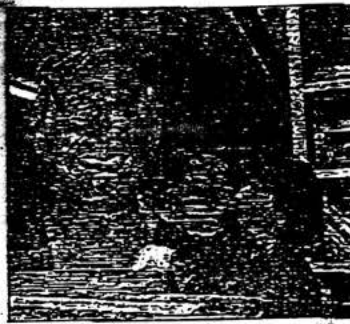
One of the more troublesome questions faced by the planners is whether a fund should be for Clinton alone or open to other administration officials as well. Clinton could end up owing legal bills in excess of \$2 million.

Supporters of Richard Nixon used leftover campaign money for a fund that paid his aides' legal expenses. But the White House was not involved in establishing the fund, and Nixon didn't get any of the money until after he left office.

FREEDOM SUMMER DAY: Rep. John Lewis (D-Ga.), a student leader during the civil rights movement, led a special hour of speeches on the House floor honoring the three civil rights workers who disappeared June 21, 1964, in Mississippi. The bodies of James Chaney, Andrew Goodman and Michael Schwerner were discovered that August. Several other speakers on the House floor Tuesday night also were civil rights activists during that period: Reps. Barney Frank (D-Mass.) and Don Edwards (D-Calif.) and Eleanor Holmes Norton, delegate to Congress from the District of Columbia. A reunion of 1964 civil rights workers will be held in Jackson, Miss., this weekend.

THAT DREADED LETTER: The General Accounting Office has criticized the IRS for too often writing incorrect, unclear or incomplete letters to taxpayers, resulting in every taxpayer's nightmare: a seemingly endless ensnarement in bureaucracy. The GAO reported that it checked 1,894 Internal Revenue Service letters in December 1992 from Atlanta and Cincinnati — two of the IRS's 11 service centers — and found problems with 15 percent of them. A similar check in 1987 had found flaws in 48 percent of the correspondence, and improvements were made.

WASHINGTON IN BRIEF



Associated Press

The stuff of Bush's life

Museum curator Patricia Burchfield shows off a large mask of George Bush. Memorabilia is being cataloged in College Station, Texas, for the Bush library and museum. Groundbreaking is set for November.

"Nevertheless ... further improvements are still needed," the GAO said. The IRS received 31 million letters from taxpayers in 1992. The GAO said 11 percent of the correspondence checked resulted from taxpayers trying to resolve something left unresolved from a previous contact, and it advised that many taxpayers might have done better by phoning instead. All well and good — except that first the IRS needs to do a better job of answering its phones. Only 21 percent of callers got through this tax year.

NEGATIVE ATTITUDES: Well over four out of five respondents to a national Gallup survey agreed that the federal government routinely mismanages money (88 percent) and has many dishonest elected (80%) and appointed (78%) officials, and dishonest employees (70%). Almost three-fourths felt the government runs the best country in which to live (72%), but only half felt the government is highly respected internationally (50%). The survey, taken in April, was commissioned by the Employee Benefit Research Institute, a private, non-profit, non-partisan public interest group.

ELSEWHERE

GOPAC lawyer Peter Derry asked a federal court to dismiss a Federal Election

Commission lawsuit against the fundraising group headed by Rep. Newt Gingrich (R-Ga.), arguing that the FEC lacks authority to monitor issue-oriented newsletters and fundraising drives unless they target specific candidates. ... A persistent Blake Levine, 15, of New York City shadowed President Clinton on his morning run waving a pen and paper, but was waved off by the Secret Service and left — winded and disappointed. ... An Aretha Franklin concert Monday night at the White House Rose Garden was taped by Washington public television station WETA as part of its "In Performance at the White House" series, and will be aired Oct. 12 on PBS. ... A private Republican poll, according to U.S. News & World Report, shows Rep. Jim Cooper (D-Tenn.) slipping in his Senate race with prospective GOP challenger ... Fred Dalton Thompson from a 36-17 percent lead four months ago to 34-23 now. ... Former pro football receiver Howard Twilley (Miami Dolphins) decided not to run himself, and threw his support to another Republican ex-receiver, Steve Largent (Seattle Seahawks), for the Oklahoma House seat of Republican Rep. James Inhofe, who's running for the Senate. ... Attorney General Janet Reno may think it would be "too nerve-racking" and "very strange" to read a biography about herself, but "Janet Reno: Doing the Right Thing" by Paul Anderson, a Washington reporter for The Miami Herald, should be in bookstores later this month. ... Chris Emery, the White House usher fired by Hillary Rodham Clinton in March for keeping in touch with former boss Barbara Bush, hasn't gotten the kind of job offers he was looking for, and has decided to go back and complete his degree at the University of Maryland.

IT'S A FACT

Congress spends \$250,000 each year to fly flags over the Capitol that members can then send to constituents, and another \$800,000 so lawmakers can send out more than 1 million Capitol calendars. (Congressional Quarterly)

SAY IT AGAIN

"I think lobbyists get a bad rep. Lobbyists have a justifiable reason for being here. I support their cause." — Rep. Rod Grams (R-Minn.).

COMING UP

TODAY: President Clinton commemorates the 50th anniversary of the G.I. Bill.

— From staff, news services, and published reports; contributing: Jeanne Cummings

bc-whitewater
WHITE HOUSE DECIDES DEFENSE
FUND FOR CLINTONS IS LEGAL
By JUDY KEEN=

and TONY MAURO=
USA TODAY=

WASHINGTON: The White House has concluded that creating a defense fund for President Clinton and Hillary Rodham Clinton is legal, while Congress Tuesday renewed the independent counsel law, which may provide some relief from legal fees.

The Clintons haven't reviewed recommendations of White House counsel Lloyd Cutler's office and haven't authorized the fund's creation to offset what could be \$2 million in legal bills.

The president, asked Tuesday whether he has decided to launch the fund, said, "I have nothing to say. ... I haven't seen the final details."

Cutler's office has concluded that a fund seeking donations from individuals and disclosing donors' names would be legal, White House press secretary Dee Dee Myers says.

Myers said White House lawyers "are in the process now of determining" how a defense fund "can be structured" to offset legal costs for the probe of the Whitewater land deal and former Arkansas state worker Paula Jones' sexual harassment suit.

Myers says the Clintons "have chosen not to disclose how much they have been billed or how much they have paid" Robert Bennett, their lawyer in the Jones case, or David Kendall, their Whitewater lawyer.

The fund would be the first ever for a sitting president. It would be administered by a private individual, and administration officials would not be allowed to solicit donations.

Some ethics experts warn a fund could give the perception donors are buying influence. But the Clintons' options are limited, as they've chosen high-priced lawyers. Bennett charges \$475 an hour, Kendall about \$400 an hour. The Clintons' 1993 income: \$293,000.

Final passage of the independent counsel bill could provide relief. Passage in the House came over GOP objections the bill was a backdoor way of getting government funds to help pay the Clintons' legal costs.

Robert Fiske was appointed as a special Justice Department counsel for the Whitewater affair because the old independent counsel provision had expired.

The new law, which only needs Clinton's signature, restores the old method of a three-judge panel naming independent counsels.

Normally, federal employees cannot be independent counsels, but the law provides an exception for Fiske, now on the Justice Department payroll, to be named for the Whitewater probe.

Appointing Fiske would not be automatic.

Once an independent counsel is named, the target of the probe can recoup some legal costs if ultimately exonerated. Democrats said any payments would not cover legal costs already incurred by Clinton.

Also Tuesday, the Senate, on a 54-44 party-line vote, turned back the 10th attempt by Republicans to expand Whitewater hearings set to begin no later than July 29.

The hearings will be limited to three areas: the suicide of former White House deputy counsel Vincent Foster, contacts between Clinton administration officials and federal banking regulators about Whitewater, and White House handling of papers, including Whitewater files, in Foster's office after his death.

**** filed by:GN-F(--) on 06/22/94 at 00:30EDT ****
**** printed by:WHPR(JEL) on 06/22/94 at 08:13EDT ****

BC-USA-LEACH

GONZALEZ RAISES ETHICS QUERY ON WHITEWATER FOE

WASHINGTON, June 21 (Reuter) - The chairman of the House Banking Committee asked Tuesday for an ethics ruling on what he said was possible impropriety by the House's chief critic of the Whitewater affair.

Chairman Henry Gonzalez, a Texas Democrat, and Representative Jim Leach of Iowa, the senior Republican on the committee, have long been at odds over the Whitewater affair dogging President Clinton.

Gonzalez wrote to the House ethics committee asking for an opinion on whether Leach had violated House rules in lending his name to a \$1 million endowed teaching chair at Wartburg College in Waverly, Iowa.

He cited news reports saying the chair had been endowed by banking industry groups with interests in legislation before the committee and asked if it was proper for a member to lend his name to "a non-legislative activity funded by lobbyists over whose interests one has jurisdiction."

Gonzalez said there was "at least an appearance of impropriety."

Leach, in a written response to Gonzalez's letter, said he had agreed to lend his name to establishment of the chair on banking and economics on condition he would not do any fundraising and had given \$10,000 toward the endowment.

"In an era in which members of Congress too often seem to dwell on getting taxpayer-financed pork barrel projects ... is it not a positive contrast for a member to give of his own money and lend his own name to a private-sector effort to help a reputable church-affiliated college endow an academic chair for undergraduate education?" he asked.

Relations between Gonzalez and Leach had been strained earlier by Gonzalez's rejection of Leach's demands for Banking Committee hearings on President and Hillary Rodham Clinton's financial affairs in Arkansas involving their investment in the failed Whitewater vacation development project in Arkansas. REUTER

**** filed by:RB--(--) on 06/21/94 at 20:37EDT ****

**** printed by:WHPR(JEL) on 06/22/94 at 08:14EDT ****

House passes independent counsel law

WASHINGTON, June 21 (UPI) Against the backdrop of the Whitewater investigation, Congress gave final approval Tuesday to legislation to extend for five more years the 1978 independent counsel law, sending the reauthorization measure to the White House for President Clinton's signature.

The measure, a conference report on legislation that earlier passed both congressional houses, was approved in its final form by unanimous consent in the Senate last month. House lawmakers passed it 317-105.

The independent counsel statute, which expired in December 1992, provides for a judicially-appointed independent prosecutor to handle investigations and prosecutions of top executive branch officials.

While the conference report enjoyed general bipartisan support, some House Republicans expressed concern that the revised law would make President Clinton and first lady Hillary Rodham Clinton eligible for reimbursement of attorneys fees in the ongoing probe of their former real estate investments in Arkansas.

Just as the original law did, the compromise language to renew the law would allow subjects of an independent counsel investigation who are not indicted to petition a special court for the reimbursement.

Rep. George Gekas, R-Pa., charged the conference report is "a devious way" to reimburse the Clintons for legal fees stemming from the Whitewater investigation. Furthermore, he said, "We don't need Robert Fiske to become the independent counsel, do we?"

The reauthorization measure includes a waiver to allow Fiske, the Whitewater special counsel, to continue his investigation into whether the first couple may have benefited illegally from their investment in Whitewater Development Corp., a failed Arkansas land deal with ties to a now-defunct savings and loan.

Rep. Jim Leach, R-Iowa, who has been an outspoken critic on Whitewater, supported the bill, saying Fiske is "a very honorable man doing a very honorable job" and "this is the right action."

Rep. Jack Brooks, D-Texas, chairman of the Judiciary Committee, also explained the bill does not guarantee the Clintons an automatic reimbursement but leaves the decision up to the courts.

**** filed by:UPI-(us) on 06/21/94 at 18:37EDT ****
**** printed by:WHPR(JEL) on 06/22/94 at 08:15EDT ****