

For Many Years, Senator Put Trust in Land Developer McDougal

July 1994

Sore Losers Kill Soccer Player

Colombian's Key Misplay Provokes Medellin Gunmen

By Gabriel Escobar
Washington Post Foreign Service

MEDELLIN, Colombia, July 2—Gunmen who faulted Colombian soccer player Andres Escobar for accidentally scoring a goal against his team in a World Cup game with the United States shot him to death today after an argument at a nightclub, police said.

The 27-year-old Escobar, admired by many Colombians for the way he handled a player's worst nightmare, was shot 12 times by a group of men who confronted him at 3:30 a.m. outside a nightclub here in Medellin, 150 miles northwest of Bogota. Police said the men blamed Escobar for the soccer team's ouster from World Cup competition in the first round, at one point yelling about his "own goal."

Authorities said they were not ruling out the possibility that the slaying was linked to death threats made against the team, widely believed here to have come from members of powerful drug cartels angry at having lost millions of dol-

lars in bets placed on the team's expected success. Colombia was ousted after losses to Romania and the United States.

[At Saturday's second-round World Cup matches at RFK Stadium in Washington and at Chicago's Soldier Field, players and fans observed a moment of silence for Escobar.

"This is the saddest day I have ever witnessed in football, in a World Cup or any other competition," said Joop Blatter, general secretary of World Soccer's governing body. "If something happens by accident, you can say it was the will of God. But when people deliberately shoot and kill somebody because he made a mistake in the game, something is wrong."

"The popularity of our game has two faces. The first face promotes joy and enthusiasm and brings people together as we have witnessed at the World Cup here. And on the other face, the game mirrors our life. It has violence, tears, corruption. . . ."

In Colombia, where drug-related violence has claimed the lives of thousands—including presidential aspirants, judges and journalists—the execution of a hard-luck soccer player sparked profound anguish among many of his countrymen. Although no direct link to the cartels has been established, many Colombians assumed that those who were bent on avenging the soccer team's embarrassing exit from the international soccer event had found their mark.

"It is incredible that this has now reached the level of the athletes," the mayor of Medellin, Luis Ramos Botero, said in an interview with Caracol Radio. President Cesar Gaviria said the killing "causes Colombia to mourn and fills us with pain."

The killing comes as many Colombians and some U.S. law enforcement officials worry about a resurgence in the drug-related violence that had diminished recently.

Tonight, thousands of fans lined up at one of the principal stadiums to view Escobar's body. Some wept as they stood in front of a black lacquer coffin, obscured by dozens of floral arrangements. Fans crowded into the bleachers, yelling "Andres lives" and "Justice, justice." Relatives and close friends wept together as police stood guard.

And people are here out of sorrow," said Gaviria, a relative of the thousands who waited patiently for a chance to stand by the flag-draped coffin. "They are mourning the family and the country. He was a soldier of the country on the field of sport."

Outside the stadium, 24-year-old Martha Yanez stood in the somber crowd and cried. She had waited several hours to see the body of the player she had followed since he turned professional in the late 1980s. "We loved him so much, and it's hit us hard," she said, her voice breaking. "What does it mean? Killing him for this?" she asked. "I don't know what those people were thinking."

There are indications that remnants of the Medellin cartel—whose members are widely believed here to have bet heavily on the soccer team—are grouping with other drug organizations and planning an assault against the Cali cartel, recognized as the world's most powerful cocaine traffickers.

It is unclear whether Escobar, one

of several players threatened by name, was under police protection after his arrival in Medellin. Since the anonymous death threats first were made public following Colombia's loss to Romania in Los Angeles, security around the players was increased. When most of the team arrived here Wednesday, security was tight and there were reports that players and coaches would remain under guard.

Colombia's soccer team, with its precision and speed, was one of the favorites in the World Cup and commanded a potentially profitable bet on the international wagering circuit. It was the last team Colombia had fielded, and after its 5-0 win over soccer powerhouse Argentina qualified it for the World Cup, the delirium on the streets of Bogota left almost 100 people dead.

After the 2-1 loss to the United States, some prominent sportscasters blamed players and coaches and demanded changes. The criticism grew so heated that one columnist, writing in *El Tiempo*, said sportscasters should be blamed if violence against the players resulted.

Explanations of what went wrong ranged from the metaphysical to the conspiratorial—the players had either lost their souls in the glare of the spotlight, or they had been co-opted by the drug underworld. And now, in the wake of Escobar's killing, fans who had not gotten over grief for their sport found themselves struggling with a grief of a different sort.

"What can any Colombian say about Ivan Darío Mesa, 38, of Bogota? Before the world, I am ashamed. It is illogical that in a civilized country this can happen."

"In the history of the world, there is no comparison," said Kader Khalil, 39, a Colombian agronomist and humanist whose parents emigrated from Libya. "We had gotten used to success," he said of the team. "And we have not been able to deal with this loss."

Mesa said the killing of Escobar was ironic. Although he suffered the own goal—a sporting disaster that immediately became a metaphor for all kinds of national calamities—Escobar was one of the few who had played to his potential, shining even off the field, Mesa said.

After the eliminated, Escobar apologized for his performance, a gesture that won him many admirers. A professional player since he was 19, he was a member of Atletico Nacional in Medellin.

Unlike some of his flamboyant teammates, in particular Carlos "Pibe" Valderrama, Escobar was not a poster boy. While fans focused adulation on others, he earned a reputation as an excellent defenseman and as a player who would always speak to reporters, regardless of the game's outcome.

"Aside from being a great player, he was a great person," Fabio Leon Arango, a soccer statistician, said on Caracol Radio.

The infamous own goal occurred when Escobar tried to block a shot that was crossing the front of the goal. Soccer aficionados said there was little he could have done to prevent the score, but it was that play that apparently earned him a place on the death list, alongside his coach and several players who did not perform to potential.

The guy, in the end, was one of the best players," said Mesa.

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Records: Rose Firm Was Dumped Over Conflict in Foreclosure Case

By Kevin McCoy and John Riley= (c) 1994, Newsday=

A conflict of interest by the former law firm of first lady Hillary Rodham Clinton prompted a federal banking agency to end the firm's work on an \$11 million Arkansas foreclosure proceeding, newly released records show.

The records, which confirm a recent Newsday investigation, also show that former Associate Attorney General Webster Hubbell, a longtime Clinton friend and former law partner, was more involved in the foreclosure action than was previously known.

Records released by the Resolution Trust Corp., an agency formed to manage the bailout of the savings and loan industry, relate to a 3,200-acre "Utopian City" community development project proposed in Maumelle, Ark. The Rose Law Firm, based in nearby Little Rock, initially represented the RTC's legal interest as lead agency on an \$11 million mortgage on the project, which they assumed from a failed Texas savings and loan.

Newsday reported in March that the RTC dropped the Rose firm in 1992 after concluding the agency's financial stake conflicted with the interests of Stephens Inc., a major Arkansas-based investment banking firm and leading Rose client. Stephens Inc. underwrote and owned a portion of the multimillion-dollar bond issues intended to develop the Maumelle project, which was started but never completed.

RTC officials dropped the law firm because Arkansas law gave priority to the financial rights of one Rose client, Stephens, at the expense of another client, the RTC, Newsday reported.

Both in March and on Wednesday, an RTC spokesman declined to discuss the Rose firm's termination. But the previously undisclosed records, released under the federal Freedom of Information Act, show that an RTC attorney specifically cited a legal conflict as the reason for dropping the Rose firm.

In a March 26, 1992, letter to Shelley Greene, an RTC monitoring attorney, Hubbell acknowledged that Greene specifically cited an "existing conflict" when she discussed the termination in a telephone conversation with Rose firm partner Allen Bird II.

"Obviously, we take such an allegation very seriously," Hubbell wrote, "and if that is the basis upon which we are being discharged, we would ask that you give us the particulars so that we may discuss them with you (Greene) or other RTC officials."

In a telephone interview this week, Greene, now an outside counsel for the RTC office in Dallas, would say only that "I really prefer not to comment about that matter right now."

Hubbell, who resigned his Justice Department job in March amid allegations with Rose partners that he may have overbilled clients in cases unrelated to the Maumelle project, could not be reached for comment. Hubbell's lawyer, John Nields, was unavailable this week, a secretary at his Washington, D.C., office said Wednesday.

Nonetheless, Hubbell's letter to Greene undercuts statements that the former senior Rose partner had only a limited role in the Maumelle case. Although Hubbell and Bird co-signed most of the federal court pleadings, Bird had told Newsday that Hubbell handled only a small percentage of the legal work on the foreclosure action.

But Hubbell's letter to Greene shows he tried to arrange a telephone conference so he could discuss the termination personally. Greene declined to say whether she spoke about the issue with Hubbell.

Hillary Clinton was not involved in the foreclosure proceedings.

The Maumelle case represents the third time the Rose firm was at the center of an apparent conflict of interest in its representation of federal agencies.

(Optional add end)

The RTC and Federal Deposit Insurance Corp. are investigating the firm's work for the federal government on a lawsuit involving Madison Guaranty Savings & Loan, the failed Arkansas thrift at the heart of the Whitewater investigation.

In that case, the Rose firm from 1989 to 1991 allegedly did not tell banking regulators that Hillary Clinton was a partner with former Madison owner James McDougal in the Whitewater land development project funded by Madison.

Hillary Clinton also has been criticized for representing the federal government in a banking lawsuit against Dan Lasater, a longtime family friend. The case is still under investigation.

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Fiske Refocuses Whitewater Probe On Justice Dept. and S&L Case

Special Counsel Says 2 Clinton Appointees Are 'Potentially Involved'

By Susan Schmidt
Washington Post Staff Writer

Special counsel Robert B. Fiske Jr. indicated yesterday that he is investigating the way Justice Department officials handled a request for a criminal investigation of Madison Guaranty, an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton.

Among those he said were "potentially involved" in his investigation are Little Rock U.S. Attorney Paula Casey, who said no to the Resolution Trust Corp.'s first request for a criminal investigation of Madison, and former associate attorney general Webster L. Hubbell, a Clinton confidant and Hillary Clinton's former law partner.

Fiske's disclosure was made in a letter to House Banking and Urban Affairs Committee Chairman Henry B. Gonzalez (D-Tex.) in which Fiske said he is unwilling to appear at congressional hearings on Whitewater and said the appearance of some witnesses the committee planned to call would interfere with his investigation.

Last week, Fiske announced he had completed a three-month grand jury probe of more than 20 contacts last fall and winter—including meetings and phone calls—between White House and Treasury Department officials on the subject of Whitewater. That inquiry did not involve the Justice Department. He said he found insufficient evidence to establish that "anyone in the White House or the Department of the Treasury acted with intent to corruptly influence an RTC investigation."

After months of debate and delay, the two parties in Congress agreed to hold hearings this summer that would be limited to areas Fiske had finished investigating, including the White House-Treasury contacts and events surrounding the death last summer of White House deputy counsel Vincent Foster. In his letter, Fiske said he had no objection to the vast majority of witnesses, most of them high-ranking White House and Treasury Department appointees.

Fiske has said he will report next week on whether White House officials obstructed justice by removing Whitewater-related papers from Foster's office on the night of his death.

close the Washington phase of Fiske's investigation, but the letter yesterday indicated that he is interested in other aspects of how Clinton administration officials handled the probe.

In the fall of 1992, RTC investigators sent a criminal referral on Madison that mentioned the Clintons to the U.S. attorney in Little Rock, at the time, a Republican appointee. No action was taken until Oct. 27, 1993, when Casey, the new U.S. attorney in Little Rock appointed by Clinton, rejected the request.

At the time, there was a second, more detailed RTC request for a criminal investigation of Madison on Casey's desk. But Casey recused herself from considering the second request after her action on the first request was disclosed in the press.

Madison was owned by James B. McDougal, the Clintons' partner in the Whitewater real estate venture, and Whitewater had an account there.

Hubbell recused himself from the Madison investigation last November. His father-in-law was a Madison borrower and insider, and his former law partner at the Rose Law Firm, Hillary Clinton, represented the S&L for a time before state regulators. He resigned this spring amid allegations by former law partners that he had overbilled clients, including the RTC.

Fiske and the RTC inspector general are separately investigating Hubbell's billing and whether he had a conflict of interest in representing the RTC when it sued Madison's accountants for malpractice.

In a letter to Gonzalez yesterday, Fiske said it would be "inappropriate and would compromise my ability to function effectively as an independent counsel if I were to appear before Congress to answer questions about my investigation while the major part of it is still going on."

Gonzalez wrote back telling Fiske his views are "indispensable" on what the hearings can safely cover without impeding the rest of Fiske's probe. On areas where Fiske has completed his work, Gonzalez said: "I see no reasons why you should not be required to discuss your findings." He urged Fiske to reconsider.

Fiske's request that the committee not call RTC investigators who conducted the Madison probe is a potential blow to Republicans. Rep. Jim Leach (Iowa), the committee's

ranking Republican, has released memos written by the lead Madison investigator, L. Jean Lewis, showing she believed officials in Washington wanted to derail the Madison probe.

Whitewater hearings are now slated to begin July 26 in the House and by July 29 in the Senate. Both parties are hiring high-powered lawyers to interview witnesses and pore over thousands of documents turned over this week by the White House and Treasury Department.

Gonzalez, who was reluctantly drawn into hearings, this week indicated he intends to find out whether the Bush White House had any role in the early stages of the Whitewater probe.

Gonzalez invited former White House counsel C. Boyden Gray and two savings and loan regulators to testify about what they knew about Madison and Whitewater. Gonzalez wants to look into reports that the Office of Thrift Supervision initiated an investigation of the failed thrift in 1992. The OTS has the power to fine former S&L officials, but no administrative action resulted from its probe.

Fiske said he had no objection to those witnesses, nor to the Republicans' plans to call former Clinton aide Betsey Wright or Jack Palladino, a private investigator employed by the campaign. Wright and Palladino have been involved in investigating potentially embarrassing episodes in Clinton's past.

At the White House, a team of lawyers under the direction of counsel Lloyd Cutler has been preparing for the hearings by interviewing everyone Fiske took before the grand jury to try to assemble the full story of the contacts. Two former law firm associates of Cutler were brought in to help.

Officials there insist that the process will not be disruptive and will be contained within the counsel's and congressional affairs offices, but privately they acknowledge that everyone facing potential congressional testimony is anxious, and, as one official said, "stressed . . . some are more stressed than others."

Staff writer Ann Devroy contributed to this report.

Fiske says no to House hearings

By Jerry Seper
THE WASHINGTON TIMES

Special counsel Robert B. Fiske Jr., declaring that the major part of his Whitewater-Madison investigation "is still in progress," yesterday declined an invitation to testify before the House Banking Committee at hearings on the first phase of his inquiry.

The hearings are scheduled to begin July 26.

"It would be inappropriate and would compromise my ability to function effectively as an independent counsel if I were to appear before Congress to answer questions about my investigation while the major part of it is still ongoing," Mr. Fiske said in a letter to Banking Committee Chairman Rep. Henry B. Gonzalez.

"Accordingly, I most respectfully decline your invitation to testify at your hearing."

The hearings are limited to the so-called "Washington phase" of the Fiske investigation.

This includes the death of White House Deputy Counsel Vincent W. Foster Jr., contacts between the White House and Treasury Department officials about an investigation of Madison Guaranty Savings and Loan Association and Whitewater Development Corp.,

see FISKE, page A14

FISKE ✓

From page A1

and the handling of Mr. Foster's White House papers following his death last July 20.

Mr. Fiske, who has concluded that Mr. Foster killed himself, has completed most of the Washington phase and expects to end it shortly.

Mr. Gonzalez, Texas Democrat, said he was "deeply disappointed" by the Fiske decision. He said Mr. Fiske has a duty to assist the committee in its oversight responsibilities and suggested Mr. Fiske reconsider.

"To the extent your work is completed and not subject to the [grand jury secrecy rule], I see no reason why you should not be required to discuss your findings," Mr. Gonzalez wrote in a return letter. "The committee is not asking you to discuss your ongoing probe, but simply seeks an accounting for the completed phase of your investigation."

Mr. Gonzalez rejected an offer by Mr. Fiske for a "private meeting" involving the chairman and the committee's ranking Republican, Rep. Jim Leach of Iowa, to discuss the hearing topics.

"I believe Mr. Fiske's thoughts on the scope of the so-called 'Washington phase,' which are critical to the conduct of the hearings, should be presented in an open forum to the entire committee and the public," he said. "After all, I am only the chairman, I am not the committee."

Mr. Gonzalez said Mr. Fiske wants it "both ways."

"He wants to limit the scope and then sidestep explaining his actions," Mr. Gonzalez said. "I hope Mr. Fiske will reconsider his decision and will appear before the committee on July 26."

Mr. Fiske, in a separate letter to Mr. Gonzalez, outlined his views on a list of 45 potential witnesses who might be called by the chairman to testify.

He said he had no objection to the calling of 15 White House officials and a dozen others from the Treasury Department and the Resolution Trust Corp (RTC), which initiated the inquiry into suspected financial irregularities involving Madison, which failed in 1989 at a cost to taxpayers of \$50 million, and Whitewater, an Arkansas real estate venture involving President Clinton, Madison's owner James B. McDougal, and their wives.

Mr. Fiske approved of calling several regional RTC supervisors and others listed by Mr. Gonzalez

as potential witnesses, including U.S. Park Police officials, former FBI Director William S. Sessions, and Clinton campaign advisers Betsey Wright, James Lyons and Jack Palladino.

But he said his investigation could be compromised if several other potential witnesses were called, including regional RTC investigators who first looked into the Whitewater-Madison affair and several Justice Department officials who also were involved.

These include L. Jean Lewis, the senior RTC investigator in Kansas City who has emerged as a key witness in the Whitewater-Madison affair; April Breslaw, an RTC attorney suspected of trying to block the Lewis probe; U.S. Attorney Paula J. Casey in Little Rock, who first declined an RTC criminal referral in the matter and then recused herself; and Assistant U.S. Attorney Fletcher Jackson, who investigated the referral.

Also among those Mr. Fiske wishes not to testify at the initial hearings are former Associate Attorney General Webster L. Hubbell, who once represented the government in a Madison-related lawsuit; former Deputy Attorney General Philip C. Heymann, who oversaw the initial phases of a Justice Department investigation of Whitewater-Madison; and Justice Department prosecutor Donald B. Mackay, who looked into accusations of financial fraud before the Fiske appointment.

Mr. Fiske objected to the calling of a confidential witness, who was listed only as "CW" in the special counsel's June 30 report on the Foster death, saying he had "agreed to keep his name confidential." He said he did not object to most of the potential witnesses listed by Mr. Gonzalez, as long as questions were limited to the Washington phase of his probe.

White House officials who were approved by Mr. Fiske include Counsel Lloyd Cutler, outgoing Chief of Staff Thomas F. "Mack" McLarty, former Counsel Bernard Nussbaum, Special Assistant Patsy Thomasson and Margaret A. "Maggie" Williams, first lady Hillary Rodham Clinton's chief of staff.

Others approved to testify at the hearings include Treasury Secretary Lloyd Bentsen, Deputy Treasury Secretary Roger C. Altman, White House Communications Director Mark Gearan, Deputy Chief of Staff Harold Ickes, senior adviser George Stephanopoulos, senior adviser Bruce Lindsay and Associate Counsel William H. Keedy III.

CLAUDIA WINKLER

The most glaring defect of the Whitewater hearings scheduled for later this month is that Democrats have carefully tailored them to rule out any serious airing of possible White House pressure on bank investigators.

Independent counsel Robert Fiske did not pretend to lay this matter to rest a week and a half ago when he pronounced the evidence "insufficient to establish" crimes. Mr. Fiske merely declined to try to prove in court that White House and Treasury officials, conferring on an investigation that touched President and Mrs. Clinton, acted with corrupt intent.

But Mr. Fiske also pointedly refused to endorse the meetings as proper and said he understood the Treasury's internal ethics inquiry would go forward.

As well it should. In all, the independent counsel examined an

Whitewater inquiry's political blinders

The facts should be exposed.

astonishing "more than 20" face to face meetings and telephone calls between White House and Treasury officials on the subject of the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan. Madison was owned by the Clintons' friend and business partner, Jim McDougal, and its failure cost taxpayers an estimated \$70 million. RTC investigators referred Madison to the Justice Department for criminal investigation and

named the Clintons as possible beneficiaries of Madison funds.

It is safe to predict that all administration officials interrogated publicly about these exchanges will say that only innocent inquiries into the investigation's status occurred, however flagrant the appearances. That is why hearings should allow questioning of, for example, L. Jean Lewis and April Breslaw.

A senior criminal investigator in the RTC's Kansas City office, Mrs. Lewis says she was quite specifically pressured to come up with findings about Madison acceptable to the White House. Her account of her Feb. 2, 1994, meeting with Miss Breslaw, a lawyer with the Federal Deposit Insurance Corp. sent out

PHOTO



from Washington, deserves to be heard, as does Miss Breslaw's contrary version.

Their meeting fell neatly within the period of the improper White House-Treasury contacts, September 1993 through February 1994. Whether what was going on here was illegal or merely unethical, the facts should be exposed.

Sad to say, they won't be. The Democrats who control the House and Senate Banking committees have insisted on the narrowest of hearings, over Republican objections. Pitbulls for propriety when the subject was Neil Bush, they are all patience and understanding when it comes to questionable actions by the Clinton administration. So much for congressional oversight of friends.

Claudia Winkler is chief editorial writer for Scripps Howard Newspapers.

Obstructionism at the Whitewater hearings

Whitewater hearings begin next week in both the House (July 26) and the Senate (July 29). Lest anyone is looking forward to the sort of intense and far-reaching inquiry that was *de rigueur* during congressional investigations of Republican activities, they're bound to be disappointed. A memo from Rep. Jim Leach to fellow Republican members of the House Banking Committee makes that very clear. Entitled — with some degree of understatement — "Upcoming Madison Hearings — Procedural Problems," the memo summarizes the obstacles the Democratic majority is throwing in the way of a serious probe.

"While the Minority has continually sought comprehensive hearings on the subject matter [Whitewater]," wrote Mr. Leach, "the Majority sanctioned hearings are limited to an analysis of whether the Clinton Administration in Washington improperly intervened in an independent agency's review of criminal referrals relating to the failure of Madison and circumstances surrounding the death of Vincent Foster, all of which amount to about 5% of the substance of the issue. However, given the fact that the Special Counsel has announced a delay in completion of the examination of the Foster office, perhaps the most important part of the investigation which the Majority has allowed us to consider appears to be eliminated from these hearings." Congressional committees, in short, will not be asking former White House Counsel Bernard Nussbaum, presidential aide Patsy L. Thomasson and Hillary Rodham Clinton's chief of staff Margaret A. Williams just exactly what they were doing entering Vince Foster's supposedly sealed office in the hours after his suicide was discovered, sneaking Whitewater documents out of the office and sending them off to the Clintons' lawyer David Kendall (who subsequently arranged a sweetheart subpoena to keep them from public scrutiny). Nor will they be asking why Mr. Nussbaum high-handedly denied entry to the office and access to any documents to Park Police and FBI agents investigating the suicide.

In fact, it seems that if Chairman Henry Gonzalez has his way, no one will be able to ask much of anything too substantive. "Based on staff level discussions," the Leach memo says, "it appears that the Chairman of the Committee will likely insist on conducting questioning of witnesses under the traditional five minute rule with questioning alternating between Republicans and Democrats. This will likely lead to a disjointed and convoluted presentation

of the issues at the hearings." To add further obfuscation to the process, Mr. Leach goes on, "The Chairman is likely to insist that witnesses will appear in panels on an agency basis, thereby confusing and diffusing the individual responsibility of the panelists."

Rep. Gonzalez, of course, is merely following the lead of his president, who has been doing his best to avoid full and open hearings. "As you know," Mr. Leach reminded his colleagues, "in an unprecedented fashion this Administration has not disclosed documents to Congress in its oversight capacity and I have initiated a lawsuit. . . . Last week oral arguments were heard and it appears to be a close call by the Court. Whatever the legal outcome, it is clear that the open government tradition of the Democratic Party is called into question." (Mr. Leach is generous to a fault; in fact, "the open government tradition of the Democratic Party" only applies to Republicans.) The documents the administration has reluctantly agreed to share aren't exactly revelatory either: "Both the White House and Treasury have produced heavily redacted documents to the Committee based on their own internal determinations." In other words, the very people being investigated are deciding what parts of documents investigators in Congress may or may not see.

And to top it all off, the president and his men have seen to it that the American people will never get a gander at even those highly censored documents: "at the request of White House Counsel [Lloyd] Cutler, the Committee has implemented unprecedented document control procedures that are intended to shield the vast majority of documents from public disclosure. It should be noted that the documents involved do not impact on national security; do not impact on an ongoing prosecution; and do not relate in any manner to personal financial privacy interests. The documents are the work product of taxpayer supported government officials."

Bill Clinton has been trying to tap dance his way around the Whitewater mess since it first came bubbling up out of the swamp of his Arkansas past. If congressional Democrats are so enamored of their grip on the executive branch that they're happily providing the musical accompaniment, that is perhaps unsurprising. The task next week for Republicans will be to use these hearings to focus public scrutiny on the obstructionism. Then maybe we can have an inquiry into what happened instead of an exercise in preventing us from knowing what happened.

Public housing, not free housing

Just collecting the delinquent rent it is owed by tenants in public housing units could put the District ahead by at least \$11 million. But recovering that money or anywhere close to it is unlikely even with stepped up eviction efforts in D.C. Superior Court to force tenants to pay. Millions of dollars have been written off as uncollectible from tenants who have lived free for decades and then moved their families away.

Of the 9,000 residents living in public housing in the District, more than half — 5,200 — are delinquent an average of five months, and some have not paid rent for years. One tenant in Landlord Tenant Court this week for an eviction proceeding owed as much as \$19,000 in back rent. How does rent delinquency manage to get that far?

Aggressive pursuit of back rent payments has long gone wanting. Any attempt to collect also must be coupled with a willingness to evict tenants who abuse the system and enforce other policies that will make the agency viable. Moving deadbeats out would

clear the way for nearly 10,000 other people who have languished on lists for a decade or more hoping for public housing.

Still, swapping one group of tenants for another could mean the same story if the city does not put in place an eviction policy it has the fortitude to enforce. Rent collection from tenants is not the only part of the picture that needs repair. The Department of Public and Assisted Housing (DPAH) has had a stream of directors — 14 in 15 years and more than 2,200 units remain uninhabitable and boarded up.

The Tenant Assistance Program (TAP) was designed to pay rent subsidies for the working poor. But in practice it turned out to be more of a gift to landlords who received rent for years for nonexistent tenants. Others learned how to buy the rent vouchers TAP made available to needy tenants and still others made a living selling city property out of the housing warehouses.

The District needs to plug a lot of holes. Public housing is just one of them.

Probe sought into Whitewater leaks

White House counsel Lloyd Cutler wants a Senate ethics committee probe of leaks of confidential depositions related to the Whitewater controversy.

Cutler wants special attention to a leak of a senior White House official's confidential deposition to *Newsweek*.

As Congress prepares for Whitewater hearings that start Tuesday in the House and Thursday or Friday in the Senate, partisan fusing is peaking.

House banking committee chairman Henry Gonzalez, D-Texas, wants assurances he can limit questioning to areas of the Whitewater investigation completed by special counsel Robert Fiske.

Gonzalez's letter to Speaker Thomas Foley, D-Wash., noted that, in an "ominous" development, committee Republicans are still "actively" investigating the death of White House deputy counsel Vincent Foster. Fiske concluded Foster committed suicide a year ago.



USA TODAY
GONZALEZ: Wants to limit questioning

CRIME STANDOFF: Congressional Black Caucus chairman Rep. Kweisi Mfume stood firm against efforts to strip a controversial provision regarding death row appeals from a \$30 billion crime bill even though Senate leaders made it clear they cannot pass the bill with the provision in it. Mfume, D-Md., said after meeting for three hours with Attorney General Janet Reno and White House chief of staff Leon Panetta that no agreement was reached on the administration's latest offer: an executive order to end racial bias in death sentencing and a commission to study the issue.

PRESIDENTIAL IMMUNITY: U.S. District Judge Susan Wright said she will look at President Clinton's argument for immunity from lawsuits before she considers the specifics of the Paula Jones sexual harassment case.

HOLES IN THE NET: Pentagon officials say there were no breaches of classified files by high-tech intruders electronically tapping into Defense computers since December.

MORROW DIES: Frederic Morrow, the first black to hold an executive job at the White House, died Tuesday of a stroke at 88. He wrote speeches and served as administrative officer under President Dwight Eisenhower.

Compiled by Margaret Litvin

ELSEWHERE IN THE WORLD

Arafat claims 'jurisdiction' of Jerusalem's Islamic sites

Palestine Liberation Organization leader Yasser Arafat asserted Palestinian authority over Muslim holy places in Jerusalem on Thursday during a visit by Secretary of State Warren Christopher designed to bolster Palestinian self-rule. "This is the jurisdiction of the Palestinians," Arafat said at a joint news conference with Christopher, challenging Israel in the latest in a series of provocative statements.

He also appealed for economic aid beyond the \$2.4 billion pledged by the United States and other nations. He said the Gaza Strip, a dusty Mediterranean enclave of 800,000 Palestinians and 4,500 Israeli Jews, was at "the red line of starvation."

Arafat suggested "the humiliation and frustration" of Palestinians was the fundamental cause of a bloody riot at the Erez security checkpoint Monday in which two people were killed, scores injured and vehicles torched.

Christopher, the first U.S. secretary of State to visit the Gaza Strip, now under Palestinian self-rule after 27 years of Israeli occupation, urged the PLO to adopt modern accounting procedures to get more aid.

In a related development, U.S. officials said King Hussein of Jordan and Prime Minister Yitzhak Rabin of Israel were likely to announce agreement next week on a statement of non-belligerency. Hussein and Rabin will hold a summit in Washington on Monday with President Clinton as the host.

Meanwhile, Christopher goes to Damascus today to see Syrian President Hafez Assad again, seeking to broker progress in peace talks between Israel and Syria.

KOREA TALKS: The United States and North Korea agreed to resume talks at a later date on Pyongyang's nuclear production stalled by the death of leader Kim Il Sung.

LABOR LEADER: Tony Blair, 41, was elected leader of Britain's main opposition Labor Party. Labor hopes Blair will attract middle-class voters, disappointed by the economic policies of John Major's Conservative government.

BUENOS AIRES BOMB: Tens of thousands of Argentines marched in outrage in Buenos Aires, demanding that the government capture those responsible for the bombing of a Jewish center that killed at least 39 people. Argentine police, agents from the FBI and Israeli intelligence began investigating leads. Israel blamed Islamic fundamentalists.

Kind words give dollar a lift

Administration echoes Fed in defense of higher value

From wire reports

Supportive remarks from a top U.S. official sparked a powerful dollar rally Thursday.

The dollar jumped sharply against the German mark, rising to 1.593 marks in late New York trading, from 1.565 Wednesday. It rose to 99.20 Japanese yen, from 98.65 yen.

Boosting the buck: Signs that the Clinton administration doesn't favor a weaker dollar.

U.S. Treasury Undersecretary Lawrence Summers told the Senate Banking Committee a weaker dollar could cripple global economic growth.

"The administration believes a strengthening of the dollar against the mark and yen would have important economic benefits for the United States," Summers said.

A weaker dollar tends to boost U.S. exports by making them cheaper in global markets. But it also puts competitive pressure on foreign producers. That could slow growth in Europe and push Japan into a deeper slump. Slower world growth could lead to lower, not higher, U.S. exports.

Analysts say Summers' comments gave added weight to similar remarks Wednesday

by Federal Reserve Chairman Alan Greenspan. "It certainly seems as though they are seeing eye to eye," says Amy Smith, currency analyst at I.D.E.A., a consulting firm.

The comments suggest the Fed and the Treasury may be willing to move forcefully to support the dollar by buying dollars for marks and yen.

But analysts say Thursday's dollar rally probably won't last. "It wouldn't surprise me to see it go lower in coming weeks," says Lawrence Chimerine, chief economist at the Economic Strategy Institute, a Washington think tank.

bc-national-a
DAILY 10 A.M. NATIONAL ADVISORY FOR FRIDAY, JULY 22, 1994
The daily advisory on developing national stories. Details follow on the 1:30 p.m. EDT budget. 703-276-5843.

WHITEWATER HEARINGS NEXT WEEK

IN HOUSE, SENATE COMMITTEES

WHITEWATER: WASHINGTON The nation's capital, quiet now for weeks on the Whitewater banking-realty scandal that once embroiled the White House, is about to erupt again over the Ozarks land venture that Bill and Hillary Clinton entered more than 15 years ago. The House Banking Committee intends to hold hearings on the matter starting Tuesday, and the Senate Banking panel follows two days later. The jockeying over witnesses, documents, and scope is already intense. 30 inches. John Hanchette, GNS.

WHAT'S CLINTON DONE

FOR HIS HOME STATE?

CLINT ARKANSAS: WASHINGTON What has President Clinton done for Arkansas? Many Arkansans hoped that President Clinton's election would put his home state on the map for reasons other than desegregation crises and hillbilly lore. But with Whitewater, Paula Jones and assorted other travails, the headlines of having an "Arkie" in the White House have often turned into a headache. Deborah Mathis, GNS White House Reporter.

WELFARE REFORM: WHY TARGET

LEAST LIKELY TO CHANGE WAYS?

WELFARE REFORM: WASHINGTON Every study of welfare reform experiments around the country shows that older welfare recipients are the most likely to respond to offers of education and work training; the youngest the least likely. So why did the Clinton administration target only young women for training and education programs? Richard Whitmire, GNS.

Eds: Delayed from Wednesday.

NO TERM LIMITS IN W. VA.;

CLOUT IS MUCH BETTER

WV CLOUT: WASHINGTON West Virginians laugh while residents of other states ponder term limits. The state may have less than 2 million residents making it 34th in population, but it is ranked 15th and climbing on the list of Congressional delegations with clout, according to congressional experts. In fact, West Virginia's current delegation is the most powerful it has had in 50 years, because every member is a chairman of a committee or subcommittee a rare occurrence for any state. A look at how a small state can become a big powerhouse. Erin Kelly, GNS.

SOME CANDIDATES ADVOCATE

A PART-TIME CONGRESS

PART-TIME CONGRESS: WASHINGTON A part-time Congress? At least two Republican Senate candidates, including Fred Thompson of Tennessee and Ollie North of Virginia, have latched onto the idea, which was advocated years ago by former Senate Majority Leader Howard Baker. But how feasible is a Congress that meets a mere six months a year and spends the rest of the year at "real" jobs, as former Education Secretary Lamar Alexander, a possible GOP presidential contender in 1996, characterizes it? At least one political analyst says the idea has obvious appeal, but is nevertheless ridiculous. LaCrisha Butler, GNS.

ENVIRONMENTAL NEWS

GREENFILE: Fresh briefs on environmental news in science, law, marketing and consumer information. 19 inches. Ken Miller, GNS.

Congress in gear for Whitewater hearings

By Judy Keen
USA TODAY

Whitewater is back. Just as a USA TODAY/CNN/Gallup Poll shows interest in the issue waning, Congress is about to tackle it.

Next Tuesday, some of President Clinton's top aides will journey to Capitol Hill to face House banking committee grilling on Whitewater.

Two days later, they will occupy the witness table before the Senate's banking panel.

Congress' hearings will be tightly focused on the death of White House deputy counsel Vincent Foster and contacts between Clinton aides and Treasury Department officials on the status of a regulatory probe into the failure of Madison Guaranty Savings & Loan.

Madison was owned by the Clintons' Whitewater partner, James McDougal.

The issues that will be the focus of the hearings have already been excavated by Whitewater special counsel Robert Fiske.

He concluded that Foster's death was a suicide and found no reason for prosecution of anyone involved in the White House-Treasury contacts.

There may be few blockbuster revelations next week. Questions about the handling of papers taken from Foster's office after his death are off limits. Fiske is still exploring that and the Clintons' investments in Whitewater land deals.

Fiske has refused to testify until he completes his probe.

"It's hard to see the hearings as a great victory," says White House counsel Lloyd Cutler. "But we welcome the opportunity to ... let everyone know what actually happened — and essentially nothing happened."

But a replay of the Whitewater saga's intimations of ethical



By H. Darr Beiser, USA TODAY
CUTLER: Says public is 'tired' of Whitewater affair

sloppiness in the White House is the last thing Clinton needs.

Eighteen months into his term and foundering in the polls, Clinton will at least have to endure a public recounting of the alarm he and his aides felt as Whitewater charges rocketed into the news.

The steps they took to stop the damage, like Clinton's own appeal to current comptroller Eugene Ludwig for guidance, will be paraded before the committees and their propriety judged.

"Serious questions are going to be asked. They must be asked," says New York Sen. Alfonse D'Amato, ranking Republican on the Senate panel. "The American people have a right to full explanations."

Some of the administration's most prominent officials will likely testify: Cutler, Treasury Secretary Lloyd Bentsen, former counsel Bernard Nussbaum, communications director Mark Gearan, deputy chief of staff Harold Ickes, senior adviser George Stephanopoulos.

They will be questioned by the GOP's Whitewater pitbulls: D'Amato on the Senate side and Rep. James Leach, R-

Iowa, in the House.

Cutler and Bentsen will probably testify first. Each will outline the results of internal investigations of the White House-Treasury contacts.

There have been sneak previews of some of the fodder for next week's hearings. Treasury Department counsel Jean Hanson, for example, told Senate investigators that Deputy Treasury Secretary Roger Altman instructed her to brief White House officials last fall on the Whitewater investigation.

Altman had told Congress he didn't know about meetings between Hanson and White House aides. In documents turned over to Congress for the hearings, Hanson says Bentsen also knew about developments in the Treasury probe.

On Tuesday, D'Amato and Senate banking committee chair Donald Riegle, D-Mich., asked the Senate Ethics Committee to look into those leaks.

So far, neither committee has asked for testimony from the Clintons. If it's requested it will be provided, probably on videotape. The House hearings may last two weeks and the Senate's less than that.

Cutler expects a Republican-propelled spectacle.

"There are at least some among the minority, I think, who feel these hearings are an opportunity to attack the president and to weaken his legislative program. There is more than a fact-finding motive here," he says. "My own sense is the public is somewhat tired of Whitewater."

The new poll shows that while people still think Clinton's actions were probably unethical or illegal, a majority — 52% — now think congressional hearings aren't needed.

Half say Whitewater is a very or somewhat important issue, down from 57% in March.

The percentage of people saying it's not important at all has nearly doubled.

"People do care about Whitewater," says Rep. Bill McCollum, R-Fla., a member of the House banking panel. "But it's certainly lost its profile for the moment."

The White House expects the hearings, however repetitive and devoid of fireworks they end up being, to reignite interest in Whitewater.

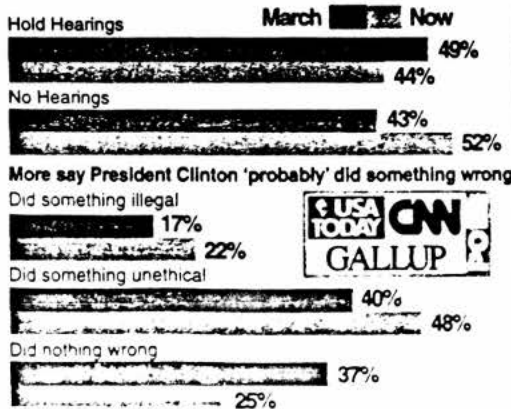
A return of Whitewater headlines can only distract the public and Congress from focusing on Clinton's imperiled priorities like health reform. Clinton aides hope Monday's Mideast peace summit will divert some attention.

Some Republicans, who battled with the reluctant Democratic leadership to schedule hearings, are already worrying next week's Whitewater autopsy will wind up being the last.

"Because the area to be covered is about 5% of the total, I prefer that the hearings not go ahead," says Rep. Henry Hyde, R-Ill., a banking committee member. "It gives the other side the opportunity to say, 'You've had your hearings.'"

Fewer want Whitewater hearings

A majority of Americans say Congress should not hold hearings on Whitewater in addition to the ongoing special counsel investigation, a USA TODAY/CNN/Gallup Poll found. Opinions now and in March:



Source: USA TODAY/CNN/Gallup national telephone poll of 1,001 adults conducted July 15-17. Margin of error is 3 percentage points.

WEDNESDAY, JULY 20, 1994 • USA TODAY

Foster's suicide, Whitewater link never found

Vincent Foster killed himself July 20, 1993. Months later, Whitewater was all over the nation's front pages. And that's when two and two began to add up to 17.

"What terrible secret drove Vincent Foster, the Clintons' personal lawyer, to put a bullet through his head?" columnist William Safire inquired in January. Safire knew that it just had to be Whitewater. After all, "Foster improperly kept the potentially damaging [Whitewater] records in his White House office." Therefore, "Surely crossing his mind after the furor over the abuse of power in travel-office patronage was the potential of far greater disgrace or prosecution in a money and influence scandal."

Iowa Republican Rep. Jim Leach was equally confident that there was a Whitewater-suicide connection. So much so that in an op-ed article in *The Washington Post* last winter he described Whitewater as a "public wound that led to a private tragedy."

Leach subsequently explained in detail how and why Whitewater was tied to Foster's death. Among his key points:

- "A subpoena for a search of David Hale's office was signed the morning of the Foster suicide." (Hale figures in Whitewater by virtue of his claim that Bill Clinton pressured him to make a Small Business Administration-backed loan relat-

ed to Whitewater; Foster left his White House office for the last time around 1 p.m. The implication: Foster took his life after having just learned that a search of Hale's office was imminent.)

- "James Lyons, who had done the ... audit of Whitewater [for Clinton during the presidential campaign] had called Foster that same morning."

- White House efforts "to shield Whitewater records" led those who "follow the issue as well as me to conclude that this desire to shield Whitewater records from those responsible for investigating the suicide in all likelihood reflects an implicit conclusion by the White House that the records link Whitewater and the suicide."

A funny thing, though, about that search of Hale's office. The independent counsel's recent report on Foster's suicide says a "search warrant was issued by the Federal District Court in Little Rock on the afternoon of July 20, 1993, the date of Foster's death."

However, the search warrant was not made public until it was executed, on July 21, after Foster's death. We have investigated to determine whether Foster learned of the search warrant prior to his death

and have found no evidence that he did. In fact, only a limited number of individuals in the Little Rock U.S. attorney's office, the Little Rock FBI office and the court had any knowledge of the warrant prior to its execution." So much for the Hale-Foster-Whitewater thesis.

As for Lyons, a Denver attorney, the independent counsel found that Foster had been in touch with Lyons several times to discuss the travel-office controversy. During the week of July 12, "Foster spoke to James Lyons by telephone and told Lyons that the travel-office matter was escalating

and asked him to come to Washington as soon as possible. They arranged to meet the following week, on July 21, when Lyons was planning to be in Washington on other business."

The supposed Whitewater-related contact with Lyons on the day Foster died, therefore,

simply was, in the words of the independent counsel's report, a call from Lyons "to finalize plans for his meeting with Foster, scheduled for the following day."

Nor did the White House conclude, as Leach said that both he and the White House had, that Whitewater and the suicide were linked.

From the independent counsel's report:

"We found no evidence that issues involving Whitewater ... or other personal legal matters of the president or Mrs. Clinton were a factor in Foster's suicide. While Foster did confide to family and friends in the weeks prior to his death that certain matters were troubling him, we have learned of no instance in which Whitewater ... or other possible legal matters of the Clintons were mentioned. Moreover, in the spring and summer of 1993, Whitewater- and Madison Guaranty-related matters were not issues of concern either within the White House or in the press...."

"The issue had received virtually no attention since the spring of 1992, during the presidential campaign. As one person put it, Whitewater issues were 'not on the screen' at that time. It was not until October 1993, three months after Foster's death ... that the matter again received prominent public attention."

Leach has been leading the congressional charge on Whitewater. It doesn't follow that because he went overboard on Foster's suicide and relied on flimsy evidence and reasoning that the rest of his Whitewater case is equally feeble.

It does follow, though, that whether the source is a respected congressman or the press, it pays to be skeptical of speculation.

GILBERT CRANBERG, former editor of *The Des Moines Register's* editorial pages, teaches journalism at the University of Iowa.



Leach



Foster

The Des Moines Register

7.20.94

Altman Tries to Move Beyond Whitewater Mess, But Senate Hearings May Put Him at Center Stage

By DAVID WESSEL

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON—Deputy Treasury Secretary Roger Altman's attempt at a political comeback from the ignominy of Whitewater has been inconveniently disrupted.

Mr. Altman's version of when he told what to whom about Whitewater inquiries appears to have been undermined by an account given to Senate investigators by the Treasury's general counsel, Jean Hanson. Until the two testify in congressional hearings that begin next week, it's too soon to write off Mr. Altman. But Republicans clearly see a target in Mr. Altman, who, until he got snared by Whitewater, was considered to be Treasury secretary-in-waiting.

"There have been a series of apparent inconsistencies," says Texas Sen. Phil Gramm, a Banking Committee Republican who questioned Mr. Altman in March about a Feb. 2 meeting that Mr. Altman had with White House officials on a Whitewater-related matter. "Mr. Altman clearly has some obligation to explain to us."

The upshot is that the Whitewater hearings, which looked like they would be mind-numbing and technical, could be provocative after all. What's at stake isn't only the veracity of one of President Clinton's senior economic advisers, Mr. Altman, but now Mr. Clinton's role as well. Comptroller of the Currency Eugene Ludwig, one of the top bank regulators and, like Mr. Altman, a longtime friend of the president's, said this week that Mr. Clinton asked him to assist in the administration's handling of the controversy, but that he



Roger Altman

declined.

Over the past few months, Mr. Altman has labored to put Whitewater behind him. He confessed to "a piece of awful judgment" in arranging in February to give the White House a "heads up," while he was acting chief of the Resolution Trust Corp., on RTC procedures involving an Arkansas thrift that was owned by President and Mrs. Clinton's partner in the Whitewater real-estate venture. He sent three letters to the Senate Banking Committee correcting his oral testimony. He rebuilt his relationship with Clinton loyalists, who suspected him of leaks, and he now joins the White House's daily 6 p.m. strategy meetings on health care. And last month, special counsel Robert Fiske declared that the evidence doesn't justify prosecuting Mr. Altman or anyone else for the Whitewater-related contacts between the Treasury and the White House.

Mr. Altman's new problem is this: He told the Senate Banking Committee that he didn't learn until March that the Treasury's Ms. Hanson had warned the White House in September that the RTC planned to seek a Justice Department inquiry of the Whitewater-related Arkansas thrift.

But word seeped out last week that Ms. Hanson—who has avoided public comment—told investigators for the same committee that Mr. Altman told her to contact the White House last fall.

Mr. Altman hasn't responded to the reports, and he declined to talk yesterday. An ally says Mr. Altman doesn't remember the conversation that Ms. Hanson recalls; if he had, he would have said so sooner, his ally says. This person says Mr. Altman was caught unawares by a Washington Post report on Sunday disclosing Ms. Hanson's assertions, a leak that led the chairman of the Senate Banking Committee and the senior Republican yesterday to request an Ethics Committee inquiry.

Details of Ms. Hanson's deposition remain secret. The 45-year-old lawyer, who left a half-million-dollar-a-year partner-

ship at the New York firm of Fried, Frank, Harris, Shriver & Jacobson to come to Washington, isn't talking to the press. Her lawyer, Harvey Pitt, says he is "appalled if any breach of committee confidentiality has occurred."

Republicans say the apparent discrepancy demonstrates the point of congressional hearings. "We thought Roger Altman knew more than he said he knew," Senate Republican Leader Bob Dole said on CBS over the weekend. "That's the reason we need public hearings."

But Sen. Christopher Dodd (D., Conn.) questions that, considering that the special counsel's report has absolved administration officials of legal culpability and that the officials have themselves expressed regret about mistakes of judgment. He adds that the House and Senate hearings are expected to cost a combined \$400,000.

"If you want to just bring a witness up and yell at him for a couple of hours, maybe that's cathartic," Mr. Dodd says dismissively.

Neither the House nor Senate banking committee has released a list of witnesses yet, and the panels haven't had much coordination. Mr. Fiske has asked Congress to avoid matters that he is still investigating, which seems to limit the inquiry to the suicide of White House lawyer and Clinton confidant Vincent Foster and to the conversations between the Treasury and the White House. That's why Mr. Altman is likely to be the focus of much attention.

In the Senate, committee members have said they hope to complete the hearings in four to seven days. No one is making predictions about the House, where Banking Committee Chairman Henry Gonzalez (D., Texas) has emerged as a fierce defender of the president. Each of the committee's 51 members is supposed to get five minutes to question witnesses, so the hearings could drag on.

—John Harwood contributed to this article.

Dollar Spurts Against Yen and Mark On Bullish Trade News, Korea Rumors

By GARY ROSENBERGER

Special to THE WALL STREET JOURNAL
NEW YORK—The dollar surged yesterday as a narrowing U.S. trade deficit with Japan and rumors of North Korean military actions conspired to create conditions for a buying frenzy.

Data showing the U.S. trade imbalance with Japan had narrowed to \$4.39 billion in May, from \$5.48 billion in April inspired a brief flurry of interest in the dollar during early New York trading.

Soon after, the upward move was accelerated by rumors emanating from currency-options pits in Chicago about border crossings by the North Korean army.

While the rumors were later roundly denied by the U.S. State Department, the dollar by then had cruised above several layers of resistance "and it was off to the races," said Mark Schwartz, vice president at Lehman Brothers Inc.

The dollar's move against the yen spilled into the mark and other European currencies, where it went on to achieve even more impressive gains. As the dollar soared in hectic dealings, the pressure mounted for bears to reverse their positions, producing what some described as a classic squeeze.

By the time the move was played out, the dollar was about two pennies higher against the mark and broke above 99 yen for the first time in almost two weeks.

Late in New York, the dollar was quoted at 1.5682 marks, up sharply from 1.5475 marks late Monday in New York. The U.S. currency also was changing hands at 99.25 yen, up from 98.40 yen. Sterling was trading at \$1.5485, down from \$1.5615. About noon Wednesday in Tokyo, the dollar was trading at 1.5677 marks and at 98.92 yen; sterling was at \$1.5482.

What surprised traders most was that the move happened at all.

One day before Alan Greenspan, chairman of the Federal Reserve, was to deliver a special address to Congress, and two days before Germany's central bank was to convene its interest-rate setting panel, the odds were against an eventful day, Mr. Schwartz said. "The idea was it would be a quiet day and people would sit tight."

"But it's when expectations are that nothing will happen that something does happen—and the market confounds itself," Mr. Schwartz added.

Even the seemingly impressive Japanese trade numbers were something of a chimera, according to Ann Finaly, assistant vice president at Industrial Bank of Japan, Ltd. in New York.

"You have to be skeptical about them," she said, noting the trade figure was skewed by Japan's Golden Week holidays that would effectively slow down Japanese exports to the U.S.

In fact, Ms. Finaly said that if the long-term trade position with Japan were really improving, the May trade gap should have shrunk as much as 20%.

was a knee-jerk reaction to buy on the pure number itself—when it should have been a 25% decrease," she said. The dollar-feeding frenzy in the end was based "on nothing but a market moving on itself."

Nevertheless, traders noted that the dollar's punch into a higher trading range occurred under heavy market conditions. "What really distinguished this move was its size," said Lehman's Mr. Schwartz. "I haven't seen these volumes in almost a month."

He noted that the move up was often painful for a market where investors had been making money in selling the dollar short. "There is no underestimating the power of a short squeeze," he said.

Traders said that despite the dollar's strong performance for the day, it was unlikely to have any lasting impact. Mr. Schwartz said there wasn't any fundamental reason for the dollar to have risen so sharply, and there's little on the horizon to speak for future moves higher.

"All the shorts were just scrambling to get out and the window closed real fast," he said, adding that once the shorts got out of their positions, the momentum to the upside died.

bc-whitewater-times - a1820

(ATTN: National editors) (Includes optional trims)

Clinton Called on Comptroller for Whitewater Advice (Washn)

By James Risen= (c) 1994, Los Angeles Times=

WASHINGTON President Clinton personally asked the top banking regulator at the Treasury Department last New Year's weekend to give him advice on how to handle the Whitewater scandal, administration officials said Monday.

Comptroller of the Currency Eugene Ludwig has told Whitewater special counsel Robert B. Fiske Jr. that he refused Clinton's request, made during the "Renaissance Weekend" conference at Hilton Head, S.C. Ludwig said that Clinton asked him to meet and provide him with personal advice on Whitewater, which was then just beginning to grow into a major Washington scandal.

Ludwig, who is in charge of the federal government's regulation of nationally chartered commercial banks, believed it would be inappropriate for him to get involved in a case that involved allegations of misdeeds at a federally regulated financial institution. As comptroller of the currency, Ludwig is also a member of the board of the Federal Deposit Insurance Corp., which has been directly involved in key aspects of the Whitewater investigation.

Fiske is looking into allegations that then Gov. Clinton may have benefited improperly from his association with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and partner with Clinton and his wife, Hillary Rodham Clinton, in Whitewater Development Corp., an Ozark real estate development.

Clinton's request for help from Ludwig occurred before revelations of other contacts between Treasury and White House officials over Whitewater sparked a controversy in Congress in late February.

Those meetings, between key Treasury and White House staffers, became an early focus of Fiske's investigation. Contacts between political appointees at the White House and Treasury raised questions about the administration handling of Whitewater, because the Treasury officials involved in the meetings were at the time supervising the Resolution Trust Corp. the regulatory agency in charge of the federal investigation of Madison Guaranty.

(Optional add end)

In his first public report on his investigation, Fiske said that he could find no evidence of criminal wrongdoing related to any of the contacts between the White House and Treasury. Although he did not detail all of those contacts, Fiske knew about Clinton's meeting with Ludwig when he cleared the administration of wrongdoing on that aspect of his investigation. White House officials said Monday that Fiske questioned Clinton about the conversation when he interviewed the president and first lady Hillary Rodham Clinton about Whitewater in June.

The meeting between the president and Ludwig, an old friend and fellow Rhodes Scholar and Yale Law School graduate, has never been publicly disclosed before, and now seems likely to be a key issue at next week's congressional hearings on Whitewater. A spokeswoman for Ludwig said that on Wednesday he will brief staffers from the House and Senate Banking Committees, which will conduct the Whitewater hearings, on his contacts with Clinton. It is unclear whether Ludwig will testify during the hearings, however.

Ludwig wrote a memo to Fiske on March 11 detailing his conversations with Clinton on Whitewater, in response to Fiske's subpoena to the Treasury Department asking for information about all contacts between the Treasury and the White House.

**** filed by:LAWP(--) on 07/19/94 at 02:25EDT ****
**** printed by:WHPR(JEL) on 07/20/94 at 08:46EDT ****

public didn't know the extent of Clinton's involvement, aides acknowledged. "The people who contributed did. But it was not a part of the public discussion about it," said Joan Roberts Watkins, a former press secretary to Clinton.

The AP learned of the Clinton loans from officials familiar with federal bank examinations. Wright declined to allow the AP to review donor, loan or expenditure records because Fiske is examining them. But she and others provided detailed descriptions of the activities and dollar amounts contributed by many donors.

From 1983 to 1987, Clinton borrowed many times from the Bank of Cherry Valley, a small institution about 100 miles northeast of Little Rock owned by Maurice Smith, a longtime friend who was then a top aide to Clinton.

Smith told the AP he recalls about a dozen loans totaling about \$400,000.

Wright said she found partial records showing Clinton borrowed at least \$220,000 from the bank and added, "I'm certainly not going to dispute Maurice Smith."

Smith said the loans were unsecured personal notes guaranteed directly by Clinton and usually paid back quickly as donations were deposited in a fund at the bank. He said Clinton paid the same interest rates as others.

"It was never more than \$100,000 at any one time," Smith said, adding he himself donated about \$5,000 over the years to the various political funds.

By the late 1980s, the political funds were operating without any borrowing by Clinton. In early years, Clinton provided no accounting of donors, but by the late 1980s his staff began providing disclosure lists.

Those involved say Clinton came up with the financing idea shortly after returning to the governor's office in 1983.

The goal, they said, was to improve his ability to communicate his legislative agenda to Arkansans and avoid the political problems that resulted in defeat after his first term in 1980.

The first major initiative Clinton focused on was his plan to raise the state sales tax by 1 percentage point to improve public schools. Clinton wanted to get his message out immediately, and began taking out loans for seed money in the spring of 1983 to start the process, Wright said.

His campaign advertising consultant, David Watkins, produced radio and TV spots. Wright then sought donors, setting up a fund at Cherry Valley under the name "Partners in Education."

Eventually, the fund raising exceeded the original amounts of the loans and paid for ads, pamphlets, blue ribbons worn by supporters and post cards that flooded legislators' mailboxes. After the \$130,000 ad campaign, lawmakers narrowly approved Clinton's education plan.

Asked at the time about the education ad campaign, Clinton said, "The business community was phenomenally interested in being supportive of the program."

Encouraged by the arrangement, Clinton kept the strategy in place, tapping private donors to help pay for similar campaigns for his economic development, tax reform and ethics legislation.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:APW-(AR) on 07/14/94 at 00:07EDT ****

**** printed by:WHPR(JEL) on 07/14/94 at 08:55EDT ****

Whitewater Documents Sent to Prosecutor, Congress Contain Deletions
EDS: note Iowa Congressman Jim Leach quoted, also moving on national lines
By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) The White House insists that material it deleted from Whitewater documents sent to special counsel Robert Fiske and Congress was not relevant to investigations of President Clinton's land venture.

"Things that were not responsive" to document requests from Fiske and Congress were deleted, Jane Sherburne, special associate counsel to the president, acknowledged Wednesday.

Rep. Jim Leach, ranking Republican on the House Banking Committee, said the White House and Treasury Department documents were "noticeably redacted (edited)" and the deletions "could be significant."

Leach, R-Iowa, whose panel begins Whitewater hearings July 26, said he will ask to see the originals. "I assume we will be allowed to," he said.

Fiske is conducting a criminal investigation into all aspects of Whitewater, an Arkansas land venture formerly owned by Clinton, Hillary Rodham Clinton and James and Susan McDougal.

McDougal also owned Madison Guaranty Savings and Loan, a failed Arkansas thrift. Investigators are trying to determine whether Madison depositors lost money because of Whitewater.

Inquiries by the House and Senate banking committees later this month will be restricted to subjects that Fiske will have completed before the hearings, however.

Among the topics: contacts between White House officials and banking regulators, the suicide last year of deputy White House counsel Vincent Foster and the removal of documents from Foster's office, including Whitewater files.

Sherburne, in an interview, said deletions were made in items such as briefing books and telephone logs in cases where entries had no Whitewater connection.

"Anything responsive to the document request was maintained in unredacted form," she said.

The White House would consider any congressional request to see the originals, but as of now, "We haven't been asked," Sherburne said.

The official said the material given to Congress had more deletions than those given to Fiske because the lawmakers' document request was more restricted.

Rep. Henry B. Gonzalez, the House Banking Committee chairman, said his staff is reviewing the documents, and added he is not yet able to judge the importance of the deletions. If the deletions appeared to be unreasonable, "I will not accept that," Gonzalez said.

Fiske is soon to release his report on the removal of files from Foster's office. He already has reported finding no criminality in the administration-regulator contacts, although he had no conclusions on whether they were ethical.

Fiske also concurred with law enforcement authorities that Foster's death was a suicide.

**** filed by:APW-(IA) on 07/14/94 at 00:50EDT ****
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loans, gifts to Clinton disclosed

'80s dealings seen
as 'end run' on law

By John Solomon
ASSOCIATED PRESS

AT

While he was governor of Arkansas in the mid-1980s, Bill Clinton borrowed at least \$220,000 — and perhaps twice that — to promote his legislative agenda, then asked aides to solicit donations from supporters and special interests to pay off the loans.

The loans had never been disclosed, and some of the donations hadn't been either, officials close to Mr. Clinton acknowledged in interviews. The arrangement exposed Mr. Clinton to considerable financial risk at a time when his salary as governor was \$35,000 a year.

The Clinton loans came from the Bank of Cherry Valley, a tiny institution owned by a friend, according to an Associated Press review of Mr. Clinton's finances during the years of his Whitewater investment.

Many of the biggest donors were members of Arkansas' corporate elite, from poultry giant Tyson Foods and TCBY yogurt chain owner Frank Hickingbotham to state-regulated banks and utilities.

As president, Mr. Clinton has attacked the influence of big donors on government and has offered campaign-finance legislation that is stalled in Congress. Reformers have criticized Mr. Clinton for his part in several recent top-dollar Democratic Party fund-raisers.

Mr. Clinton's chief of staff at the time of the loans, Betsey Wright, says she controlled both the spending and the fund-raising for the political funds, which were used to retire Mr. Clinton's unsecured personal debt at Cherry Valley.

The money was used to push a broad legislative agenda that ranged from education to ethics reform. Included were extensive television, radio and newspaper advertising; direct-mail efforts; consultants who crafted legislation; and travel and polling expenses.

The funds generally were kept separate from Mr. Clinton's reelection money, so donors were not subject to the \$1,500 limit on campaign contributions. Some supporters gave \$10,000 or more, Ms. Wright indicated, including Mr. Hickingbotham of TCBY, who gave \$25,000.

Scott Trotter, executive director of the Arkansas chapter of Common Cause, said such an arrangement was an "end run" around campaign-finance laws.

"Wealthy special interests were offered another opportunity through unlimited contributions to influence Governor Clinton and his administration," said Mr. Trotter, who worked on utilities reform for Mr. Clinton before a falling-out.

The White House referred questions to Ms. Wright, who bristled at any suggestion of impropriety. "There were no slush funds," she said. "Those people contributed to specific programs that they believed in and that they had a stake in."

At the time of the loans, the personal credit of Bill and Hillary Clinton was stretched. They were liable for the mortgages taken out for the Whitewater land venture, which at one point totaled more than \$200,000. And Mr. Clinton also had a separate \$50,000 loan from the Bank of Cherry Valley for his 1984 re-election campaign.

Experts asked to review the arrangement said Mr. Clinton had no obligation to report these donations as taxable income.

Ms. Wright said private donors were approached because Mr. Clinton did not want to use state tax dollars for his political activities. "It may look clumsy to you now, and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books," she said.

Ms. Wright said she has turned over records detailing the loans and fund-raising to Robert B. Fiske Jr., the special counsel investigating Whitewater and Mr. Clinton's political finances.

"There was no vehicle for disclosing this stuff at the time... If people asked, we wouldn't have hidden it from them," said Ms. Wright, who is now a lobbyist in Washington and remains a vigorous advocate for Mr. Clinton.

While Mr. Clinton's loans were invisible to the public, the political funds were not. For example, a \$130,000 campaign for Mr. Clinton's policies identified its sponsors as "Partners for Education" or "Arkansas 2000." The public did not know the extent of Mr. Clinton's involvement, however.

"The people who contributed did. But it was not a part of the public discussion about it," said Joan Roberts Watkins, a former press secretary to Mr. Clinton.

The Associated Press learned of the Clinton loans from officials familiar with federal bank exams. Ms. Wright declined to allow AP to review donor, loan or expenditure

records because Mr. Fiske is examining them. But she and others provided detailed descriptions of the activities and dollar amounts contributed by many donors.

From 1983 to 1987, Mr. Clinton borrowed many times from the Bank of Cherry Valley, a small institution about 100 miles northeast of Little Rock owned by Maurice Smith, a longtime friend who was then also a top aide to Mr. Clinton.

Mr. Smith told AP he recalls about a dozen loans totaling about \$400,000.

Ms. Wright said she found partial records showing Mr. Clinton borrowed at least \$220,000 from the bank. "I'm certainly not going to dispute Maurice Smith," she added.

Mr. Smith said the loans were unsecured personal notes guaranteed directly by Mr. Clinton and usually paid back quickly as donations were deposited in a fund at the bank.

"It was never more than \$100,000 at any one time," Mr. Smith said, adding that he himself donated about \$5,000 over the years to the various political funds.

By the late 1980s, the political funds were operating without any borrowing by Mr. Clinton. In early years, Mr. Clinton provided no accounting of donors, but by the late 1980s his staff began providing disclosure lists.

Those involved say Mr. Clinton came up with the financing idea shortly after returning to the governor's office in 1983. The goal, they said, was to improve his ability to communicate his legislative agenda to Arkansans and avoid the political problems that led to defeat in 1980 after his first term.

The first major initiative the governor focused on was his plan to raise the state sales tax by 1 percent to improve public schools. Mr. Clinton wanted to get his message out immediately and began taking out loans for "seed money" in the spring of 1983 to start the process, Ms. Wright said.

His campaign advertising consultant, David Watkins, produced radio and TV spots. Ms. Wright then sought donors, setting up a fund at Cherry Valley under the name "Partners in Education."

Eventually the fund raising exceeded the original amounts of the loans and paid for ads, pamphlets, blue ribbons worn by supporters and postcards that flooded legislators' mailboxes. After the \$130,000 ad campaign, lawmakers narrowly approved Mr. Clinton's education plan.

Asked about the education ad campaign, Mr. Clinton said, "The business community was phenomenally interested in being supportive of the program."

Encouraged by the arrangement, Mr. Clinton kept the strategy in place, tapping private donors to help pay for similar campaigns for his economic development, tax reform and ethics legislation.

The funding concept was used in 1986 when Mr. Clinton hosted a governors conference and in 1988, when he explored the possibility of running for president. The latter raised about \$25,000 but was not reported to federal election officials because Mr. Clinton did not file as a candidate that year, Ms. Wright said.

CLINTON CONTRIBUTIONS

Corporate and individual donors made contributions to Bill Clinton's legislative activities — outside his re-election campaign — in the mid-1980s when he was Arkansas governor. The amounts were provided by Mr. Clinton's former chief of staff, Betsey Wright, from her partial records.

Frank Hickingbotham, TCBY yogurt chain	\$25,000
Tyson Foods Inc.	\$15,000
Arkla Inc., a major state utility	\$15,000
Union Bank	\$11,500
Arkansas Power & Light Co.	\$10,000
Bill Bowen, banker	\$5,000
First Commercial Bank	\$3,700
Marlin Jackson, former state banking commissioner	\$3,000
Worthen Bank	\$2,000
Wal-Mart Stores Inc.	\$1,000
James McDougal, Mr. Clinton's Whitewater business partner	\$500

Source: Associated Press

The Washington Times

THURSDAY, JULY 14, 1994 The Washington Times

bc-whitewater
LEACH LAWYER: WHITEWATER PAPERS
HELD TIGHTER THAN NATIONAL SECURITY
By CHUCK RAASCH=

GNS Political Writer=
WASHINGTON A lawyer for Rep. Jim Leach, R-Iowa, said Thursday that the Clinton administration is guarding Whitewater documents more closely than it does those involving national security.

But lawyers for the two agencies that are overseeing the cleanup of failed savings and loans argued in federal court here that Leach has no special right to documents from the first family's failed business partnership in Arkansas just because he is a member of Congress.

The sparring took place before Judge Charles R. Richey, who may rule on as early as next week on Leach's lawsuit seeking release of the documents. A House Banking Committee hearing on Whitewater is set to open July 26.

The Resolution Trust Corp. and Office of Thrift Supervision have denied Leach's request to disclose all documents they have on Whitewater, a failed Ozarks land partnership involving Bill and Hillary Rodham Clinton and S&L owners James and Susan McDougal. The McDougals' federally guaranteed Madison Guaranty Savings & Loan failed in 1989 at a cost to taxpayers of \$67 million.

Special Prosecutor Robert Fiske is looking into whether money from Madison ended up in the hands of prominent Arkansans, including the Clintons. Leach has said his investigators retrieved some documents that indicated funds flowed back and forth between Whitewater and Madison, and that the Clintons gained financially from the transactions an assertion they deny.

In a spirited, two-hour argument, Richey at one point cajoled lawyers defending the Resolution Trust Corp. and Office of Thrift Supervision to "just give" Leach the documents he wants. The judge suggested he could set up a confidentiality arrangement to prevent them from being leaked.

When RTC lawyer Kirk Van Tine balked, the feisty Richey shot back: "Don't you trust Congress?"

Turning over the documents, the judge chided the six lawyers sitting at the table for the RTC and OTS, would avoid further legal cost to the taxpayer. Both agencies are paying private lawyers to help staff attorneys.

Leach's lawyer, Washington attorney Bobby Burchfield, is working for free.

Judge Richey reminded Van Tine that Clinton said in a January press conference that he wanted "to engage in full cooperation with Congress" on Whitewater. Why, he asked, couldn't the RTC and OTS "just give them and be done with it?"

But the RTC's Van Tine said Clinton meant "full disclosure consistent with our responsibilities." Van Tine argued that release of some of the documents would violate the privacy of the Clintons or others involved with Whitewater or disclose trade secrets. Release of some of the documents, he said, would hamper Fiske's investigation of Whitewater.

But Leach lawyer Burchfield said that in the past, S&L oversight agencies released sensitive documents to Congress on such scandals as Charles Keating's Lincoln S&L, even though there were ongoing criminal investigations.

Burchfield complained that the Whitewater documents have gotten "far greater protection" than "even the most sensitive national security documents" that the House Banking Committee sometimes handles. Leach is the ranking Republican on that committee.

The government already has turned over about 8,000 pages of documents to Leach, but has refused to release an undisclosed number of the remaining files. Some turned over to Congress in anticipation of the hearings are kept under guard in a locked room, and aides to members of Congress have had to sign confidentiality agreements to see them.

Democrats have narrowly confined hearings to White House responses to the investigations into Whitewater, and to the death of former deputy White House counsel Vince Foster. His death a year ago was ruled a suicide, and Whitewater

files were found in his office.

In cajoling the government to release the documents, Richey hinted later that he was playing devil's advocate for the sake of argument rather than indicating how he was leaning on the suit.

The judge also gave a boost to the RTC and OTS lawyers' arguments by pointing out that because Leach has filed a civil case, legal doctrine traditionally holds that it be postponed until any criminal cases related to it are resolved.

Fiske's investigation is criminal, the judge pointed out.

Leach is basing his case on a complicated web of arguments that involve Congress' constitutional powers as well as the Freedom of Information Act and another law defining Congress' oversight of the administrative actions of government agencies.

Van Tine and OTS lawyers argued that Congress' powers to investigate other branches of government belong to the body, not individual members, so Leach can't see documents that go beyond the narrow scope of Whitewater hearings as agreed to by leaders in the House and Senate.

"There are not 535 Congresses, your honor, there is a single Congress," said OTS lawyer Gary L. Goldberg.

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AP's Solomon reports while AR Gov., Bill Clinton ``borrowed at least \$220,000 -- and perhaps nearly twice that -- to promote his legislative agenda, then asked aides to solicit donations from supporters and special interests to pay off the loans.'' The loans, made from '83-'87, ``had never been disclosed and some of the donations hadn't been either, officials close to Mr. Clinton acknowledged in interviews. The arrangement exposed Mr. Clinton to considerable financial risk at the time his salary as governor was \$35,000 a year'' (Balto. SUN, 7/14). N.Y. TIMES' Labaton notes, ``the existence of the loans provides another view of Mr. Clinton's personal finances at a time, constituting as they did a large financial burden'' on his salary. The Clintons were also ``personally liable for the mortgages that had been obtained on the Whitewater'' development, ``debts that at one point exceeded \$200,000'' (7/14). The Clinton loans came from the Bank of Cherry Valley, ``a tiny institution owned by a friend, according'' to an AP review of Clinton's finances during the years of his Whitewater investment. The money from the personal Clinton loans ``was used to push a broad legislative agenda that ranged from education to ethics reform.'' Included were TV, radio & newspaper ads; direct-mail efforts; consultants who crafted legislation; and travel and polling expenses. Many of the donors that helped pay off the loans ``were members of Arkansas' corporate elite,'' like Tyson Foods, TCBY, Arkla and ``state-regulated'' banks (Solomon, AP, 7/14). N.Y. TIMES' Labaton notes, Hillary Rodham Clinton served on the TCBY board beginning in the '80s (7/14).

ARKANSAS SPIN CONTROL: Clinton's AR CoS Betsey Wright, now a DC lobbyist, said private donors were approached because Clinton ``did not want to use state tax dollars for his political activities'': ``It may look clumsy to you now, and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books.'' Wright said she has turned over records ``detailing the loans and fund-raising'' to Special Counsel Robert Fiske: ``There was no vehicle for disclosing this stuff at the time. ... If people asked, we wouldn't have hidden it from them'' (AP/W. TIMES, 7/14). W. POST's Schmidt & Babcock note Wright's interview was conducted at the White House. Wright would not ``elaborate'' on how much of the loans were used to promote legislative initiatives and how much were used for Clinton's re-election campaigns. ``Though Clinton borrowed the money from the bank in his name personally, she said, he never saw the money and 'not one penny ever went for the Clinton's personal use'' (7/14). W.S. JOURNAL's Birnbaum: ``Clinton has become embroiled in yet another financial controversy in Arkansas'' (7/14).

MORE ON THE DONORS: While Clinton's loans ``were invisible to the public, the political funds were not. For example, a \$130,000 campaign for Mr. Clinton's policies identified its sponsors as 'Partners for Education' or 'Arkansas 2000.' The public did not know the extent of Mr. Clinton's involvement, however.'' AP learned of the Clinton loans from officials ``familiar with federal bank exams.'' Wright declined to allow AP to review donor, loan or expenditure records, ``because Mr. Fiske is examining them. But she and others provided detailed descriptions of the activities and dollar amounts contributed by many donors'' (Solomon, AP/W. TIMES, 7/14). The corporate backers of Clinton's legislative initiatives ``have said they were happy to help Mr. Clinton not out of self-interest, but in the interest of the state'' (Birnbaum, W.S. JOURNAL, 7/14).

MAURICE SMITH: The Bank of Cherry Valley, a small institution about 100 miles NE of Little Rock, is owned by Maurice Smith, a ``longtime friend who was then also a top aide'' to then-Gov. Clinton. Smith told AP he ``recalls about a dozen loans totaling about \$400,000.'' Wright said she found records showing Clinton borrowed at least \$220,000: ``I'm certainly not going to dispute Maurice Smith.'' Smith said the loans were ``unsecured personal notes guaranteed directly by Mr. Clinton and usually paid back quickly as donations were deposited in a fund at the bank'' (AP/W. TIMES, 7/14). Smith said the

money was ``in no way a personal or political slush fund for Clinton'': ``I guarantee if he'd had one I'd have known about it.' ' Smith remains close to the Clintons; he spent the night in the WH 3/94. An ex-IRS official said that ``borrowing the money personally and having someone else repay the loans 'raises serious questions of taxable income for the Clintons unless they have proof that all the money was for the good of the state and none for themselves personally' ' (Schmidt/Babcock, W. POST, 7/14).

FISKE SUBPOENA: House Banking Chair Henry Gonzalez ``raised the possibility' ' 7/13 of subpoenaing Fiske to appear at the 7/26 Whitewater hearings. Fiske has twice turned down requests by Gonzalez to appear in front of the panel (AR DEM-GAZETTE, 7/14).

5 PAULA JONES: ATTYS FIGHT IMMUNITY EFFORT; BREYER QUESTIONED

Paula Corbin Jones' attys argued that Pres. Clinton ``should respond to the merits of Jones' sexual harassment allegations before a federal judge decides whether he is immune to such lawsuits.' ' In a memo filed in U.S. District Court in Little Rock, attys Gilbert Davis and Joseph Cammarata claim, ``memories will fade, evidence will disappear, witnesses will be or become hard to locate, and in short, the case will become stale.' ' Jones' attys argued that ``like everyone else, the president has a legal obligation to respond to the merits of

a lawsuit against him.' ' They claim Clinton ``seeks an exemption no other litigant would be allowed' ' (LaFraniere/Schneider, W. POST, 7/14). More from Jones' attys: ``An American citizen, even one who happens to be president, is not above the normal processes established for the legal testing of a plaintiff's claims.' ' Clinton's legal team, headed by atty Bob Bennett, ``is expected to formalize the immunity move' ' next month. Jones' attys: ``Mr. Clinton's request would delay this case for years.' ' The issue of presidential immunity ``involving acts 'beyond his official duties' ' came up in the confirmation hearing of Supreme Court nominee Stephen Breyer 7/13. Sen. Hank Brown (R-CO) ``is following the Jones lawsuit and thinks the issue of presidential immunity from acts unrelated to official duties could become a question' ' before the Court. Brown asked Breyer, ``do you see a basis in the Constitution for the president to order a federal judge to dismiss a private suit that might be filed against him if the suit is not related to his official acts?' ' Breyer: ``Those are kinds of questions that have never come before me. If they ever came, I'd read the briefs, consider the arguments and think about them, and try to get the correct decision' ' (Hedges, W. TIMES, 7/14).

6 RELIGIOUS RIGHT: NEW GROUP FORMED TO AS COUNTERWEIGHT

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:US-F(--) on 07/14/94 at 13:11EDT ****
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Whitewater Hearings Face New Obstacle

Special Counsel Says Foster Probe Won't Be Done Before Recess

By Susan Schmidt
Washington Post Staff Writer

Special counsel Robert B. Fiske Jr. told Congress late yesterday his investigation of the activities of White House aides in Vincent Foster's office after his death will not be completed as expected in time for Whitewater hearings late this month.

The surprise development suggests Fiske may have come upon new information in his investigation of possible obstruction of justice by White House aides who went through Foster's documents. Sources said Fiske's office told congressional staffers preparing for the hearings that the probe will not be finished until sometime after Congress begins a recess Aug. 7.

Fiske said June 30 that he was in the "final stages" of that part of the investigation and expected to release a report in 10 days to two weeks. Congress has agreed to limit this summer's Whitewater hearings to areas Fiske has finished examining.

An aide to House Minority Leader

Robert H. Michael (R-Ill.) said that under the terms of the bipartisan agreement on the scope of House and Senate hearings, Republicans will insist on a second set of hearings on the handling of Foster's paperwork when Congress returns in September.

Democrats have tried to schedule the hearings as far from the November elections as possible, and hoped that any dramatic revelations from the televised proceedings would be lost in the summer doldrums. They have insisted on keeping the hearings focused on narrow issues relating to the handling of the Whitewater investigation in Washington, including the removal of a Whitewater file from Foster's office the night of his death.

Senators and staff were meeting last night in the office of Majority Leader George J. Mitchell (D-Maine) to decide how to proceed in light of the Fiske's announcement.

White House aides said last night they had received word from members of Congress that Fiske had delayed his report on the handling of

Foster's papers, but said they had not heard directly from Fiske's office.

Fiske is looking into the actions of former White House counsel Bernard Nussbaum or others, including First Lady Hillary Rodham Clinton's chief of staff Margaret Williams and Patsy Thomasson, director of the White House office of administration, all of whom entered Foster's office the night of his death, July 20, 1993.

Fiske has been trying to find out what documents were removed and to whom they were given, and whether they were concealed from investigators looking into Foster's death. The White House has said Nussbaum went through the documents, sending some to Foster's family lawyer and some to Clinton's private lawyer.

Fiske also is looking into the handling of a Foster suicide note found days after Nussbaum's initial search, whether there were attempts to remove documents from a safe in the area of Foster's office, and the removal of a Whitewater file in Foster's office the night of his death.

Navy Panel Backs 'Don't Tell' Policy on Gays

Reuter

A Navy board upheld the "don't tell" feature of President Clinton's policy on homosexuals in the military, recommending yesterday the discharge of a bombardier for saying on national television that he is gay.

The board of inquiry recommended that the Navy give an honorable discharge to Lt. Tracy W. Thorne for making the statement on ABC's "Nightline" in 1992 and in other news interviews and letters to his commanders.

The final decision will be made by Navy Secretary John Dalton. Thorne's lawyers said they will appeal in federal court if Dalton decides to discharge him.

Thorne said after the decision: "It is ironic that my simple honesty may

does not mean they engage in homosexual sex.

A discharge was recommended.

be what has done me in here.

"If the Department of Defense finds out you are gay, they are going to do everything they can to strip you of your right to defend your country."

But Capt. Douglas Cook, chairman of the three-member board of inquiry, said Clinton's policy requires discharge of anyone who says he or she is gay unless they can prove that

Thorne "made no effort to rebut that presumption," Cook said in announcing the ruling.

Thorne challenged the "don't tell" part of Clinton's "don't ask, don't tell" compromise policy, which the president was forced to accept last year after his attempt to end the military's ban on homosexuals prompted a storm of controversy.

Thorne contended he could be discharged only for homosexual conduct and said his statement that he is gay does not mean he engages in such conduct. He did not say, and under Clinton's policy could not be asked, whether he in fact engages in homosexual sex.

Clir o loans raise new questions Whitewater part of complex web

By Jerry Seper
THE WASHINGTON TIMES

AT

A complicated web of personal loans totaling several hundred thousand dollars made to Gov. Bill Clinton and his wife were repaid not just by political supporters, but also by corporations in which the Clintons were directly involved, including Whitewater Development Corp.

Newly disclosed loans, reported this week by the Associated Press, were paid off by Clinton supporters and highlight a tangled scheme of unexplained Clinton loans whose source and repayment are in question.

But they are only part of a patchwork of questionable loans involving the governor and his wife, Hillary Rodham Clinton.

The loans, many of which were authorized by officials at four rural Arkansas banks, stretched over an 11-year period beginning in 1978 after Mr. Clinton's first gubernatorial victory and at a time he and his wife became involved in Whitewater, federal law enforcement sources said.

The loans, which peaked during the mid-1980s, are expected to emerge as a focus of Whitewater-Madison special counsel Robert B. Fiske Jr.'s ongoing probe. His Little Rock staff already has seized bank records outlining more than \$283,000 in Clinton loans — all of which came at a time Mr. Clinton was the nation's lowest-paid governor, with an annual salary of \$35,000.

Investigators are trying to determine if improper solicitations were made to obtain the loans or to repay them, if false statements were offered on loan applications, if Clinton aides or campaign officials were illegally involved, and if the loans were properly disclosed, the sources said.

Loans under review include:

- Those totaling more than \$283,000 from Arkansas banks — the Bank of Cherry Valley, Citizens Bank & Trust of Flippin, the Bank of Kingston, and Security Bank of Paragould. They were identified in a subpoena to the Arkansas Bank Department that sought department records, regulatory examinations and other documents concerning the four financial institutions.

The loans, according to state records, included \$182,611 to the Clintons and James B. McDougal, then owner of the Bank of Kingston and later Madison Guaranty Savings and Loan Association, used to purchase 230 acres of land along the White River in the Ozarks. The land became the Whitewater project.

The other loans were for \$20,000, which were unsecured, for the Whitewater down payment; \$50,000 to the Clintons to finance his 1984 gubernatorial campaign; \$30,000 to Mrs. Clinton, listed at the time on loan documents as Hillary Rodham, to build a model home on a Whitewater lot; and \$20,800 to Mr. Clinton used to help pay the balance on Mrs. Clinton's note.

- At least \$220,000 in separate loans from the Bank of Cherry Valley, operated at the time by W. Maurice Smith, a longtime Clinton supporter who served as the governor's financial adviser during the 1984 campaign. The loans, first reported this week by AP, were used to promote Mr. Clinton's legislative agenda.

Records show the loans were maintained in separate accounts at the bank, and that special interest groups — including Arkansas business concerns beholden to the governor — could "donate" to those accounts to pay them off. The largest contributors were Arkansas-headquartered Tyson Foods and TCBY.

Mr. Clinton's chief of staff at the time, Betsey Wright, now a Washington lobbyist and unpaid Clinton adviser, told AP she controlled the political accounts, and that the money was used to purchase television, radio and newspaper advertising, direct mail efforts, consultants, travel and polling to advance the Clinton agenda.

Miss Wright, who has refused requests by The Washington Times for an interview, denied any wrongdoing — saying the donations were not subject to Arkansas campaign laws.

She said she has since turned over documents concerning the loans to Mr. Fiske.

The White House yesterday had nothing to add on how the loan funds were used or repaid, referring all questions to staff secretary John Podesta, who did not respond.

Some of the contributors to the loan funds reported by AP said they did not intend their contributions to be used to advance Mr. Clinton's political agenda or influence the governor.

"The favor I expected was improved education. That would have been a favor to the whole state," said Bill Bowen, a former bank president and later Mr. Clinton's gubernatorial chief of staff during the presidential campaign.

Likewise, Frank Hickingbotham, who heads the TCBY yogurt chain and gave \$25,000, said, "My contribution was to help support

the educational needs of our state. It had nothing to do with Gov. Clinton's political agenda, personal agenda."

But Republican Sheffield Nelson, who opposed Mr. Clinton in the 1990 governor's race, said the arrangement "shows the problem of one party dominating for so long in the state."

"I think the good ol' boy system is coming to light, finally," said Mr. Nelson, who is running this year against Mr. Clinton's successor, Gov. Jim Guy Tucker.

Mr. Fiske, appointed to the Whitewater-Madison probe in January by Attorney General Janet Reno, is investigating suspected illegal financial ties between Madison Guaranty Savings and Loan Association and Whitewater, a partnership involving the Clintons, Madison owner James B. McDougal and his former wife, Susan.

Mr. Fiske is probing whether Madison funds were improperly diverted to Whitewater and to Mr. Clinton's 1984 re-election campaign.

Madison was seized by federal regulators in 1989 at a cost to taxpayers of \$50 million.

Mr. Fiske, through a federal grand jury in Little Rock, also is looking into accusations that Mr. Clinton and Mr. McDougal pressured businessman David L. Hale into granting a \$300,000 Small Business Administration-backed loan to Mrs. McDougal in 1986.

About a third of the SBA-backed loan, which was never repaid, ended up in the Whitewater account.

Part of the Fiske investigation, according to the sources, has included a review of how some of the Clinton loans were repaid. In one instance, according to records and interviews with those involved, Mr. McDougal raised about \$35,000 at an April 1985 fund-



The Washington Times

raiser at Madison's offices to help retire the \$50,000 personal note the Clintons held at the Bank of Cherry Valley.

At least two of the purported contributors at the 1985 fundraiser — former Sen. J. William Fulbright, Arkansas Democrat, and Kenneth Peacock, then a 24-year-old college student — have told investigators they did not sign \$3,000 cashier's checks to Mr. Clinton. The checks were drawn on accounts at Madison.

Mr. Peacock's father, Charles Peacock, a Madison official at the time of the fund-raiser, first denied any knowledge of the check but later told The Washington Times he made the contribution in his son's name without his son's knowledge.

Investigators also are looking at the \$20,800 loan to Mr. Clinton from the Security Bank of Paragould — which was used to help pay the balance on Mrs. Clinton's \$30,000 note at the Bank of Kingston.

The Clintons and McDougals have denied any wrongdoing in connection with the Whitewater project and the defunct S&L.

Each wants Clinton's bank loans sifted for 'suspects'

BY TERRY LEMONS
Staff Writer, Washington Bureau

WASHINGTON — Rep. Jim R-Iowa, promised Thursday to scrutinize President Clinton's bank loans as part of a broader review into the Whitewater Development Corp.



Leach

Leach said this is a priority item and demands review. He said Leach, the ranking Republican member of the House Banking Committee, is obligated to look at it. While governor, Clinton borrowed at least \$220,000 from the bank of Cherry Valley to promote his legislative agenda. The

bank was owned by Maurice Smith of Birdeye, a longtime Clinton supporter.

The loans were repaid through donations by Arkansas corporations and business executives. White House officials said there was nothing improper with the arrangement.

But Leach called on the Clinton administration to publicly release documents detailing the

loans and donations.

"The White House should fully disclose the money going in and the money going out," he said.

Documents relating to the loans have been turned over to Whitewater special counsel Robert Fiske Jr. by Betsey Wright, a former Clinton gubernatorial chief of staff who is now a Washington lobbyist.

Wright disputed accusations that the loans served as a slush fund. She is a potential witness for this month's congressional hearings into the Washington aspects of Fiske's investigation.

The Washington phase of

Fiske's investigation focuses on the death of Deputy White House Counsel Vincent Foster, a Hope native and former partner in Little Rock's Rose Law Firm, and on the subsequent handling of documents in his White House office. In addition, Fiske is examining meetings between Clinton administration officials and federal regulators investigating the failure of Madison Guaranty Savings & Loan Association.

The House Banking Committee plans to start hearings on July 26. The Senate Banking Committee will begin its hearings no later than July 29.

Senate Banking Committee Chairman Donald Riegle, D-Mich., said Thursday that hearing preparations are continuing.

"We have an awful lot of work to do in a short time," Riegle said. "It's a very steep climb to reach the hearing target date."

He said committee staff members are beginning to take Whitewater depositions from witnesses. Riegle declined to name those being questioned.

Sen. Alfonse D'Amato, R-N.Y., said he expects at least 20 witnesses to testify at the hearings. D'Amato, the committee's ranking Republican, criticized the White House on Thursday for

deletions made to Whitewater-related documents sent to Congress.

"Is this a new methodology for hiding things?" D'Amato asked.

White House officials said the deleted material did not relate to Whitewater. But D'Amato said it was a conflict of interest for White House aides to determine what should be deleted.

Bill and 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.

Fitzhugh: U.S. no longer has role

LR lawyer pleaded guilty in Whitewater-related case

BY PATRICIA MANSON
Democrat-Gazette Federal Reporter

The federal government shouldn't be allowed to intervene in a civil lawsuit accusing a Little Rock lawyer of taking \$250,000 from two Louisiana investors, the lawyer said Thursday.

In a filing in federal court, Eugene Fitzhugh said the government has no right to intervene because it is not a party to the suit and has not been asked to provide evidence.

The government also no longer has the "compelling interest" it once had to become involved in the suit, Fitzhugh said.

Last month, government attorneys asked for the civil suit to be halted until it concluded a criminal case against Fitzhugh, "as well as all matters arising out of the investigations being conducted by the independent counsel." New York attorney Robert Fiske Jr. was appointed Jan. 31 as special counsel to look into Whitewater Development Corp.

In the criminal case, the government claimed Fitzhugh and two others used money from the Louisiana investors

in a conspiracy to defraud the Small Business Administration. Fitzhugh, Hale and Hale's company, Capital Management Services Inc., remain in the government's request to delay the civil suit. Fitzhugh and Matthews and Prudential Securities Inc. were dismissed as defendants after they pleaded guilty to the criminal case. The third man named in the civil suit, former Municipal Judge David Hale, pleaded guilty earlier in the criminal case, months earlier, and turned over the \$250,000 transferred from an account she held with her son, Harry, was never

Arkansas Democrat Gazette

Whitewater respite

With all the hubbub surrounding the O.J. Simpson case, relatively little attention has been paid of late to Whitewater.

You remember Whitewater, don't you?

It's either the worst presidential scandal since Watergate or much ado about nothing. I suspect the truth lies somewhere in between, but closer to much ado than to criminality.

I further suspect that unless Clinton loyalists do something really outrageous — it would seem that nosing around a federal investigation is no longer outrageous if the noses are doing the lord's work — little will come of it.

The dog days of summer will coincide with the long-awaited, long-resisted congressional hearings into the Whitewater Development Corp. and its various and sundry offshoots. The question of the hour: Will anyone notice?

The general public hasn't displayed any interest in matters of more immediate importance, such as the Senate hearings on Stephen Breyer's confirmation as a Supreme Court justice, and it was tired of Whitewater long before a former football great turned murder suspect led a police parade down a Los Angeles freeway.

Much momentum has been lost because federal investigations take time; during the interval between the beginning of inquiry and its conclusion and public resolution, if any, life goes on.

News, like life, is dynamic. It's been several months since Whitewater news was a front-page fixture in any mainstream publication.

Even so-called right-wing publications have relegated related stories to brief mention in their tables of contents.

Given his preoccupation with becoming the most traveled president in United States history, the upcoming health care debate and the worsening of the situation in Haiti, Bill Clinton is, no doubt, grateful for the Whitewater respite.

That isn't to say that nothing is afoot. Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno at Bill and Hillary Clinton's reluctant behest, is juggling an overlapping two-phase investigation.

Reportedly, he is near the end of the Washington phase of his inquiry. The Arkansas phase, which focuses on what many see as the central points of the Whitewater scandal, the Clintons' partnership in Whitewater Development

Meredith Oakley



Corp. and the savings and loan owned by their business partner, Jim McDougal, is "in its early stages."

The House and Senate banking committees are gearing up for separate Whitewater-related public hearings that begin later this month.

The hearings in both houses will examine:

- Contacts between White House officials and federal regulators who were investigating aspects of the Whitewater case;

- The death of Vince Foster, deputy White House counsel, which was declared by both Fiske and law enforcement authorities to be a suicide; and

- The removal of Whitewater-related documents from Foster's White House office the evening of his death.

Believe it or not, these hearings are not Clinton's most pressing concern. He knows that the public has grown weary. The health care debate is more important to the administration, and in several respects more worrisome, than Whitewater.

Politicians and pundits agree that the upcoming mid-term elections will be influenced by the outcome. How strong the influence depends on the outcome.

With his latest European adventure behind him, Clinton renews his efforts on behalf of health care reform, reform in this instance meaning to throw out one system and replace it with another. The renewal incorporates several high-profile speeches to select audiences, another spate of television advertisements, letter-writing, telephone banks and — what else? — a cross-country bus tour.

John King of The Associated Press noted earlier this week that Clinton is entering what is likely to feel like the longest month of his presidency.

With Clinton, every thought and every action is part of the ongoing campaign, the longest cocktail party Clinton-socks.

I predict he'll survive.

Associate Editor Meredith Oakley's column appears every Monday, Wednesday, Friday and Sunday.

Arkansas Democrat  Gazette

Partisan feud over hearings escalates

By Major Garrett and Jerry Seper
THE WASHINGTON TIMES

Political infighting over next week's congressional hearings into the Whitewater-Madison affair grew more heated yesterday.

Part of the infighting had to do with the House Banking Committee's lead witness at Tuesday's hearing — White House Counsel Lloyd Cutler.

The Banking Committee's top Democratic and Republican members exchanged barbed letters over how Mr. Cutler and other administration witnesses will be questioned.

Rep. Jim Leach of Iowa, the committee's ranking Republican, complained that limiting members to only five minutes of questioning and forbidding staff lawyers from asking questions will prevent the committee from conducting a rigorous and coherent probe.

Mr. Leach also complained that key documents necessary to prepare for the hearings remain unavailable.

Rep. Henry B. Gonzalez, the committee chairman, rebuffed the Iowa lawmaker's requests.

The Texas Democrat said the committee has never allowed staff lawyers to question witnesses and he sets no reason to break House

rules providing five minutes of questions and answers for each committee member present.

Their exchange highlights the importance of procedure and majority power in Congress: Democrats decided that all Whitewater-Madison hearings would be conducted as ordinary oversight hearings.

This differs from special committee investigations, such as those that handled the Iran-Contra and Watergate scandals, which adopted special rules allowing hours of in-depth questioning by lawmakers and staff lawyers.

Meanwhile, in a letter to House Speaker Thomas S. Foley, Washington Democrat, Mr. Gonzalez said Republicans on the House Government Operations Committee were "actively involved in the investigation of [White House Deputy Counsel Vincent W. Foster Jr.'s] death, supposedly at the request of Mr. Leach."

White House aides searched Mr. Foster's office shortly after learning of his death on July 20, 1993, and removed documents pertaining to Whitewater. Special counsel Robert B. Fiske Jr. has eliminated this aspect of his Whitewater-Madison probe as a subject of inquiry during the congressional hearings.

According to Mr. Gonzalez,

"confidential and secret documents have been given to these minority members... by Special Counsel Fiske without any notice to the majority or to the Banking Committee."

"It has no basis in fact," said Rep. William F. Clinger of Pennsylvania, ranking Republican on the Government Operations Committee. "I'm absolutely stunned. It's just off the wall."

Mr. Clinger denied that Mr. Leach requested their assistance. He said Republicans on the Government Operations Committee requested a separate Whitewater-Madison hearing, which their chairman, Rep. John Conyers Jr., Michigan Democrat, declined to hold.

Mr. Clinger and other Republicans on the Government Operations Committee are assisting Mr. Leach and other Banking Committee Republicans to prepare for the hearings.

Mr. Clinger and other committee Republicans have been looking into the search of Mr. Foster's office since Feb. 24, a probe they cleared with Mr. Conyers.

According to two senior members on Mr. Conyers' staff, the Republicans notified the chairman of their every move. In fact, two members of Mr. Conyers' staff accompanied some GOP staffers to

view the documents Mr. Fiske provided.

"Clinger was very up front with every thing he was doing," said a Government Operations source. "The chairman was OK with it."

Aides to Mr. Gonzalez declined comment.

In another development, the White House asked the Senate Banking Committee to seek a wider ethics investigation into news leaks of information gathered in the panel's Whitewater-Madison inquiry.

Mr. Cutler requested that the banking panel, which has already requested the ethics probe, should include leaks to Newsweek magazine from a deposition by senior presidential adviser George Stephanopoulos.

The committee begins its Whitewater-Madison hearings on Thursday.

Sen. Donald W. Riegle Jr., Michigan Democrat and committee chairman, and Sen. Alfonse M. D'Amato of New York, the committee's ranking Republican, asked the Senate Ethics Committee on Tuesday to investigate news leaks. The Ethics Committee has not agreed to conduct an investigation.

• This article is based in part on wire service reports.

Fiske focuses on 4 suspected phony checks

Funds went to Clinton debt

By Jerry Seper
THE WASHINGTON TIMES

At

Four possibly fraudulent checks, each written for \$3,000, are expected to emerge as key evidence in Whitewater-Madison special counsel Robert B. Fiske Jr.'s investigation of illegal financial ties between an Arkansas thrift and a real estate partnership involving President Clinton.

The checks, copies of which were seized by FBI agents assigned to Mr. Fiske's Whitewater-Madison task force, were used to help pay off Mr. Clinton's 1984 gubernatorial campaign debts and were drawn on accounts at Madison Guaranty Savings and Loan Association.

According to law enforcement sources, a federal grand jury in Little Rock will be asked to determine whether the checks were audaciously signed and whether they were diverted illegally from Madison in an effort by the thrift's owner, James B. McDougal, to help Mr. Clinton pay off a \$50,000 personal loan he used to finance his re-election campaign.

At least two of the purported check-signers, including former U.S. Sen. J. William Fulbright, have denied that they made donations to Clinton or to his campaign. Mr. Clinton and his wife, Hillary, had borrowed \$100,000 from the Bank of Cherry Valley, Ark., to help finance the 1984 race. The bank was owned by Maurice Smith, who served as Clinton's financial adviser during the 1984 campaign. Records show that the loan was unsecured. The four checks, made out to Clinton or to the campaign, among about a dozen cash checks collected during an April 14, 1985, fund-raiser at Madison's Little Rock offices that was hosted by Mr. McDougal. Nearly \$35,000 was raised during the event.

Investigators also are trying to find out if the McDougal fund-raiser was tied to efforts by Madison to convince state regulators that the thrift was solvent and should remain open. At the time of the fund-raiser, the Federal Home Loan Bank Board (FHLBB) said Madison was on the verge of insolvency based on its "current investment and lending practices."

The regulators, all appointed by Gov. Clinton, approved a unique refinancing plan a month after the fund-raiser to allow Madison to remain open. Four years later, the thrift was closed by federal regulators at a cost to taxpayers of \$50 million.

Mr. McDougal, according to the sources, told investigators that Mr. Clinton asked him to stage the fund-raiser, saying he needed the money to retire the Bank of Cherry Valley debt. The former thrift owner also told authorities he personally handed the checks to Mr. Clinton's campaign manager, Betsey Wright.

But records show that not all of the fund-raiser donations went to pay off the Clintons' note. Authorities said a May 1986 campaign report shows that \$8,000 of the \$35,000 went to provide seed money for Mr. Clinton's 1986 re-election bid.

The records also show that as much as \$14,000 of the funds raised by Mr. McDougal went unreported on Mr. Clinton's campaign filings, including the four checks investigators suspect were illegally diverted from Madison. Ms. Wright, a former top aide to Gov. Clinton and now a Washington lobbyist, was responsible for collecting the donations and participated in the fund-raiser. She has been interviewed by the FBI about the checks, although she declined many requests by The Washington Times to discuss the matter.

Records show that contribution lists from the McDougal fund-raiser are not included in Clinton campaign documents maintained at the Pulaski County Clerk's Office in Little Rock.

The Resolution Trust Corp., which oversees failed thrifts, suggested in 1992 that Madison and

Whitewater Development Corp., a northern Arkansas real estate venture involving the Clintons, Mr. McDougal and his then-wife, Susan, were involved in various check-kiting schemes aimed at diverting money from the S&L for financial gain.

Investigators are looking into the suspected diversion of the four Madison checks to Mr. Clinton as a part of that scheme. It was the RTC that discovered the checks, later turning them over to the Justice Department.

Checks collected at the McDougal fund-raiser came from a variety of sources, including Mr. Fulbright, a prominent Arkansas Democrat who formerly headed the Senate Foreign Relations Committee. At one time he employed Mr. Clinton and Mr. McDougal as congressional aides. Now 89, Mr. Fulbright lives in Washington and has been incapacitated by several strokes.

Mr. Fulbright's signature appears on an April 4, 1985, cashier's check for \$3,000 drawn on a Madison account, although aides to the former senator — an original investor in Mr. McDougal's first financial venture, the Bank of Kingston — told investigators he did not write or authorize the check, the sources said.

Mr. Fiske subpoenaed Mr. Fulbright's records concerning Madison, which were voluntarily turned over.

A second check was from Kenneth Peacock, then a 24-year-old college student, who also has said he did not sign or authorize it. His father, Charles D. Peacock, a Madison official at the time, later said he made the contribution in his son's name without his son's knowledge.

Two other checks were from Dean Landrum, a former employee of the elder Mr. Peacock's, and from Mrs. McDougal. Mr. Landrum is dead; Mrs. McDougal has declined comment.

In a tape-recorded conversation in March 1992, Mr. McDougal told a Little Rock lawyer he knew that the contribution by Kenneth Peacock was fraudulent and actually had been made by the man's father, who not only was an officer and shareholder at Madison, but also a major borrower. A March 1986 FHLBB audit said Madison had loaned more than \$393,000 to businesses involving the elder Mr. Peacock and members of his family.

In the conversation, a transcript of which was obtained by The Washington Times, Mr. McDougal acknowledged he was aware of the arrangement.

"That crazy Charles Peacock — you know him? Charles was a director ... and, by the way, he can't be anything you might say [was] critical of the Clintons ... because the night we gave him [Mr. Clinton] that money, he gave him \$3,000," Mr. McDougal said.

The elder Mr. Peacock, in a telephone interview from his farm in Bald Knob, Ark., said that despite vigorous denials in December and January about his involvement in the donation, he did make out the check to Mr. Clinton in his son's name.

He declined to say why, adding only that he expected to "get a chance" to explain his actions to federal investigators.

In May 1985, a month after the McDougal fund-raiser, Arkansas banking regulators appointed by Mr. Clinton approved a unique refinancing plan aimed at keeping Madison solvent. The plan was offered by Mrs. Clinton, who was paid \$2,000 a month by Mr. McDougal.

At the time, Mrs. Clinton also was a partner with Mr. McDougal in the Whitewater venture.

Mr. McDougal was indicted in 1989 on fraud charges related to Madison loans but was acquitted in 1990. He has denied any wrongdoing in the current probe.

Claims about our mistakes are riddled with errors

Unfortunately for your readers, the first significant write-up in your pages about Fairness & Accuracy in Reporting's (FAIR) survey of "Rush Limbaugh's Reign of Error" was L. Brent Bozell III's error-filled column (Commentary, July 19).

FAIR's survey rebutted dozens of Mr. Limbaugh's factual errors and contradictions. We made no pretense of being exhaustive; we could rebut dozens of his distortions in every issue of our magazine — but simply haven't the space.

Mr. Bozell implicates FAIR in what he calls "The Great Super Bowl Hoax of 1993." It's ironic that in a column attempting to question our accuracy, he makes mistake after mistake. For example, he claims that Dobinsky Associates, a PR firm which issued a

written statement about the Super Bowl, was "FAIR's public relations agents." I'd never heard of the firm until we were erroneously connected to it in a Wall Street Journal editorial. But Mr. Bozell didn't bother checking any of his facts with us — the group he was set on maligning.

In an effort to challenge FAIR's well-established credentials as an anti-censorship group, Mr. Bozell quotes six words from a lengthy letter to the Corporation for Public Broadcasting (CPB) — words recommending that a specific program hosted by Fred Barnes and Morton Kondracke not be developed. Mr. Bozell charges the letter with "singling out" that program.

In fact, the open letter to CPB examined the total public-affairs

lineup on PBS stations and discussed 17 different programs. Mr. Bozell wrenched the quote out of context, ignoring the following: "Barnes and Kondracke are long-time panelists on 'The McLaughlin Group.' Both are regulars on other TV networks. Mr. Kondracke hosted his own PBS show for years. A new PBS show featuring these two would make a mockery of the mandate to 'provide a voice for the unheard.' As an anti-censorship group, FAIR would never question the right of these two men to be heard on TV; they already are — loudly."

JEFF COHEN
Executive Director
Fairness & Accuracy in Reporting
New York

Clinton White House doesn't treat military social aides any differently

We read with interest your June 24 Inside the Beltway item regarding the military social aide who complained about his "treatment" at a White House reception at which one of us (Capt. Daniel G. Putbrese) was the officer in charge. Due to a sudden thunderstorm and limited staff, four aides held hors d'oeuvre trays for five to 10 minutes until ushers could move the party inside. One or two aides obviously felt above this job, though we routinely perform much less glamorous duties.

As the three senior White House social aides (spanning Republican and Democratic administrations), we assure you virtually nothing has changed concerning treatment of aides. Both administrations have

shown the utmost respect and appreciation for our service. The disgruntled officer's betrayal of our position's confidence insults and embarrasses us.

What the Clinton White House Social Office asks of military social aides is in keeping with the spirit of duty performed for previous administrations (i.e., Republican). We assist with protocol and ensure guests' enjoyment of receptions and state events. Junior military officers work for the Social Office as volunteers, with no recompense for or record of White House service. It is purely additional duty, each aide serving full time in a position at a variety of local military installations. All uniforms, transportation and time are at the aides' personal expense.

It is an honor to serve as a White House military social aide in any administration, and anyone who feels otherwise is allowing personal political beliefs to interfere with service to the commander in chief.

(This reflects our beliefs and does not attempt to represent the position of the White House.)

J. ANDREW BALL IV
U.S. Air Force Captain
Alexandria

KEVIN A. GERFEN
U.S. Air Force Captain
Arlington

DANIEL G. PUTBRESE
U.S. Air Force Captain
Arlington

Blame coup leaders for Haiti's crisis, not Jean-Bertrand Aristide

Your editorial "Saber rattling from Haiti" (June 14) relied on claims from unnamed members of Haiti's militia and unfounded allegations about President Jean-Bertrand Aristide to criticize Mr. Aristide. After boldly stating that Mr. Aristide seeks vengeance and an "uncompromised return" to Haiti, the editorial concluded, "Mr. Aristide will have to take the lead in opening discussions with [Parliament]. . . . He will have to consider a coalition of political forces."

This reasoning collapses under the facts. Mr. Aristide "took the lead" in forging compromises last year when he appointed two military members, leaders of four Haitian political parties and members of the elite to his Cabinet. He also appointed Robert Malval, a member of the elite, as prime minister. The Haitian militia has issued death threats to these constitutionally appointed Cabinet ministers if they attempt to enter their offices or perform their official duties. In other words, it is the *coup leaders*, not Mr. Aristide, who are blocking coalition-building and the functioning of a democratic government.

Mr. Aristide also has developed international coalitions. In June 1994, the president worked with global leaders at the annual foreign ministers' conference of the Organization of American States (OAS) that focused on Haiti's political and human-rights crisis during a weeklong meeting in Brazil. Strobe Talbott, second in command at the U.S. State Department, spoke fervently about the solidarity

emerging from these meetings and concluded, "The whole hemisphere is behind the proposition that democracy must be restored" to Haiti. Mr. Talbott echoed an earlier comment by U.S. Agency for International Development representative Aaron Williams, who proclaimed that during Mr. Aristide's tenure, "Haiti now has a legitimate government committed to democracy [and] the elimination of human-rights abuses."

Members of Haiti's elite recently called for the resignations of army commander Lt. Gen. Raoul Cedras and police chief Joseph Michel Francois. Haitian diplomat Evans Francois, Michel's brother, said that Michel was "willing to make the necessary concessions," according to the June 15 New York Times. However, the international community cannot yet heave a sigh of relief. Only last year, the United States eased pressure on Haiti's military regime when military leaders promised to resign. Freed from the sanctions, the military later reneged on this promise.

Last July, Mr. Aristide signed the conciliatory Governors Island Agreement that was forged to restore peace to Haiti. Under the aegis of this accord, the military agreed to step down to allow the restoration of democracy by Oct. 31, 1993. The military betrayed this commitment. Instead, it unleashed a reign of terror upon the Haitian people — immediately assassinating the minister of justice, intimidating Cabinet members and killing thousands of Aristide followers. In response, the United States set a

Jan. 15 deadline for the military to abide by the Governors Island Agreement or face tough sanctions. Instead, our government repeatedly pressured Mr. Aristide to compromise even further while the military was left to benefit from the corruption, contraband and drug smuggling that has increased dramatically since the coup.

Your editorial advocated this same course — more compromise from the president who already has compromised extensively to restore democracy to Haiti. Mr. Aristide has been working with the United States; the military leaders have been working against us. Let us place the blame where it belongs: at the feet of the military leaders who initiated the bloody coup in 1991 and who continue to terrorize, beat, execute and rape Haitians.

The Congressional Black Caucus urged President Clinton in March to implement strong sanctions against the brutal military regime, including a complete trade and commercial embargo and the severing of all air links with Haiti. We applaud Mr. Clinton's recent incorporation of these recommendations in the Haiti policy. The administration at last is signaling the depth of U.S. resolve against the actions of the coup leaders in Haiti. Your editorial thus not only undermines Mr. Aristide's documented actions toward reconciliation, but also undermines Mr. Clinton's policy on Haiti.

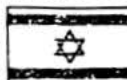
CYNTHIA A. MCKENNEY
U.S. House of Representatives
Washington

On y 'Wash'ngton pl ase gets scrutiny of Congres

THE COUNTRIES & THEIR LEADERS

ISRAEL

Prime Minister
Yitzhak Rabin



Age: 72

Background: Became prime minister for the second time in June 1992, has pursued peace with Arabs, despite tough image as army chief of staff in 1967 war and defense minister in the 1980s, when he advocated force to break Palestinian uprising. Former ambassador to Washington.

Population: 4,748,000

Size: 7,847 square miles

Sources: Who's Who, World Almanac, Political Handbook of the World, State Department, news reports

JORDAN

King Hussein
Ibn Talal



Age: 58

Background: Crowned May 2, 1953, after his grandfather was assassinated and his father deposed. Turbulent reign has seen loss of West Bank in 1967 Middle East War; 1970 'Black September' expulsion of Palestinian commandos; and Persian Gulf war.

Population: 3,557,000

Size: 37,737 square miles

Sources: Who's Who, World Almanac, Political Handbook of the World, State Department, news reports



THE ISSUES

Israel and Jordan are engaged in a series of negotiations that will provide the building blocks of a peace treaty. The issues include:

- Resolution of numerous, mostly minor, border disputes.
- Security.
- Water resources, energy and the environment.
- Economic relations.

Other discussions, in which the United States takes part, involve a range of proposed cooperative projects. They include:

- A master plan for developing the Jordan River Valley.
- Cooperation in civil aviation.
- Building a road that would connect Jordan with Israel and Egypt.
- Developing a transborder national park.
- Developing tourism.

Sources: Who's Who, World Almanac, Political Handbook of the World, State Department, news reports



Syrian President Hafez Assad (right) welcomes Egyptian President Hosni Mubarak, who will mediate stalled Syrian-Israeli peace talks.

In a July 9 speech to Jordan's parliament, King Hussein said the public meeting with Mr. Rabin was pressed on him by the Clinton administration as a condition for writing off \$700 million in debt and helping to modernize Jordan's

military.

The king's apparent sympathy for Iraq caused Gulf states to cut off political and economic support, and chilled ties with the United States. Jordan also lost its most important trading partner, Iraq.

By Jerry Seper and Major Garrett
THE WASHINGTON TIMES

Whitewater-Madison hearings before Senate and House committees, authorized last month in partisan votes, will focus on two major areas:

• Contacts among White House, Treasury Department and Resolution Trust Corp. officials over an ongoing RTC investigation of Madison Guaranty Savings and Loan Association and Whitewater Development Corp.

• The U.S. Park Police investigation into the July 20, 1993, death of White House Deputy Counsel Vincent W. Foster Jr.

They are part of the "Washington phase" of the Whitewater-Madison investigation by special counsel Robert B. Fiske Jr. A third part, the handling of Mr. Foster's papers after his death, has been postponed. Mr. Fiske has said his office does not expect to complete that part of the probe for another month.

White House aides removed files from Mr. Foster's office a few hours after his body was found in suburban Virginia. Mr. Foster handled Whitewater matters as the Clintons' personal attorney.

The House hearings were approved on a bipartisan agreement, but the Senate's approval came only after 10 resolutions by Republicans to expand the hearings were defeated by Democrats during rancorous debate.

The Senate voted 56-44 for a resolution by Majority Leader George Mitchell of Maine to limit the hearings. The Mitchell resolution precludes the Senate Banking Committee from asking questions about the Clintons' involvement in the Whitewater ven-

ture, the financial dealings of Madison, or the lending practices of Little Rock's Capital Management Services Inc., whose owner has accused Mr. Clinton of pressuring him for an improper federally backed loan.

Mr. Mitchell, in offering a statute resolution for ones by Sen. Alfonse M. D'Amato, New York Republican, accused the GOP of trying to turn the hearings into a "political circus."

Mr. D'Amato, ranking Republican on the Banking Committee, called the Mitchell proposal so narrow "it makes a sham of congressional oversight." He unsuccessfully proposed the creation of a bipartisan, 18-member special panel to investigate Whitewater-Madison accusations. The panel would have had nine Democrats and nine Republicans.

Mr. Mitchell said hearings aimed at broadening the committee's Whitewater-Madison inquiry could be authorized after Mr. Fiske says they would not conflict with his investigation. He has not said when those hearings could begin.

Under the Mitchell resolution, all Whitewater-Madison hearings have to conclude by the end of this session. The Senate will recess in August, and senators will be of Washington campaigning by October.

The House leadership agreed June 15 to hold Whitewater-Madison hearings but also to limit them initially to the Washington phase of the Fiske investigation.

Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, has described the proposed hearings as "unprecedentedly restrictive."

White House distancing from old buddy Altman

By Rod Dreher
THE WASHINGTON TIMES

The White House, struggling to position itself favorably going into potentially embarrassing Whitewater-Madison hearings in Congress, spent the weekend distancing itself from a longtime friend of President Clinton's, Deputy Treasury Secretary Roger C. Altman.

Mr. Altman is emerging as a central figure in the hearings, which will start this week in both houses of Congress. At issue is his role in arranging contacts between the Treasury Department and the White House concerning a Resolution Trust Corp. request for a criminal investigation into the failed Madison Guaranty Savings and Loan Association.

The request named President and Mrs. Clinton as "potential beneficiaries" of a suspected illegal diversion of funds.

On Friday, Rep. Barney Frank, the administration's unofficial spokesman during the hearings, told reporters that Mr. Altman may have lied to Congress this spring about the number and timing of his contacts with White

House officials concerned about the investigation.

The Massachusetts Democrat, who has been briefed by the White House on its strategy for the hearings, also revealed that Mr. Altman kept a diary during the early stages of the public controversy over the burgeoning scandal. That diary is now in the hands of the House Banking Committee, of which Mr. Frank is a member.

Citing a "knowledgeable source," The Washington Post yesterday reported that Mr. Altman learned of the RTC criminal referral shortly after Mr. Altman became head of the Resolution Trust Corp. — five months earlier than he has claimed.

Appearing on CBS' "Face the Nation" yesterday, White House Counsel Lloyd Cutler attempted to distance the White House from the Treasury Department. Though he ducked the question of whether Mr. Altman should resign, Mr. Cutler signaled that the deputy secretary could not count on White House support when facing congressional committees.

"This is a matter for Mr. Altman. I think, to work out with the Congress," he said.

RTC worker on Madison probe likely to be hearing's key witness

By Jerry Seper
and Major Garrett
THE WASHINGTON TIMES

A Resolution Trust Corp. (RTC) investigator who suggested ties between a failed Arkansas thrift and a real estate partnership including the president and the first lady is expected to emerge as a key witness during congressional hearings beginning this week on the Whitewater-Madison affair.

The hearings are scheduled to

RTC

From page A1

begin tomorrow. The testimony of Laura Jean Lewis, the Kansas City investigator, has been limited by Whitewater-Madison special counsel Robert B. Fiske Jr. She headed the RTC probe of suspected financial ties between Madison Guaranty Savings and Loan Association and Whitewater Development Corp. until she was removed in November.

"We are still investigating other matters concerning the Kansas City office," Mr. Fiske said in a July 7 letter to House Banking Committee Chairman Rep. Henry B. Gonzalez, Texas Democrat. "Testimony... from Mrs. Lewis herself as to these other matters would potentially compromise our investigation."

Mrs. Lewis will be allowed to discuss meetings this year with RTC officials concerned about the case, but not about other matters relating to the agency's probe of Whitewater-Madison.

Another important pending witness is expected to be Treasury Department counsel Jean Hanson, who told a Senate committee this month that she was instructed to brief White House officials about the RTC's ongoing Whitewater-Madison investigation.

Mrs. Hanson, who gave three days of sworn depositions to Senate Banking Committee staffers, said Deputy Treasury Secretary Roger C. Altman told her to conduct the briefings last fall. The

contact came at a time when White House aides were keenly interested in the scope of the RTC probe of Madison — particularly as they related to the president.

Mr. Altman has told a Senate committee he did not know about meetings between Mrs. Hanson and White House aides. Mr. Altman was acting chairman of the RTC at the time.

Separate hearings before the Senate and House Banking committees in the Whitewater-Madison affair are scheduled to begin this week — tomorrow in the House and Friday in the Senate.

The hearings are not designed to investigate elements of the Whitewater-Madison affair as much as to square public state-

see RTC, page A10

Material drafted by the chief counsel for Treasury Secretary Lloyd Bentsen suggests he knew about Whitewater briefings. A11

Key witness

Mrs. Lewis' ouster from the Whitewater-Madison case came after the RTC in Washington ordered that regional investigators in Kansas City be "gagged" from discussing the ongoing investigation — even with Mr. Fiske. She was removed for refusing the order and later sought federal whistleblower protection rather than comply.

The veteran investigator, who has declined media requests to discuss the case, said in a Jan. 6, 1994, memo that roadblocks had been erected to divert criminal referrals in the Whitewater-Madison affair and it was "beginning to sound like somebody, or multiple somebodies, are trying to carefully control the outcome of any investigation."

"The beginnings of a cover-up may have already started months ago," she wrote.

The RTC, which oversees failed savings and loans, initially asked the Justice Department in September 1992 to open a criminal investigation into Madison, noting the thrift had ties to then-presidential candidate Bill Clinton and his wife, Hillary Rodham Clinton.

Investigators, who began looking at Madison after it failed in 1989 at a cost to taxpayers of \$50 million, had discovered — and told the Justice Department in a criminal referral — that depositor funds from Madison may have been diverted to Mr. Clinton's 1984 gubernatorial campaign and to the Whitewater venture, a joint partnership involving the Clintons, Madison owner James B. McDou-

gal and his then-wife, Susan.

A year later — after the original referral had languished at the Justice Department — nine additional referrals were submitted by RTC investigators to the U.S. Attorney's Office in Little Rock. They identified the Clintons as being involved in a possible check kiting scheme and asked that Mrs. Clinton's role as Madison's attorney before state regulators be examined.

The new U.S. attorney in Little Rock was Paula J. Casey, a Clinton appointee who was once a student of Mr. Clinton's at the University of Arkansas law school and had worked in his 1992 presidential campaign. She declined to investigate the referrals because of what she said was "insufficient information."

Later, however, Mrs. Casey recused herself and the matter was turned over to Donald B. McKay, a Justice Department prosecutor sent from Washington to Little Rock in November 1993 by Attorney General Janet Reno to look into the case. Two months later, Miss Reno appointed Mr. Fiske to take over the investigation.

Mrs. Lewis wrote in a Jan. 6, 1994, memo that she had been contacted that month by a reporter concerning the referrals. While Mrs. Lewis declined to comment, she wrote that the reporter was "not far from the truth."

She said the reporter told her:

"There were 'conflicting stories' from Justice on the status and handling of the RTC referrals, and that they had been 'taken

much more seriously than the public has been led to believe."

• The Justice Department "seems to be deliberately making it look like" the referrals were vague and ambiguous "and not to be taken seriously."

• That while RTC investigators were "legitimately trying to do their job and had legitimate concerns relating to the allegations contained in the referral," the Clinton administration put up "roadblocks" to divert inquiries about them.

"My overall impression of this conversation was that she [the unidentified reporter] is very close to the heart of this story, and that she is almost on top of the 'white paper' chronology outlining the sequence of events and communications between [the Justice Department] and RTC on #C004 [the Whitewater-Madison case]," Mrs. Lewis wrote.

Controversial recordings

Mrs. Lewis, who was awarded a \$1,000 RTC bonus in 1993 for her work in the Whitewater-Madison case and later recommended for a second commendation [which has since been held up], has documents and tape recordings concerning her investigation that are likely to become key to the pending hearings.

The paperwork, notes and recordings are expected to be a focus of inquiries as to whether RTC officials or others actively sought to interfere in the Whitewater-Madison probe or if they attempted to derail or divert the investigation.

A major bit of information — and controversy — is expected to center on at least one tape recording. It includes conversations between Mrs. Lewis and April Breslaw, an RTC attorney who was actively involved in the Madison case — having overruled three subordinates to give Mrs. Clinton's Rose Law Firm a Madison-related contract in 1989 that netted \$400,000.

During a Feb. 2, 1994, meeting, Mrs. Lewis said in a memo that Ms. Breslaw told her "head people" at RTC were concerned about her investigation and there were "certain answers" they would be happier about because it would "get them off the hook."

"Would you just assume that your partner was making multithousand-dollar payments out of the goodness of his heart?"

Two of the "head people" were identified as RTC Deputy Chief Executive Officer Jack Ryan and General Counsel Ellen Kulka.

They were appointed by Mr. Altman, the Clinton appointee who later withdrew as acting head of RTC over meetings he had with the White House concerning the

ongoing Whitewater-Madison investigation. In her memo, Mrs. Lewis said Ms. Breslaw told her RTC officials in Washington, whom she described as "people at the top," would like to be able to say that "Whitewater did not cause a loss to Madison."

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

"I also stated that any attempt to extract Whitewater as one entity from the rest of the McDougal-controlled entities involved in the alleged check kiting will distort the entire picture," she wrote. "I further pointed out I would produce the answers that were available, but I would not facilitate providing 'the people at the top' with the politically correct answers just to get them off the hook."

Differing sides

Mr. Fiske, in his letter to Rep. Gonzalez, said his office had completed its investigation "into the circumstances surrounding a conversation between Jean Lewis and April Breslaw..." He did not elaborate.

Mrs. Lewis said in the memo that the losses to Madison from the Whitewater account "would easily exceed \$100,000," and that the "end loss result from the entire scam," using 12 companies suspected of being involved, "would be hundreds of thousands of dol-

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An inquiry from Jim Leach. . .

The Honorable Henry B. Gonzalez
Committee on Banking, Finance
and Urban Affairs

I am writing on behalf of the Republican Members of the Banking Committee regarding uncertainties which remain related to next week's Whitewater hearings.

As you know, no witnesses have yet been formally invited to testify. We understand the intention may be to invite Lloyd Cutler as the lead witness and to limit next week's hearings to White House witnesses. We also understand the intent may be to call the witnesses from the White House in panels, but no decision has been made on how these panels will be configured. Finally, it is our understanding that Mr. Cutler may deliver the results of his

internal investigation into White House-Treasury contacts, but we have not received any indication of when the report will be made avail-

able to us. reserve the right to call witnesses under Rule XI, some of whom may be part of your witness list as well. In order to proceed in a coherent

By adapting our rules we will avoid the criticism of having conducted superficial hearings which do not illuminate the considerable facts surrounding these White House-Treasury contacts.

Meaningful preparation for these hearings necessitates confirmation of the Majority's intention into who and how it intends to call its witnesses. We, of course,

and understandable manner, certain hearing procedures like those used in prior similar investigations should be adopted: (1) key individuals should be questioned alone; (2) the introductory portion of the

questioning of key witnesses should be conducted by counsel; and (3) a limited number of members from each side of the aisle should be assigned principle responsibility for questioning the witnesses and be allotted blocks of time consistent with their importance as witnesses. The five-minute rule should not be strictly applied under these circumstances.

While these procedures would be novel for the Banking Committee, so are these hearings. By adapting our rules to accommodate these circumstances we will avoid the criticism of having conducted superficial hearings which do not illuminate the considerable facts surrounding these White House-Treasury contacts and of having failed in our responsibility to the American public.

Thank you for your consideration of these concerns. We look forward to hearing from you in the near future.

... an answer from Henry Gonzalez

The Honorable James A. Leach
Member of Congress

I just received your letter regarding the procedures the Committee will follow in connection with the so-called Whitewater hearings.

With regard to witnesses, the Committee generally has called witnesses in the fashion best suited to the situation. Far more often than not, witnesses are called in panels, in order to permit the Committee to

obtain the broadest information possible. On occasion, a single witness is called, usually when the rank of the witness requires such a courtesy. You can be assured that I will consider your views on this, but see no need to call witnesses one at a time without exception since we are not conducting a trial or prosecution.

With regard to the questioning of witnesses, our rules do not provide for and the Committee has never permitted staff interrogation, and I feel

that this would be a bad precedent, since hearings are for the purpose of providing information required by

As you know, a Committee may not waive a House rule.

the Members, not the staff. Finally, concerning the alloca-

tion of time, your suggestion is indeed novel and unfortunately contrary to the long established rules of the Committee. The procedure you suggest would, I fear, be objected to by Members who would be precluded from participation or required to accept an inferior role. In addition, the five minute rule is required by House Rule XI, which does not provide for a waiver of the rule. As you know, a Committee may not waive a House rule.

AIDE IS SAID TO CONTRADICT BENTSEN IN WHITEWATER CASE

By STEPHEN LABATON

c.1994 N.Y. Times News Service

WASHINGTON - Contradicting public statements of Treasury Secretary Lloyd Bentsen, the Department's top lawyer has told Congress that she briefed Bentsen about discussions between White House and Treasury officials involving their investigation of the Whitewater case, people involved in the inquiry said Friday.

Bentsen has insisted since early March that he never participated in or knew of any of the discussions between Treasury and White House officials that deeply embarrassed the administration when they were disclosed five months ago.

But secret testimony recently given by Jean E. Hanson, the Treasury's general counsel, to congressional investigators shows that she clearly recalls briefing Bentsen and Deputy Treasury Secretary Roger C. Altman in early February about the White House meetings.

And investigators have obtained a Sept. 30 memorandum from Ms. Hanson to Altman in which she said she had briefed both the Treasury Secretary and top White House officials.

A senior aide to Bentsen said Friday that the secretary did not recall discussing the meetings with Ms. Hanson and the aide insisted that her memo was inconclusive.

Ms. Hanson's memo and testimony are part of the documentation on the Whitewater case that will be considered next week at politically charged House and Senate hearings.

The separate hearings before the two Banking Committees will examine the federal government's handling of an investigation into the failure of an Arkansas savings association run by the Clintons' former business partner and the government's inquiry into one of the savings association's law firms, the Rose firm of Little Rock, Ark., where Hillary Rodham Clinton was a partner.

As the hearings approach, some of the material turned over to Congress by the administration has begun to circulate around Washington, and Administration officials concede they are bracing themselves for new embarrassments.

Friday, for instance, a House Democrat disclosed that Altman had kept an informal diary that had been turned over to Congress that goes into some detail about Mrs. Clinton's concern about the investigation.

Another associate of Altman said that as negative news accounts late last year put pressure on the administration to seek the appointment of an independent counsel in the matter, he wrote in his private papers, "This boil must be lanced."

The original disclosures that White House and Treasury officials discussed an active investigation involving the First Family led at the time to the resignation of White House counsel Bernard W. Nussbaum, and a flood of subpoenas from the Whitewater independent counsel, Robert B. Fiske Jr.

At the time of the White House-Treasury discussions, Altman headed the Resolution Trust Corp., the agency overseeing the savings and loan bailout, and Ms. Hanson was its acting counsel.

The RTC was investigating both the Rose law firm and Madison Savings and Loan Association, a state-regulated institution that was owned and operated through the mid-1980s by James B. McDougal, the Clinton's business partner in the Whitewater land venture. Madison collapsed in 1989 at a cost to taxpayers of more than \$60 million.

The discussions between Treasury and White House officials were unusual because the Trust Corporation's investigations are supposed to be independent of political influence. Moreover, the briefings were attended by senior advisers to the Clintons, who were themselves included in the agency's investigations.

Fiske concluded three weeks ago that there was no evidence that the discussions had broken any laws, but he pointedly declined to assess their

propriety.

Fiske is continuing to investigate whether any money from Madison was improperly funneled to Whitewater or to Clinton's 1984 gubernatorial re-election campaign.

Until now, Bentsen has managed to remain above the Whitewater fray. But people involved in the investigation said Friday that the discrepancies between the accounts of Bentsen and Ms. Hanson will be one of many inconsistencies that will be politically troubling to the administration.

And the hearings are likely to reveal deep divisions within the highest ranks of Treasury, where there is a growing anxiety that the hearings may tarnish reputations.

Officials and lawyers involved in the hearings said that the testimony already given to investigators contains conflicting accounts and significant memory lapses on important details about Treasury's handling of the case by Bentsen, Altman and Ms. Hanson.

There will also be evidence that White House officials viewed Altman as one of their strongest allies and tried to pressure him not to step down as the acting head of the RTC.

In preparation for the hearings, the Treasury Department has provided Congress with the September 1993 memo from Ms. Hanson to Altman about the investigation.

In it, Ms. Hanson wrote: ``I have spoken with the secretary and also with Bernie Nussbaum and Cliff Sloan,' a reference to the then-White House counsel and one of his aides. ``Is there anything else you think we should be doing?''

Bentsen, who also serves as chairman of the Oversight Board of the Resolution Trust Corporation, appeared to be angry and surprised after the meetings were publicly disclosed at a Senate hearing on Feb. 24.

``I did not attend any of these meetings, nor was I informed of any of these meetings,' he said on March 3.

Edward S. Knight, a senior aide to Bentsen, said Friday that the secretary had no recollection of having ever been briefed by Ms. Hanson about the discussions and that no documents showed he had been briefed about White House meetings. Knight also said that Altman has no recollection of receiving the memo. ``ecollection of receiving Ms. Hanson's memo or of the February meeting Ms. Hanson claims to have had with Bentsen and Altman.

Ms. Hanson's lawyer, Harvey Pitt, declined to comment about what his client had told Congress.

Her testimony and other revelations of what the congressional committees have learned suggest that the hearings will shed considerable light on the thinking of the most senior of administration aides.

For example, investigators have found that Altman's diary goes into detail about Mrs. Clinton's concerns about the appointment of an independent counsel with broad authority to look into her past financial dealings.

The existence of the diary was disclosed Friday by Rep. Barney Frank of Massachusetts, a senior Democrat and one of the White House's closest allies on the House Banking Committee, who was clearly trying to get what he viewed as the worst news out before the hearings.

Frank said the entries showed that Mrs. Clinton was deeply concerned last winter about the appointment of an independent counsel and that she thought the investigation could derail the drive for health care legislation.

-END-OF-AUTOBREAK(1)-

-AUTOBREAK(2)-FOLLOWS

**** filed by:NYT(--) on 07/23/94 at 02:57EDT ****
**** printed by:WHPR(JEL) on 07/25/94 at 09:02EDT ****

White House order traps Haitian sailors at Miami docks By Bill Minutaglio Dallas Morning News

MIAMI Marc Bruno paces up and down a bruised-looking dock along a hidden curve in the Miami River and says he is a prisoner a forgotten prisoner of United States foreign policy.

"Tell Mr. Clinton to let me out of this town," he says as he watches gleaming pleasure boats filled with laughing passengers cruise by.

The 45-year-old sailor is one of about 400 Haitian crewmen stranded in South Florida, along with 40 freighters, because of the U.S. embargo against their homeland.

For several weeks the small cargo ships have remained under the watch of the Treasury Department, the U.S. Customs Service, the U.S. Border Patrol and the Coast Guard.

An executive order issued by President Clinton in June froze assets of some Haitian nationals and blocked Haitian-owned boats in U.S. waters from leaving unless they can prove they are carrying humanitarian aid.

As the United States continues to engage in a war of words and nerves with Haiti's military rulers, crew members have wondered when they will see home again.

"We keep hearing we might be let go soon. But in the meantime, we haven't been getting paid. We haven't been allowed to leave the pier. We haven't been able to get in touch with our families," says Bruno, the chief engineer for a ragged-looking wooden vessel called the Rosemarie.

Richard Newcomb, director of the Treasury Department's Office of Foreign Assets Control in Washington, says: "We are working with the Coast Guard, Customs and other agencies to determine which of these vessels might be unblocked." Decisions on some of the ships are expected soon, he says.

Normally sailing out of Port au Pax, Haiti, the Rosemarie like the other boats has been unable to load or unload cargo. Some ships have rice, beans, cornmeal, flour and cooking oil on board some of which has been spoiled or damaged by wharf rats.

Even if some of the vessels are cleared to go, it could take days or weeks to restock the ships' holds with fresh goods, say shipping agents.

"This was food that could be going to feed people in Haiti," says Peter Speight, a shipping agent with the South River Pier Corp., a company that works with 32 of the Haitian vessels.

His firm, which employs eight people in Miami, is on the verge of going out of business because of the embargo, he says.

"The whole situation is a crime," says Speight. "We're losing thousands of dollars, and these people on the boats are being treated like animals."

The U.S. Customs Service acknowledges that some people have been caught in the middle.

"The embargo, on its face, is a punitive measure ... against a non-democratic leadership in Haiti," says U.S. Customs spokesman Michael Sheehan. "Sometimes, South Florida businesses suffer the consequences."

When the ships are allowed to go, it won't be soon enough for some Haitian boat owners.

"My crew is going crazy. We've been loaded with corn and beans for weeks. Meanwhile, people in Haiti are dying," says Louis Thermitus, the owner of The Bad Friend, a 99-foot cargo ship.

His crew, along with the other Haitian sailors, is under orders to remain with the ship and not go into Miami. Boat owners are subject to \$3,000 fines if anyone leaves the ship.

"It has been a problem for us. These people want to

leave the country, not stay here," says Mike Sheehy, U.S. Border Patrol spokesman.

(EDITORS: STORY CAN TRIM HERE)

Meanwhile, some U.S. dock workers say that they worry for their jobs.

"This whole embargo hurts poor people, here in the United States and in Haiti," says Joceyln Fleuridor, a dock hand who nightly locks the gate that separates the Haitians and their ships from the street.

He makes \$200 a week, is raising two children and says he hopes he isn't let go.

(EDITORS: STORY CAN TRIM HERE)

With food and money running low many sailors say they make \$150 for each Haiti-United States trip and make about 10 trips a year friends and family living in South Florida's growing Haitian community have supported the crewmen.

Cars arrive at the dock daily, loaded with clean clothing, water and sometimes home-cooked meals. And an impromptu underground market to serve the stranded sailors has unfolded on the back streets near the Miami River.

From morning until late at night, strangers arrive with vans, bicycles and sometimes shopping carts to hawk all types of items to the isolated Haitians.

One recent, moonlit evening a Spanish-speaking man arrived with a car trunk filled with shoes going for \$10 a pair.

Someone else came with a shopping cart filled with dishware. Others arrived on foot with bags of T-shirts and bright pink baseball caps.

"This is all horrible. People try to take advantage of us, because they know we are stuck here," says Joseph Tamned, one of the Michelle W's crewmen. Like almost everyone else, he passes the day playing cards, keeping an eye on the food supply and wondering about his wife and children back in Haiti.

"It's reached the point where we don't care about anything," he says. "We could be dead or alive. All we want to do is go home."

Whitewater hearings promise to serve up political drama By Richard Whittle Dallas Morning News

WASHINGTON The congressional Whitewater hearings that President Clinton's critics have been demanding since last winter will start this week with all the trappings of a major political theater.

Both CNN and PBS will broadcast the hearings live, beginning at 9:30 a.m. EDT Tuesday by the House Banking Committee and about the same time on Friday by the Senate Banking Committee.

Deputy Treasury Secretary Roger Altman, a key witness among the dozen or more expected to testify, is sure to be grilled by critics such as Sen. Alfonse D'Amato of New York, the senior Republican on the Senate committee, and Republicans on the House committee.

And colorful clashes are expected in the House committee, where Chairman Henry B. Gonzalez, D-Texas, and senior Republican Jim Leach of Iowa have been feuding bitterly over the issue for months.

But Democrats predict and Republicans concede that the sessions are likely to be short on major disclosures, and thus might backfire on the GOP.

"I don't think there's going to be any revelations particularly," said Rep. Lamar Smith, R-Texas, who chairs what House Republicans call their "Theme Team" a group of 25 members who will be making floor speeches next week calling for "full disclosure" on Whitewater.

"This first hearing has as much substance as soup made

from the shadow of a pigeon that starved to death," he added. "Clearly we're not getting off to a good start."

House committee member Barney Frank, D-Mass., tried Friday to take any available wind out of the Republicans' sails.

He told reporters that Altman might have misled, or even lied to, the Senate last February about conversations with the White House regarding a federal investigation of Madison Guaranty Savings and Loan. The failed Arkansas thrift lies at the Whitewater affair's center.

"The No. 1 issue is Altman's veracity," said Frank, who also disclosed that Altman had kept a diary which reveals the gap between his public and private statements and discusses first lady Hillary Rodham Clinton's "state of mind." But Frank also argued that the hearings will produce no evidence that the Clinton administration tried to interfere with the investigation of Madison Guaranty.

"From the president's standpoint, it gets better from here," he said.

Rep. Henry Hyde of Illinois, chairman of the House Republican Policy Committee, said his party's leaders probably erred in pushing for the hearings while Whitewater Special Counsel Robert B. Fiske Jr. was urging Congress to hold off.

The bulk of Fiske's investigation concerns whether money from Madison Guaranty, which failed in 1989 at a cost to taxpayers of between \$47 million and \$60 million, benefited the Clintons financially or politically.

Madison's owner, James B. McDougal, was partners with the Clintons in a real estate venture called Whitewater Development Corp. He also raised money for Clinton's 1984 gubernatorial campaign in Arkansas.

Fiske also is investigating how administration officials handled documents in Clinton aide Vincent Foster's office after the deputy White House counsel committed suicide a year ago. Fiske has warned Congress repeatedly that hearings could interfere with his work.

Citing Fiske's concerns, the Democrats were able to limit these initial hearings to a narrow question which the special counsel already has examined: whether 20-some contacts between Treasury and White House aides to discuss Whitewater issues last fall and winter were improper.

Fiske has issued a report saying the meetings and phone calls weren't criminal. Thus, said Hyde, these hearings are likely to produce "sound and fury but, I would predict, signifying nothing."

"I think they have finessed us," Hyde said of the Democrats. "I would have preferred that we refuse to have investigations or hearings that aren't full and complete."

Leach, who as senior Republican on the House Banking Committee has led his party on the Whitewater issue, issued a similar warning to his GOP colleagues in a memo last week.

"The hearings proposed by the majority (Democrats) are designed to cover at most 5 percent of the issues," Leach said. "However, logistical and procedural impediments may now cause this original estimate of 5 percent to be closer to 2 or 3 percent."

One of Leach's chief "impediments," members of both parties predict, may be the fact that Gonzalez chairs the House Banking Committee. The 78-year-old is as independent, often prickly and perpetually unpredictable as any member of the House.

Gonzalez has said from the first that he sees the Whitewater issue as nothing more than a GOP attempt at "character assassination" of the Clintons.

"We'll discharge our responsibility, even though I have repeatedly said that it's an issue that properly is not within the Banking Committee," he said in an interview last week.

Gonzalez has argued that there is no "legislative

purpose" in his panel examining the Madison case, and that any Whitewater hearings should have been held by a special committee.

But a House Democratic aide, speaking on condition of anonymity, acknowledged that the party leadership who opposed holding any hearings at all considered the Banking Committee ideal, and not because a savings and loan is at the center of Whitewater.

Gonzalez, never known to shy away from a fight, can be expected to use his power as chairman to keep a tight rein on the Republicans, the aide said.

(EDITORS: NEXT 7 GRAFS OPTIONAL)

And the Banking Committee has 51 members, each of whom is entitled to at least five minutes to question each witness, with questioning alternating between Democrats and Republicans, he said.

"This will likely lead to a disjointed and convoluted presentation of the issues at the hearings," Leach warned in his memo.

Leach also noted that the hearings will be held under various unusual restraints insisted upon by the Democrats, who control both chambers of Congress.

Prior to giving the committees documents, such as calendars, phone logs and diaries, the White House insisted that the papers be handled in a manner normally reserved for secrets affecting national security.

Portions of the documents have been "redacted," or crossed out, according to committee aides. The papers are being kept under 24-hour guard. And aides with access to the documents have been forced to sign a confidentiality agreement that subjects them to dismissal for leaks.

"We've had real national security documents that weren't under this kind of security," said Leach aide Joe Pinder. "It's making it difficult."

Despite those strictures, information from some of the documents have leaked from the Senate Banking Committee, prompting the leaders of that panel, Sen. Donald Riegle, D-Mich., and D'Amato to ask the Senate Ethics Committee to investigate.

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The Washington Post published an article that cited Senate committee sources and a deposition given by Treasury counsel Jean Hanson.

That report said Hanson had told investigators Altman had ordered her last fall to brief White House officials on the probe of Madison Guaranty by the Resolution Trust Corp., the federal agency charged with cleaning up failed S&Ls.

Altman, who at the time was serving as interim head of the RTC, has previously told Congress he was unaware of that meeting.

The Post also reported that in her interview with Senate investigators, "Hanson also contends that Treasury Secretary Lloyd Bentsen was informed on several occasions of developments in the investigation, contrary to his public suggestion that he has been removed from the Madison Guaranty Savings & Loan matter."

Treasury Department spokesman Howard Schloss said Bentsen "stands by his previous statements on this matter."

"We have found no documents that describe the secretary being briefed on the White House-Treasury meetings," Schloss said.

On Sunday, the Post quoted an unnamed RTC official who said Altman was told of a request for a criminal investigation that might involve President Clinton in March 1993, soon after he took the RTC position. Altman had previously told Congress that he didn't know about the investigation until September. Altman's attorney said his client does not recall the briefing.

Bentsen and Hanson, like Altman, are on the House

Little New Expected From Congress Whitewater Probe (Washn) By Charles V. Zehren= (c) 1994, Newsday=

WASHINGTON Did aides to President Bill Clinton and first lady Hillary Rodham Clinton try to stop federal regulators from investigating an Arkansas thrift that was owned by their partner in the Whitewater real estate development?

That's the question Congress will ask but probably not get an answer to this week when the House and Senate banking committees convene their first round of televised Whitewater hearings.

It is likely that testimony offered by administration officials beginning Tuesday in the House and Friday in the Senate will prove politically and personally embarrassing to the Clintons and their aides. For example, it is anticipated that testimony will show that Deputy Treasury Secretary Roger Altman knew about administration contacts with regulators over Whitewater earlier than he previously acknowledged and kept a diary reflecting Hillary Clinton's resentment of special counsel Robert Fiske Jr.'s investigation.

But by the time the final gavel falls, Republicans and Democrats agree that, barring any major surprises, no new information will emerge proving that Clinton aides tried to squelch a probe or implicating the president and first lady in any legal or ethical wrongdoing.

"There's very little here," said Rep. Barney Frank, D-Mass., who will lead the majority's defense of the Clintons in the House hearings. "The Whitewater critics have adopted a kind of millennialist theology: The promised land is just around the corner, but they always have to keep explaining why you haven't got it yet."

Frustrated Republicans on the committees acknowledge as much, saying that the Democratic leadership especially in the House has succeeded in greatly narrowing the scope of the hearings by limiting the number of witnesses and congressional investigators' access to relevant documents. They also say White House Special Counsel Lloyd Cutler and administration lawyers have crossed out many passages from appointment logs and other papers submitted to congressional investigators.

In memos to House colleagues last week, Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, said the format for hearings permitted by the Democratic majority will cover only 2 to 3 percent of what the public knows as Whitewater. He said the White House has held back relevant documents, not made witnesses available, and restricted the ability of members to review documents. In an extraordinary deal cut with congressional Democrats, the White House was able to have Whitewater papers put under armed guard in the Rayburn building, a move ostensibly designed to prevent news leaks, which last week were nonetheless rampant.

"Sure, in the end, we are going to raise more questions than we can answer," said Rep. Peter King, R-N.Y., who will take part in the questioning. "But in raising the questions about whether there was an administration cover-up, we will show how it is more necessary than ever to take the hearings to another stage" investigating the mind-numbingly complex Arkansas business deals.

(Optional Add End)

House Banking Committee Chairman Rep. Henry Gonzalez, D-Texas, aggressively fought against holding hearings, only agreeing to do so after Democratic leaders in both houses gave in to Republican demands last spring.

Late last week, members of both parties in the House were still scrambling for information on how Gonzalez

intends to conduct the hearings. Meanwhile, Senate Banking Committee Chairman Donald Riegle, D-Mich., Sen. John F. Kerry, D-Mass. who will take the lead in defending the administration and Sen. Alfonse D'Amato, R-N.Y., the ranking minority member of the committee, were trying to iron out details in the Senate.

House rules will allow the Republicans, led by Leach, to call their own witnesses at a hearing next week. The Republicans say they will draw from a far wider list of potential witnesses than the Democrats and try to focus more aggressively on possibly improper contacts by administration officials with thrift regulators.

Just two weeks ago, Fiske who has refused to testify before Congress issued a report stating that White House and Treasury Department officials, who appeared before a grand jury, committed no crimes when they discussed Whitewater-related investigations with federal regulators. He also debunked rumors of murder surrounding the death of Foster, agreeing with police that Clinton's lifelong friend committed suicide in a Virginia park last summer. But Fiske also stated pointedly that he was not commenting on whether the Clintons or their aides breached "ethical rules or standards." Distributed by the Los Angeles Times-Washington Post News Service=

As GOP Levels Guns, Christopher May Go Before Firing Squad (Washn) By Saul Friedman= (c) 1994, Newsday=

WASHINGTON Secretary of State Warren Christopher has often said that his job, as the president's principal adviser in foreign policy, is to prevent problems from becoming crises.

"The president can't be visited by foreign policy problems as crises because it will distract from what he needs to do domestically," he said in an interview with New York Newsday late last year.

By that measure, President Clinton's foreign policy team has failed, in the view of many observers, Democratic and Republican alike. While Clinton struggles to keep the nation's attention on health care, he faces the prospects of launching an invasion of Haiti, sending 25,000 U.S. troops to Bosnia to enforce an unstable partition plan that he once opposed, confronting North Korea's ambitions to become a nuclear power and staunching a human disaster in Rwanda.

What's more, the festering crises seem to be sapping the president's political strength: Several recent polls indicate that his popularity has declined as public disapproval of his handling of foreign policy has grown.

On Wednesday, the Republican party is scheduled to level some of its big guns at Clinton's foreign policy record, with a forum in Washington that will include two prospective presidential candidates former Secretary of State James Baker and former Defense Secretary Dick Cheney along with former Secretary of State Henry Kissinger and former U.N. ambassador Jeane Kirkpatrick.

As a consequence, government and other sources have told New York Newsday, Vice President Al Gore and Clinton's national security adviser, Leon Fuerth, at the president's direction have quietly begun planning to replace Christopher and perhaps others on the Clinton foreign policy high command.

When Clinton transferred image-maker David Gergen to the State Department because of Christopher's inability to forcefully explain administration policies, Gore, who has been given supervision over foreign policy, broke the news to the surprised secretary.

The betting is that Christopher will leave after the

Bert's counsel drafted only

Hill retraction suggested in text

ASSOCIATED PRESS

Treasury Secretary Lloyd Bentsen's chief counsel drafted material that would have had Mr. Bentsen retract — before Congress — his statement that he had been unaware of Whitewater briefings given to White House officials, documents show.

Bentsen aides said yesterday the secretary stands by his original statement and disavows the explanations and facts provided in material prepared by the counsel, J. Hanson.

The materials — proposed questions and answers — highlight a record of contradictory statements on Whitewater by Mr. Bentsen and Mrs. Hanson. The disparities are certain to be explored by Republicans in Whitewater hearings beginning tomorrow in the House and three days later in the Senate.

The materials, obtained by the Associated Press, were prepared for Mr. Bentsen's testimony before

Congress on the department's budget March 8.

Mrs. Hanson's "answers" for Mr. Bentsen would have explained her participation in the White House briefings by saying not only that the secretary knew about them in advance, but that senior officials approved the contacts.

Reacting to news reports, Mr. Bentsen said publicly March 3 that he was unaware until then that Mrs. Hanson and Deputy Treasury Secretary Roger C. Altman had briefed key White House officials about a federal regulatory investigation that involved the president and his wife.

In part of the materials, Mrs. Hanson posed this possible question: "Mr. Altman is the deputy secretary of the Treasury. He didn't tell you about the February meeting?"

The suggested answer: "I now believe that Ms. Hanson and Mr. Altman consulted with me in advance of the WH meeting on Feb. 2, 1994."

Mrs. Hanson then suggested Mr. Bentsen explain the contradiction with his March 3 statement by saying he "had not previously recollected" discussions about the

briefings.

Mrs. Hanson's version was challenged by Mr. Bentsen's office yesterday.

"The secretary's recollection is that no one brought to his attention the fact that there were meetings occurring at the White House on this subject until March 3," said Edward S. Knight, executive secretary in the Treasury Department and senior adviser to Mr. Bentsen. "The secretary's recollection is clear."

Mr. Knight characterized the question-and-answer document as "Jean Hanson trying to put words in the secretary's mouth which he did not recall."

"No one tells the secretary what to say," he said.

A Clinton administration official, speaking on the condition of anonymity, said top Bentsen aides "were troubled" and informed Mr. Bentsen of the Hanson materials. But the source said "we did not ascribe any motives" to Mrs. Hanson and added that the proposed answers to questions were not given to Mr. Bentsen.

Mrs. Hanson has been unwilling to comment on any aspect of the Whitewater case.

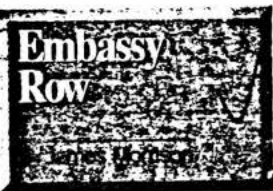
In another Q-and-A prepared by Mrs. Hanson for Mr. Bentsen, the question was, "Why would Ms. Hanson be involved in meetings with the White House on Madison Guaranty?"

The answer: "My understanding is that Ms. Hanson attended three White House meetings regarding Madison as a result of a specific request by senior Treasury officials or as a result of a determination by senior Treasury officials that her attendance was appropriate. I had not previously recollected that discussion."

Another question was, "Are you aware of any other meetings or conversations about Madison Guaranty between Treasury and the White House?"

The suggested answer: "I understand that there was a fourth meeting on Feb. 3 which Mr. Altman attended, but Ms. Hanson did not."

The Whitewater-Madison special counsel, Robert B. Fiske Jr., concluded June 30 that the Treasury contacts with White House officials were not criminal, but he made no findings on whether they were ethical.



Orphanage update

The U.S. Embassy in Ethiopia has apologized and promised to investigate the conduct of embassy guards who turned away relief workers seeking help for a severely injured orphan.

Also, the U.S. Embassy in the Netherlands has sent the embassy in Addis Ababa a copy of a news report by a Dutch journalist who first revealed the actions of the embassy gatekeepers.

Journalist Jos van Noord, an eyewitness to the affair, tipped this column to the incident, which we reported last Monday.

Mr. van Noord now tells us that the embassy has responded to the press accounts.

Relief worker Wim Woudenberg was invited for an hourlong discussion with an embassy official, Mr. van Noord said.

"He apologized for the behavior" of the guards, Mr. van Noord told us.

The Dutch journalist, a foreign correspondent for the newspaper *De Telegraaf*, and Mr. Woudenberg were turned away from the American Embassy in late June after desperately trying to get antibiotics for a teen-aged boy injured in a hand-grenade attack on an orphanage.

He and Mr. Woudenberg went to the embassy at the urging of a doctor who was sure the Americans would supply the necessary medicine for the boy, who had both legs amputated.

The teen-ager was one of 56 children wounded June 21, when a deranged government soldier threw a hand grenade into the or-

phanage television room where the children were watching a World Cup soccer match. One child was killed.

As Mr. van Noord and Mr. Woudenberg were rushing to the embassy, two Dutch diplomats tried unsuccessfully to contact the embassy duty officer to alert him to the emergency. The diplomats left messages but never learned whether the ambassador was ever informed, Mr. van Noord said.

When the two men arrived at the embassy, they encountered a Marine guard and an Ethiopian employee at the U.S. compound who refused to let them enter and refused to contact the duty officer. Mr. van Noord and Mr. Woudenberg finally turned to the Swedish Embassy, where nurse Reina Huss quickly supplied the antibiotics.

The orphanage, which is supported by Dutch relief workers and Mr. van Noord's newspaper, was renamed for the late U.S. Rep. Mickey Leland, who was killed in an Ethiopia rescue mission in 1989.

Heavy hitters

The Republican National Committee has assembled heavy hitters for a forum on U.S. foreign policy on Wednesday.

Former Secretaries of State James A. Baker III, who served under President Bush, and Henry Kissinger, who served Presidents Nixon and Ford, will join Mr. Bush's Defense Secretary Dick Cheney and former U.N. Ambassador Jeane Kirkpatrick, who served under President Reagan, for what is sure to be a bare-knuckled review of President Clinton and his performance on the world stage.

"After 18 months of the Clinton administration, which has yet to exhibit any coherent foreign policy, it is appropriate for the public to hear the views of our party on the issues the country faces," said Republican Party Chairman Haley Barbour.

Mr. Baker will discuss the importance of American leadership, and Mr. Kissinger will deal with the question, "What is U.S. foreign policy strategy?"

Mrs. Kirkpatrick will review multilateralism, and Mr. Cheney will discuss global security threats.

The forum will open at 9 a.m. at the Grand Hyatt Hotel, 1000 H St. NW.

Envoy to Lithuania

President Clinton has named a career foreign service officer as his nominee to be ambassador to Lithuania.

James W. Swihart Jr. is now deputy chief of mission at the U.S. Embassy in Vienna.

Mr. Swihart was director of the Office of Eastern European and Yugoslav Affairs at the State Department from 1989 until 1991. His responsibilities included the Baltic states.

Mr. Swihart's prior service included assignments in the former Yugoslavia, Germany and Belize, as well as numerous positions in the European bureau of the State Department.

He is a recipient of the Department's Superior Honor Award and speaks German, Serbo-Croatian and Spanish. He is married and has a son and a daughter.

• If you have a tip, suggestion or question, call Embassy Row at 202/636-3297.

THE COMMITTEES

The membership of the House and Senate committees conducting Whitewater-Madison hearings

House Banking Committee

Chairman: Henry B. Gonzalez, Texas

Democrats

Stephen L. Neal, N.C.
John J. LaFalce, N.Y.
Bill McCollum, Fla.
Bruce F. Vento, Minn.
Charles E. Schumer, N.Y.

Barney Frank, Mass.
Paul E. Kanjorski, Pa.
Joseph P. Kennedy II, Mass.
Floyd H. Flake, N.Y.
Kweisi Mfume, Md.

Maxine Waters, Calif.
Larry LaRocco, Idaho
Bill Orton, Utah
Jim Bacchus, Fla.
Herbert C. Klein, N.J.

Carolyn B. Maloney, N.Y.
Peter Deutsch, Fla.
Luis V. Gutierrez, Ill.
Bobby L. Rush, Ill.
Lucille Roybal-Allard, Calif.

Thomas M. Barrett, Wis.
Elizabeth Furse, Ore.
Nydia M. Velazquez, N.Y.
Albert R. Wynn, Md.
Cleo Fields, La.

Melvin Watt, N.C.
Maurice D. Hinchey, N.Y.
Calvin Dooley, Calif.
Ron Klink, Pa.
Eric D. Fingerhut, Ohio

Republicans

Jim Leach, Iowa
Bill McCollum, Fla.
Marge Roukema, N.J.
Doug Bereuter, Neb.
Tom Ridge, Pa.

Toby Roth, Wis.
Al McCandless, Calif.
Richard H. Baker, La.
Jim Nussle, Iowa
Craig Thomas, Wyo.

Sam Johnson, Texas
Deborah Pryce, Ohio
John Linder, Ga.
Joe Knollenberg, Mich.
Rick A. Lazio, N.Y.

Rod Grams, Minn.
Spencer Bachus, Ala.
Michael Huffington, Calif.
Michael N. Castle, Del.

Senate Banking Committee

Chairman: Donald W. Riegle Jr., Mich.

Democrats

Paul S. Sarbanes, Md.
Christopher J. Dodd, Conn.
Jim Sasser, Tenn.
Richard C. Shelby, Ala.
John Kerry, Mass.

Richard H. Bryan, Nev.
Barbara Boxer, Calif.
Ben Nighthorse Campbell, Colo.
Carol Moseley-Braun, Ill.
Patty Murray, Wash.

Republicans

Allonise M. D'Amato, N.Y.
Phil Gramm, Texas
Christopher S. Bond, Mo.
Connie Mack, Fla.
Lauch Faircloth, N.C.
Robert F. Bennett, Utah
William V. Roth Jr., Del.
Pete V. Domenici, N.M.

The Washington Times

3/3

No support in G-town

Washington media veteran Joe Goulden witnessed a "good display of arrogance by our former mayor" last Thursday evening at the Safeway Georgetown on Wisconsin Avenue.

"Many folks hit this store at 6 p.m., just after work," Mr. Goulden tells Inside the Beltway. "We arrived at the same time as did an afternoon thunderstorm. Inside we find Marion Barry, flanked by a platoon of so of aides, bodyguards, flacks and what have you, plus a TV crew that (I was told) was filming a campaign commercial."

"Now this ain't Barry territory — but what the hey, a guy has the right to hustle votes wherever he can find them. I simply kept out of reach of his grasping hand, avoided the temptation to hand him a Coke, and went about my shopping."

"There is a lane immediately in front of the store where folks pull up their cars after shopping to unload their carts. ... The 'community standard' is that you use these spaces only while unloading."

"Barry's crowd had parked three rather substantial automobiles (one with the license plate, 'ROCK') that occupied the bulk [of the lane]. This gave us shoppers a choice: either wait for Barry to finish his glad-handing, or carry groceries through the rain."

"Folks not knowing the lanes were Barry-blocked stopped [elsewhere to load groceries], blocking cars trying to come into the lot. Traffic gridlock. Honking horns. Mounting tempers. Many mutters of rage about Barry being oblivious to other people. ..."

"As an old journalistic gray-beard who covered his first national campaign in 1960, I attest that had someone in Lyndon Johnson's entourage committed



Marion Barry

such a gaffe, he or she would be lucky to survive as assistant postmaster in Uncertain, Texas."

Hillary as president

Within minutes of each other, two Hill lawmakers — Rep. Jennifer Dunn, Washington Republican, and Rep. Jack Kingston, Georgia Republican — called Inside the Beltway after they were sent last Thursday's House floor schedule, issued each day by the Office of the Doorkeeper, James T. Molloy.

Under consideration, the doorkeeper advised in the schedule, was H.R. 4604, Budget Control Act.

"The process of monitoring

would begin with the President," the doorkeeper wrote. "If the President finds direct spending outlays to be more than .5% over the target, she would have to make recommendations to Congress. ..."

Noted Mrs. Dunn: "Maybe Hillary is calling the shots after all."

And Mr. Kingston: "In case you ever had any doubts about where the real power lies, perhaps the House doorkeeper has just settled the matter."

Heightened alert!

Jody Black of Alexandria read our item of last week about first lady Hillary Rodham Clinton being listed as "President" on a General Services Administration sign. We carried a photo of the sign, snapped by U.S. Army Capt. William C. Kirk.

"In an effort to make a few people crazy on the Hill," Ms. Black wrote us, "I placed numerous phone calls calling their attention to your article. One interesting response came from [Virginia Democratic] Congressman Jim Moran's office. A Ms. Suzie Warner called the GSA office at my request. They told her the same thing they told you — vandalism."

"But they also told her that they suspected Capt. Kirk was responsible. You may want to warn the captain to cover his flanks and rear."

Maryland politics

In an age when politicians sling mud and distort their oppo-

nents' records every chance they get, at least one candidate, Maryland Republican Senate candidate Ron Franks, apparently wanted to keep it clean.

Traditionally, when an office-seeker discovers negative information about his opponent, he runs straight to the nearest reporter, preferably the columnist. Rather than go to the press with dirt on his primary opponent, Bill Brock, former Tennessee senator and Labor secretary, Mr. Franks tried to keep his information within the state Republican Party.

His campaign, we learn, got a hold of some of Sen. Paul S. Sarbanes' opposition research on Mr. Brock and sent it to all GOP officials to give them a sneak preview of a possible Brock-Sarbanes matchup in the fall.

The materials contained allegations of illegal corporate contributions, information on a "slush fund" operated by one of the convicted Watergate figures, and facts exposing conflict of interest in a land deal — all of which involved Mr. Brock.

"All in all, there were plenty of goodies for Sarbanes' media team," our source says.

But instead of using this information to help assess potential damage, party leaders chose to "circle the wagons," and Mr. Franks became the object of their wrath.

Convinced that Mr. Brock, even with any baggage, is a vast improvement over the last nominee (two-time loser Alan Keyes, another ex-Washingtonian), party officials seem unwilling to brook any possibility that their front-runner may run out of steam.

Says our source: "They don't think these negatives on Brock will get much attention from Paul Sarbanes," a three-term Maryland Democrat with already more than \$1 million in the bank.

"They better hope not," he adds, "lest they suffer their third consecutive loss."

HOW THE HEARINGS WORK

The House Banking Committee hearings, which begin tomorrow will follow this format.

Chairman Henry B. Gonzalez of Texas will preside. He and Rep. Jim Leach of Iowa, the committee's ranking Republican, will make opening statements, followed by other members.

Lawmakers will be allowed five minutes to question witnesses. The order will rotate back and forth between Democrats and Republicans. No staff attorneys will be allowed to question witnesses.

After all 51 members have had an opportunity to ask questions, Mr. Gonzalez is expected to allow those with additional questions to address the witnesses.

White House Counsel Lloyd Cutler will be the first witness. Other administration witnesses will follow.

Witnesses from other federal agencies are expected to testify in groups of at least three after the White House officials are done. This is standard procedure in oversight hearings, but it will prevent lawmakers from homing in on any one witness.



Gonzalez

lars in what were essentially unauthorized loans."

The RTC investigator said she told Ms. Breslaw that both the U.S. Attorney's Office and the FBI field office in Little Rock believed the Whitewater-Madison case was "highly prosecutable."

"I also noted that I found the treatment of [the RTC's Whitewater-Madison referrals] highly unusual," she said. "This concluded our conversation."

When the memo first surfaced, Ms. Breslaw "categorically denied" the conversation and comments attributed to her had occurred.

Later, Rep. Jim Leach, Iowa Republican and ranking GOP member of the House Banking Committee, released a statement indicating the Lewis-Breslaw meeting was at least partially aped, and the tape was "completely consistent" with Mrs. Lewis' memo.

Mrs. Lewis, according to her memo, insisted that the Clintons must have known—as Whitewater partners—that they were benefiting from improper cash withdrawals from Madison.

She said the Clintons "knew they had real estate ventures that were not cash flowing, but also knew that their mortgages and/or notes were somehow being paid."

"I pointed out these business partners are intelligent individuals, the majority of them being attorneys, who must have concluded that McDougal was making the payments for their benefit," Mrs. Lewis wrote. "If you know that our mortgages are being paid, but you aren't putting money into the venture, and you also know the entire isn't cash flowing, couldn't you question the source of the funds being used for your benefit?"

"Would you just assume that your partner was making these multithousand-dollar payments out of the goodness of his heart?" she wrote.

Experts on federal law have said that the suspected check kiting scheme described by Mrs. Lewis, if proven, could constitute federal bank fraud, which is punishable by up to 10 years in prison.

Documents aired

Other documents expected to be reviewed during the House and Senate hearings include a Nov. 10, 1993, computer letter in which Mrs. Lewis said "the powers that be" had ordered her off the Whitewater-Madison investigation. She did not specifically identify who wanted her off the case.

Officials have said one reason Kansas City investigators thought their work had been stalled was a decision by RTC in Washington to forward the referrals to the agency's professional liability section.

RTC spokesmen in both Washington and Kansas City refused to discuss details of how the agency handled the Whitewater-Madison case. But in both cities, officials have said the agency did not violate accepted procedures.

In a November 1993 computer message, Mrs. Lewis told investigators who replaced her on the Whitewater-Madison case regarding a pending visit by Mr. Mackay, the Justice Department lawyer assigned by Miss Reno to look into the matter after the Casey recusal.

She wrote: "Cut to the bottom line. He is coming here because he wants to be convinced that there either is or is not a very good case behind those referrals... and how he can best deal with a very sensitive political situation."

POTENTIAL WITNESSES

More than 40 White House aides, government officials and others are listed as potential witnesses during the Whitewater-Madison hearings in both the Senate and the House. The key witnesses include:

Roger C. Altman, deputy treasury secretary, who met with White House officials over the Resolution Trust Corp.'s Whitewater-Madison investigation. Told a Senate committee there was one meeting, later changing it to three. Special Counsel Robert B. Fiske Jr. said there were as many as 20 contacts.



Altman

April Breslaw, an RTC lawyer, who is believed to have suggested to RTC investigators in Kansas City that "head people" at the agency wanted their Whitewater-Madison case to go away.

Paula J. Casey, U.S. Attorney in Little Rock and a friend of President Clinton's who declined to investigate an initial criminal referral by government regulators in the Whitewater-Madison case and then recused herself.



Casey

Mark D. Gearan, White House communications director, who met in late September 1993 with White House and Treasury Department officials to discuss the RTC's Whitewater-Madison inquiry.

Webster L. Hubbell, former associate attorney general, whose involvement in a Madison-related lawsuit has been challenged by the RTC and the Federal Deposit Insurance Corp. His Rose Law Firm represented the FDIC in a suit involving a questionable Madison audit four years after the firm had used the same audit to defend Madison.



Hubbell

L. Jean Lewis, an RTC investigator who first suggested that RTC officials had been involved in a "cover-up" of ties between a failed Arkansas thrift and a real estate partnership involving Mr. Clinton.

Bruce R. Lindsey, senior White House adviser, who participated in the White House-Treasury Department meetings over the RTC probe. Mr. Clinton has said he knew in October 1993 his name had been raised by the RTC and that Mr. Lindsey could have been the one who told him.



Lindsey

Eugene Ludwig, comptroller of the currency, who has said in a memo that Mr. Clinton made an effort to talk with him about the Whitewater-Madison affair. He and the president have given differing accounts of their conversation.

Thomas F. "Mac" McLarty, former White House chief of staff, who ordered White House Deputy Counsel Vincent W. Foster Jr.'s office sealed two hours after his body was found July 20, 1993, to prevent the removal of documents. The office wasn't sealed until the next day. Mr. McLarty also has said he helped arrange one of the White House-Treasury meetings.



McLarty

Bernard W. Nussbaum, former White House counsel, who was one of three people who searched Mr. Foster's office after the discovery of his body. In the search, Whitewater-Madison papers were removed. Mr. Nussbaum attended one of the White House-Treasury meetings with Mr. Altman on the RTC investigation.



Nussbaum

William S. Sessions, former FBI director, who was fired last July 19, the day before Mr. Foster killed himself. He has said the investigation of that death was "compromised from the beginning" by White House interference.



Sessions

Joshua Steiner, the Treasury Department's chief of staff, who discussed the RTC's hiring of former U.S. Attorney Jay Stephens to look into several cases, including one involving Madison. He discussed the hiring with White House senior adviser George Stephanopoulos on Feb. 25, and talked about ways to "get rid of" Mr. Stephens.

George Stephanopoulos, senior White House adviser, who also discussed the RTC hiring of Mr. Stephens. In a separate Feb. 25 conference call to Mr. Altman, Mr. Stephanopoulos complained about the hiring and inquired about his removal.

Patsy L. Thomasson, special White House assistant, who helped search Mr. Foster's office after the discovery of his body. Ms. Thomasson, a longtime political figure in Arkansas, has been described as a Clinton "fixer."

Margaret A. "Maggie" Williams, chief of staff to Mrs. Clinton, who also was involved in the Foster search. Additionally, she attended the Altman briefing on the RTC probe with Mr. Nussbaum.

Betsy Wright, former Clinton campaign official who flew to Little Rock after accusations of sexual misconduct by Mr. Clinton surfaced in the Troopergate affair to get one of the troopers to deny Mr. Clinton had offered him a federal job in return for his silence. She also was involved in loans from Madison used to help retire Mr. Clinton's 1984 gubernatorial campaign debt.

2/3

97

Cutler finds Whitewater 'errors'

By Bill Nichols
USA TODAY

White House counsel Lloyd Cutler, previewing administration tactics for this week's congressional Whitewater hearings, said Sunday his internal review of White House actions found nothing more than "regrettable errors of judgment."

Cutler, speaking on CBS's *Face The Nation*, said he had found "no violation of any ethical-legal standard" in contacts between White House and Treasury department officials regarding a federal investigation of a failed Arkansas savings and loan owned by

James McDougal, a partner in the Clintons' Whitewater real-estate venture.

Whitewater independent counsel Robert Fiske reported earlier this month that he had found no basis for bringing criminal charges on that aspect of his investigation.

Published reports, however, indicate there may be revelations of undisclosed contacts between the White House and the Treasury Department in hearings that begin Tuesday in the House and Friday in the Senate.

Expected to come under particularly tough grilling: Deputy Treasury Secretary Roger Altman, who reportedly was briefed about Treasury-White

House contacts on Whitewater about six months before he has acknowledged previously to Congress.

Newsweek reports in its current issue that Altman's diaries contain vivid descriptions of first lady Hillary Rodham Clinton's Whitewater concerns.

Cutler, who will be the lead witness Tuesday, was asked if Altman should resign and said: "Well, I think Mr. Altman should have a full chance to explain to the Senate and House committees exactly what he did, and see if he can re-establish their confidence."

President Clinton Saturday called the hearings "a rehash," but promised full cooperation.

ALSO IN WASHINGTON

C ass of '64 beckons Clinton



By Robert Giroux, Agence France-Presse
REUNION: President Clinton hugs stepfather Richard Kelley at the Hot Springs, Ark., airport.

President Clinton danced, sang and played cards till after 4 a.m. Sunday at his 30th high school class reunion in Hot Springs, Ark.

Clinton joined fellow members of his high school band on stage and mingled with old friends until about 2:30 a.m. in the ballroom of the Arlington Hotel, site of the class's 1964 senior prom, then went to his hotel room with a smaller group to play hearts.

"I bet they were just pounding down the Diet Cokes," said White House spokesman Jeff Eller.

UPBEAT GOP: Pumped up by President Clinton's deflated poll ratings, the Republican National Committee ended its three-day meeting in Los Angeles convinced November's elections will

produce big gains. GOP leaders are increasingly optimistic they can win seven seats to take control of the Senate, and are talking about a long-shot chance of picking up 40 seats for a majority in the House. RNC Chairman Haley Barbour is so bullish on GOP chances that he announced the committee will try to raise an additional \$10 million for the fall campaigns. "I have never seen a stronger environment for Republicans," Barbour said, but "we are faced with a situation where our opportunities greatly outweigh our resources." Democrats have controlled the House for 40 years and the Senate 32 of the last 40.

PEOPLE: Former U.S. senator Hugh Scott, 93, the Republican leader during the Watergate scandal, will be buried Thursday at Arlington National Cemetery. Scott, who died in his sleep Thursday, was minority leader from 1969 to 1977 and a rock-hard supporter of President Richard Nixon. He was Senate minority leader from 1969-77. ... Navy Secretary John Dalton has paid \$17,900 to the Resolution Trust Corporation to settle a debt stemming from a foreclosure on a condominium he owned in San Antonio, said Adm. Kendall Pease, a Navy spokesman. Dalton took out a loan on the condominium in the 1980s but failed to repay it and lost the property through foreclosure.

Compiled by Margaret Litvin

WORLD ROUNDUP

Pope attacks U.N. conference

In a direct denunciation of an upcoming U.N. population conference, Pope John Paul II says world political leaders are overstepping their ethical bounds by encouraging abortion and artificial contraception.

The pope said Sunday such encouragement seeks to deprive couples of the right to determine the size of their families.

John Paul has used his recent weekly addresses to stress Roman Catholic views on family values and morality in obvious, but indirect, attacks on the U.N. conference, scheduled for September in Cairo, Egypt.

But Sunday's comments struck straight at the meeting, saying it seeks to give government too much sway over family matters by advocating abortion and other "ethically unacceptable" methods of birth control. He said the Vatican recognizes the "serious and grave" problems of overpopulation, but stressed that couples can try to avoid pregnancies by abstaining from sex during the woman's fertility days.



AP
JOHN PAUL II: Population problems

IRA HOLDS OUT: The Irish Republican Army's political arm spurned a British-Irish peace initiative, holding out for concessions on the issue of who decides the future of Northern Ireland. The Sinn Fein party did not call for an end to the IRA's guerrilla war against British rule in Northern Ireland. Both governments are demanding an end to the violence before they will deal with Sinn Fein. Both governments expressed disappointment, but Irish Prime Minister Albert Reynolds said he detected "some positive signals" from Sinn Fein. More than 3,100 people have been killed in political and sectarian violence in Northern Ireland since 1969, with the IRA responsible for nearly half the deaths. Protestant paramilitary groups have claimed other lives.

BUCHENWALD RIOT: A gang of 22 neo-Nazis went on a rampage at the site of the Buchenwald concentration camp, 120 miles southwest of Berlin, throwing stones, shouting Nazi slogans and threatening to burn a woman who works there, German police said. The former camp is a national memorial to 56,000 people who died there between 1937-1945. One man was arrested. Charges are pending against others.

ALSO . . . After months of relative calm, civil war returned to Sarajevo, the capital of Bosnia-Herzegovina, as sniper fire closed the airport. . . Six more bodies were pulled from the rubble of a destroyed Jewish community center in Buenos Aires, Argentina, raising the death toll in the July 18 blast to at least 52.

Meg Greenfield

The Goldwater Precedent

How about taking just a moment off from commemorating the 25th anniversary of the moon landing to reflect on the 30th anniversary of another cosmic event in American life? I'm thinking of the Republican Party's nomination of Barry Goldwater for president in the summer of 1964. Now there was a showstopper. It was of electrifying interest then and is, if anything, in my opinion, even more interesting now. That is because of the light it can shed on the contemporary turmoil over the relationship of what is variously known as the "religious right" or the "Christian right" to the 1990s Republican Party.

Given the evolved Barry Goldwater, the incorporation into mainstream politics of some of what were then regarded as his most outlandish ideas, and a once hostile establishment's own devotion into a kind of chuckle affection for the man, it will be hard for those who were not around to imagine what it was like in the summer of '64. It was war, and it was hysteria—hysteria on the part of Goldwater's hard-core John Birch Society-type supporters who believed the country had already been secretly seized by the KGB, and hysteria from the other direction on the part of many of his opponents in both parties who saw Goldwater and his entourage as warring storm troopers. In fact, much of the battle over religious-right political activity and dogma in the

news now has parallels in that earlier time:

Just as is said to be happening now, in some states in 1964, ensconced conventional Republicans awoke to find that highly organized newcomers had taken over their party apparatus and—guess what?—were refusing to let

His nomination 30 years ago still provides lessons for the GOP.

them be delegates to the convention. When draconian enforcement of this ban did not even make exceptions for the party chairman or chief moneybags or members of the national committee. Stray displaced big shots were to turn up in the lobbies of the convention hotels, later that summer, uncredentialed, ticketless, voteless and forlorn; they were like officials of a government-in-exile and would tell their horror stories of "infiltration" and "putsch" over and over to the press.

An especially disgusting and widely protested feature of this year's far-right onslaught is a repeatedly broadcast allegation that Bill Clinton and his supporters may have arranged murder,

no less, to protect his political well-being. The same kind of scurrilous stuff was being disseminated about Lyndon Johnson during the campaign of '64, not by Goldwater, to be sure, but by zealots who were promoting his candidacy very hard. During that campaign I was assigned by a magazine to plow through a wealth of published right-wing tracts alleging that Johnson had actually caused some plane to crash, among innumerable other felonious deeds. (Eventually, of course, Johnson was to be arraigned in comparable ways by the left wing.)

While some of the unorthodox views associated with the Goldwater movement have since become Republican orthodoxy and even acquired a tinge of boring, bipartisan consensus, in parts of his constituency a kind of off-the-wall fanaticism was always present that could match anything being served up today. It was typified for me by the activist couple who never tired of bragging that they always ordered their steaks "Communist-blood red." There were the predictable strong-arm types, too. And there were people, lots of them, whose perception of the world around them was so remote from reality as to give normal, truly conservative Republicans the willies. I stood by on the convention floor as a Goldwater delegate from Utah patiently explained to another reporter that while Richard Nixon was unquestionably a member of

the Communist Party, he was probably not a card-carrying member, because the Communists were too smart for that, knowing he might get caught.

It is true that there was not so much of a religious component to what was known simply as the "radical right" as there is to the movement that people are fighting with and about today. So you didn't have anything similar to the dispute over whether the current right-wingers are promoting and seeking to institutionalize religious intolerance or are, as seen from the other side, themselves victims of secular, liberal intolerance because of their particular religious beliefs. And times were different, too: 1964 predated gay liberation, *Roe v. Wade* and any number of other social and cultural sea changes that have generated their own angry political response.

But even so, that earlier experience has something useful to say now. First, it says to look very hard at the issues that seem to be roiling the constituency in question and winning it new adherents. This isn't so easy to do in a dispassionate way because the action plays out on two levels, the reasonable concern and the nasty uses to which so many put it, tempting you to dismiss the whole subject out of hand. In 1964, for instance, it was conventional wisdom to consider it illegitimate and extreme for the Goldwater campaign to have introduced two new issues into

national politics: crime and the power of the media. The manifest ugliness of purpose and spirit in which many took up these causes, however, did not mean that there was not plenty there for politicians and press to be thinking about.

The second useful reminder is that crying "No fair!" and denouncing the people who were clever enough to outmaneuver and outvote you in your own meetings doesn't get back your party or much appeal to those who are watching. The dispossessed Republicans of 1964 paid a price for having condescended to their Goldwaterite antagonists to the point of ignoring them and then at the last minute shrieking "Foul!" They found they had to do at least three things instead: take seriously the discontents that had helped to create such a formidable political movement in their midst; take on and fight what was antidemocratic, deranged and vicious in and around that movement; and do the nitty-gritty organizational work required to justify and reclaim their say-so in the party. Of course, Goldwater's rout by Johnson didn't hurt. I'm not saying they need or should be praying for or are likely to get a rout by Clinton in 1996, only that their own history has an awful lot to teach them.

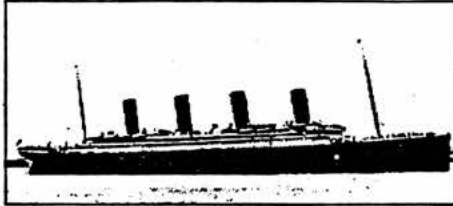
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MONDAY, JULY 25, 1994 THE WASHINGTON POST

47

A CENTURY OF CONGRESSIONAL INVESTIGATIONS

On Tuesday Congress opens the Whitewater hearings, an examination into Bill and Hillary Rodham Clinton's decade-old Arkansas real estate investments. The hearing is the latest in a two-century-long tradition of investigations—which have resulted in either a bang or a fizzle. "Legislative inquiries," as historian Arthur Schlesinger Jr. says, "have informed, enlightened, entertained, confused, divided, and at times even demoralized the republic." What follows are some major congressional investigations in this century:



LBS COMMUNICATIONS INC.

The Titanic

■ **Sinking of the Titanic:** A Senate committee probed the sinking of the British luxury liner, which rammed an iceberg off Newfoundland on April 14, 1912, with a loss of 1,512 lives, many of them American.

■ **Teapot Dome:** In October 1923 Congress began investigating the secret lease of U.S. Navy oil reserves by Interior Secretary Albert Fall. He was later convicted of accepting a bribe and jailed.



TIME INC.

1937 Depression scene.

■ **The Great Depression:** After the 1929 stock market crash, the Senate Banking Committee explored alleged wrongdoing by prominent bankers and brokers.

■ **Merchants of Death:** In September 1934, Sen. Gerald P. Nye (R-N.D.) opened investigations into the operations of the U.S. munitions industry and allegations that so-called merchants of death had taken indecent profits in World War I.

■ **Un-American Activities:** In December 1938, Rep. Martin Dies Jr. (D-Tex.), head of the House Special Committee to Investigate Un-American Activities, opened the first of what was to be a long series of congressional probes into alleged activities by communists in the United States.

■ **Pearl Harbor:** After World War II ended in allied victory, in November 1945 Congress tried to learn why the Japanese attack on Pearl Harbor was such an apparent surprise. The hearings continued on and off through June 1946.

■ **Organized crime:** Bathing in television lights for the first time, a congressional panel led by Sen. Estes Kefauver (D-Tenn.) in May 1950 put the spotlight on organized crime, calling a long series of alleged mobsters.

■ **McCarthy:** In 1950 Sen. Joseph R. McCarthy (R-Wis.) claimed he had lists of known communists working inside the State Department and accused a number of high-ranking officials. He never proved his claims but a new word, "McCarthyism," entered the political vocabulary.

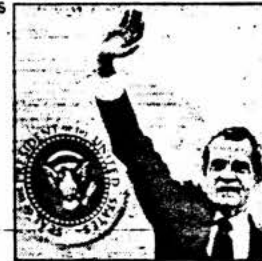


ASSOCIATED PRESS

Sen. Joseph McCarthy

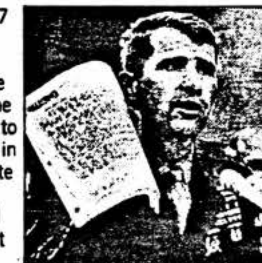
■ **Army-McCarthy hearings:** McCarthy accused the Army of trying to force him to abandon his anti-communist campaign by accusing him of using his influence to gain favorable treatment for a drafted aide. The clash resulted in 35 days of televised hearings in the spring of 1954. The Senate investigated McCarthy and condemned his activities as unethical.

■ **Senate Watergate hearings:** In May 1973, a Senate panel opened hearings into the scandal that followed the 1972 arrests of five men with ties to President Richard M. Nixon's reelection committee caught burglarizing Democratic National Committee headquarters in the Watergate office building. The hearings examined illegal use of campaign funds, political "dirty tricks," money laundering and an illegal coverup.



Richard Nixon leaves Washington.

■ **The Iran-contra hearings:** In May 1987 House and Senate panels began to explore the secret sale of arms to Iran and the diversion of proceeds to support contra rebels in Nicaragua. Then-White House aide Oliver L. North gained national notice with his defiant testimony.



BY RICH LIPSAL—THE WASHINGTON POST
Oliver North testifies to Congress during the Iran-contra hearings.

SOURCES: Associated Press. Washington Post research

THE WASHINGTON POST

MONDAY, JULY 25, 1994 THE WASHINGTON POST

35

Cutler Faults Clinton Aides' Judgment

Whitewater Contacts Legal, Counsel Says

By Sharon LaFraniere
Washington Post Staff Writer

AT

White House counsel Lloyd N. Cutler said yesterday some of President Clinton's aides used poor judgment in talking to Treasury Department officials about a request for a criminal inquiry that touched on the Clintons. He said, however, the aides violated no ethics laws or regulations.

Cutler said he would create more specific rules on White House contacts about sensitive federal investigations and promised to do more to ensure existing rules are enforced.

Cutler, on CBS's "Face the Nation," deflected questions about whether Deputy Treasury Secretary Roger C. Altman misled Congress in February when he testified on White House meetings with Treasury officials about a federal investigation of Madison Guaranty Savings & Loan. The Resolution Trust Corp. was conducting both criminal and civil inquiries into the institution, which was owned by James B. McDougal, the Clintons' business partner in the Whitewater real estate venture. Cutler said Altman would have to "work out with the Congress" whether his testimony was accurate.

Cutler began an internal review last month, after special prosecutor Robert B. Fiske Jr. cleared White House and Treasury aides of criminal wrongdoing. The White House has been criticized for its contacts with the Treasury Department over the Madison inquiry because the RTC is supposed to be an independent agency and because the RTC, in criminal referrals, had named the Clintons as possible beneficiaries of illegal practices at the S&L.

Cutler said limited contact between the White House and the Treasury Department about the criminal referrals was proper. "It's perfectly appropriate if a high government official is even tangentially involved, for the agency involved to give a 'heads-up' to the White House so the White House will be able to deal with the inevitable press queries," he said. It can also help the president avoid an innocent contact that might later prove embarrassing, he added.

But Cutler said the discussions should have been limited to then-White House counsel Bernard Nuss-

See CUTLER, A9, Col. 1

Cutler Faults Clinton Aides In Whitewater Discussions

CUTLER, From A1

baum and Treasury general counsel Jean Hanson. Instead, about a dozen White House and Treasury officials got involved in talks about the referrals and the possible civil fraud suits stemming from Madison's failure.

After Hanson briefed Nussbaum on the criminal referrals, she and other Treasury officials met in mid-October with Nussbaum, White House communications director Mark Gearan and senior Clinton adviser Bruce Lindsey.

In addition, Altman informed other top White House officials in a February meeting about how the RTC would proceed on civil suits against Madison's officers. And senior adviser George Stephanopoulos called the Treasury chief of staff to complain about the choice of a particular Republican prosecutor to pursue the potential civil claims.

Asked why so many aides got involved, Cutler replied: "I think every White House has a helter-skelter

quality to it. . . . People get excited in the heat of the moment."

What is needed, he said, are "constant reminders" to White House staff to steer clear of discussions about confidential inquiries by law-enforcement agencies, as well as "much more specific rules to govern the White House counsel himself, and the other agencies, about what information they can communicate and what information they should not communicate."

Cutler said "so far as we know," the Treasury officials did not impart any sensitive investigative material, but simply repeated what reporters already knew and passed on questions that reporters were about to put to the White House. "The most significant thing about all of this is that nothing happened," Cutler said. "Nothing changed in the RTC's actions vis-a-vis Madison Guaranty."

Cutler is scheduled to be the first witness Tuesday as the House Banking Committee opens its hearing on Whitewater. A key concern of the committee is whether Altman was truthful in his February testimony to Congress.

Asked if Altman should resign, Cutler said: "I think Mr. Altman should have a full chance to explain to the Senate and House committees exactly what he did, and see if he can reestablish their confidence."

MONDAY, JULY 25, 1994 THE WASHINGTON POST

What's The Uproar About?

By Tom Wicker

ROCHESTER, Vt. Democratic leaders on Capitol Hill will gingerly dip their toes into Whitewater tomorrow when the House Banking Committee opens hearings on President Clinton's involvement in that decades-old real estate collapse in Arkansas and its ties, if any, to the savings and loan scandal.

The press has been pounding on the Whitewater story for months. Republican politicians and the fundamentalist right wing, meanwhile, have been tirelessly accusing the President, usually without evidence, of everything from infidelity to financial shenanigans and murder. Some of these charges, too, have found their way into print and broadcast news.

So it's on the press — already ranked with Congress at the bottom of the national popularity scale — that many Clinton defenders have focused their ire. Give the President a chance, they cry. Get off his back. Stop crippling his Administration. There's no evidence of wrongdoing in Whitewater, so why the fuss?

These plaintive cries echo the complaints of Republicans 20 years ago, when President Richard M. Nixon was taking press, public and Congressional heat for the Watergate break-ins, which led to his resignation.

Watergate and Mr. Nixon's departure, of course, were among the major events that have deeply influenced the press's sense of itself and profoundly affected the public's once adulatory view of Presidents.

Another such event was the war in Vietnam, causing Presidents Lyndon B. Johnson and Nixon to be widely seen as devious and unresponsive. Mr. Nixon's cover-up of Watergate illegalities, Mr. Johnson's so-called credibility gap and the persistence of both Presidents in waging an unpopular, losing war, formed the genesis of today's public distrust of and disdain for politicians, including Presidents.

That public attitude alone might explain press concentration on Mr. Clinton's supposed derelictions. If fewer Americans believe that Presidents should have immunity from criticism of any but their official conduct, more are likely to relish, even believe, stories calling into question the personal probity of the most closely watched person — the biggest celebrity — in the land.

The lowering of the Presidency, however, was only one of many developments that greatly changed press and public attitudes. Only a few weeks before John F. Kennedy was murdered in 1963, the networks began the 30-minute nightly newscasts that are now the "front page" from which most Americans get their news.

Tom Wicker, a former New York Times columnist, has completed a book on race relations in America.

Newspapers and news magazines, too, have contributed to the transformation of the American press since the 1960's. It was newspaper coverage that exposed Gary Hart's sexual adventures and ended his Presidential hopes in 1988 — a long step into private regions that the press, until then, had left mostly unexplored.

The astonishing growth of television into something like a national nervous system was far more significant. TV, after all, has the unmatched ability to transfix the entire nation, whether for the Kennedy assassination, the moon landing or O. J. Simpson's preliminary hearing on murder charges.

TV news in 1963 and for many years thereafter was a sort of "loss leader," primarily a public service expected to earn the networks prestige rather than profits. That has changed significantly. After more conventional business interests took control — General Electric at NBC, the real estate magnate Laurence Tisch at CBS, Cap Cities at ABC — news programs were also expected to make money, which demanded higher viewer ratings.

The end of high-quality, low-rated documentaries followed, as well as the rise of news broadcasts focused on crime, sex, scandal and celebrities willing to bare their private lives. All the better, some news executives seemed to think, if the latter could be linked to any of the former. The values of privacy — even a President's — quickly fell victim to public appetites

Whitewater, Watergate and the news media.

and TV's willingness to satisfy them.

The same years brought the astonishing development of communications technology — TV satellites, for instance, that brought to viewers the Persian Gulf war, a coup put down in Moscow, a revolt in Tiananmen Square, as they happened.

Cable TV, the VCR and the satellite dish gave Americans almost limitless viewing options, putting even greater pressures on broadcasters to present entertaining programs — even if trivial or salacious — that would attract viewers away from other choices.

Meanwhile, politicians, including Presidents, became adept at using the vast audience and impact of TV to promote themselves and their policies. Almost any public event, significant or not — a hearing on a Supreme Court nominee, a President throwing up at a dinner table in Japan, Yasir Arafat and Yitzhak Rabin shaking hands, Bill and Hillary Rodham Clinton rebutting charges that he philandered — could be seen by millions. Predictably, view-

ers now demand to see everything. Networks, syndicates and cable eagerly respond, competing to put on programs that viewers are thought to want — particularly those dealing with sex, scandal and crime.

Ammy Fisher, Joey Buttafuoco, the Menendez brothers have become household names. Otherwise bona fide news programs all too often have been forced by ratings pressures down the same slippery slope. Every twist and turn of the forthcoming O. J. Simpson trial will be broadcast on every medium, by popular demand.

Newspapers, even if they wanted to, can hardly ignore stories on which TV lavishes so much time and technology. But newspapers and magazines, having for many years fought a mostly losing battle for supremacy in the news field, are as eager for readers as TV is for viewers. To sustain readership and appeal to advertisers, many publications have followed TV into more explicit concentration on sex and sensation.

The more marked aggression of today's press results from wider fields of investigation and reporting, combined with journalists' changed perceptions. Watergate not only made Bob Woodward and Carl Bernstein famous, it taught less well-known reporters that even a President can be a wrongdoer and that no such possibility is too small to investigate. It also left a bad taste in the mouths of journalists who believed the press generally had not dug into Watergate with sufficient vigor.

Later, reporters and editors became ruefully aware of their failures to push investigation of what became the Iran-contra scandal, first exposed in a foreign publication. Many, if not most, are convinced that Presidents Ronald Reagan and George Bush escaped just retribution only by mounting a "stone-wall" defense that the press failed to penetrate.

Similarly, perhaps worse, widespread savings and loan looting went mostly unnoticed in the years when press exposure might have prevented the worst outrages.

Many journalists are therefore determined not to ignore or slight again what most deeply believe: that they have a constitutional responsibility to inform the public about the kind of corruption and deceit that might be involved in the Whitewater case.

Paradoxically, even such worthy determination can lead reporters into what would have been considered excess before private behavior became a target of inquiry accepted by many journalists and much of the public.

The new aggressiveness of the press is not a problem for President Clinton alone. Overwrought press coverage conceivably could lead to such extremes as the dismissal of charges against O. J. Simpson. Worthy people shrink or withdraw from public life, for fear of losing their privacy. Significant news may be buried among sensational stories, to the detriment of public policy and democratic choice.

Deplorably, some of that has happened already, arousing familiar cries for censorship or other restraints on the press. But the pertinent questions are too seldom asked. Do Americans prefer the kind of press that used to assume Presidents to be too powerful or too virtuous, or both, to be investigated and held responsible? Or do they want a press that pursues Whitewater and other controversies where they may lead — perhaps at a severe cost to privacy? □

Diary Says White House Sought To Keep Ally on Whitewater Case

By STEPHEN LABATON
Special to The New York Times

WASHINGTON, July 24 — Senior White House officials put heavy pressure on the top savings and loan regulator, a close friend of President Clinton, to stay involved in the sensitive Whitewater investigations, according to a politically candid diary kept by a senior Treasury official that has been turned over to Congress.

In his diary, Joshua L. Steiner, the Treasury Secretary's chief of staff, records that Mr. Clinton was livid when the regulator, Deputy Treasury Secretary Roger C. Altman, decided to recuse himself from the Whitewater case in late February.

It also offers an account that contradicts President Clinton's statement in March that he had been unaware of any discussions between Treasury and White House officials about the Whitewater investigation while those talks were occurring.

The diary is significant because it offers the first indication that senior advisers to Mr. Clinton wanted the agency investigating Whitewater to remain under the control of a political ally of the President, rather than under some bureaucrat whose handling of the affair would be outside the White House's influence.

Mr. Steiner writes that for weeks last February, Mr. Altman wavered over whether to recuse himself, only to be pressured by senior White House lawyers and political advisers to remain involved in the case. Mr. Altman ultimately recused himself on Feb. 25, a day after a Senate hearing in which he acknowledged under Republican questioning that there had been discussions between Treasury and White House officials about the investigations.

David Dreyer, an assistant to the President, said the issues raised by Mr. Steiner's diary would be addressed by the White House counsel, Lloyd N. Cutler, when he appears before the House banking committee on Tuesday to discuss his internal review of the Administration's handling of the investigations.

"This is a matter he will clear up on Tuesday," Mr. Dreyer said.

Appearing on the CBS program "Face the Nation," Mr. Cutler said the review had found that no White House officials had violated any ethics rules. But he said that the discussions between the regulators and the White House over the Whitewater investigations involved "regrettable errors in judgment."

Mr. Steiner's diary is part of the documentation accumulating as Congress prepares to begin Whitewater hearings this week. It has already been examined by the Whitewater independent counsel, Robert B. Fiske Jr., and was made available to The New York Times by a person involved in the case who believed its disclosure was inevitable.

Hearings before the House and Senate banking committees will examine the Federal Government's handling of an investigation into the failure of an Arkansas savings association run by the Clintons' former business partner and the Government's inquiry into one of the savings association's law firms, the Rose firm of Little Rock, Ark., where Hillary Rodham Clinton was a partner.

The savings association, Madison Guaranty, failed in 1989 at a cost to taxpayers of more than \$60 million.

Madison and the Rose firm have been under investigation by the Resolution Trust Corporation, the Federal agency managing the savings and loan bailout.

Until four months ago, Mr. Altman was the acting head of the Resolution Trust Corporation, and his decision to discuss the Whitewater investigations with White House officials has come under scrutiny by Congressional investigators. Mr. Altman has been a close friend of Mr. Clinton since their days together as undergraduates at Georgetown University. Until his role in Whitewater became known, he was widely considered a potential successor to Treasury Secretary Lloyd Bentsen.

Mr. Steiner, 28, had served as Mr. Altman's chief of staff before being promoted last year to the same position for Mr. Bentsen.

High-Pressure Meeting

According to Mr. Steiner's diary, Mr. Altman initially decided to remove himself from the case in late January or early February to avoid the appearance of a conflict of interest, but then decided against it "under intense pressure from the White House." His decision to stay on came after a meeting at the White House attended by Mr. Altman; Bernard W. Nussbaum, who was then the White House counsel; Harold M. Ickes, the deputy White House chief of staff, and Mrs. Clinton's chief of staff, Margaret Williams. Mr. Steiner wrote that the White House staff told Mr. Altman that his decision to remove himself "was unacceptable."

"They reacted very negatively to the recusal and RA backed down the next day," Mr. Steiner wrote, referring to Mr. Altman. "They were very concerned about him turning to RTC people they didn't know so RA did not formally commit himself to stepping down."

Mr. Steiner's diary is filled with candid observations that he will now have to explain at the hearings, including one about how Mr. Altman "gracefully ducked" one Congressional question in February about White House-Treasury discussions by being less than fully candid.

Mr. Steiner succinctly summarized the Treasury's handling of the Whitewater case: "Every now and again you watch a disaster unfold and seem powerless to stop it."

A Critical Editorial

According to Mr. Steiner's diary, Mr. Altman decided to recuse himself on Feb. 25 when he heard from Howell Raines, the editor of the editorial page of The New York Times, that it was publishing an editorial criticizing him for discussing the Whitewater case with the White House. The diary says that after the White House heard of Mr. Altman's decision, Mr. Altman received a joint telephone call from Mr. Ickes and George Stephanopoulos, a senior White House adviser.

"Harold and George called to say that BC was furious," Mr. Steiner wrote, referring to the President. A colleague of Mr. Ickes and Mr. Stephanopoulos said today that President Clinton was not furious at the recusal itself, but at Mr. Altman's deciding to do it during a phone call with Mr. Raines.

At a March 3 news conference, Mr. Clinton said that he was unaware of any of the discussions between Treasury and the White House officials over Whitewater.

The discussions were unusual because the R.T.C.'s investigations are supposed to be independent of political influence. Moreover, the briefings

A contradiction of Clinton's statements about talks with Treasury officials.

were attended by senior advisers to the Clintons, who were themselves included in the agency's investigations.

Last month Mr. Fiske concluded that there was insufficient evidence to warrant criminal charges over the White House-Treasury discussions. But he pointedly declined to assess their propriety. Mr. Fiske is continuing to investigate whether any money from Madison Guaranty was improperly funneled to Whitewater or to Mr. Clinton's 1984 gubernatorial campaign.

Hard Questions Ahead

Mr. Altman is preparing to come under cross-examination about his prior accounts before Congress of the White House's role in the Whitewater investigations. Senior Administration officials have begun to suggest that he may have to step down to limit the stream of embarrassing disclosures, which began last February when he told Congress of the Treasury-White House discussions.

Mr. Altman revealed under Republican questioning at a Senate banking hearing that there had been discussions about the Whitewater investigations between senior officials at the trust corporation and the White House. Since then, he has been forced to amend his testimony four times, and lawmakers are expected to subject him to a searing cross-examination.

Mr. Altman has said that he did nothing improper. He changed his testimony, he has said, only as he recalled more about the discussions.

'A Full Chance to Explain'

Investigators have found evidence that Mr. Altman was talking to the White House about Madison Guaranty as early as March 1993, just as he entered office and as the trust corporation was deciding how to proceed. The committees have found, for instance, a fax of a news article about Madison sent that month from Mr. Altman to Mr. Nussbaum.

Today Mr. Cutler gave Mr. Altman only the mildest of defenses. Asked whether Mr. Altman could restore his relationship with Congress, Mr. Cutler said: "This is a matter for Mr. Altman, I think, to work out with Congress. It's a question of his recollection." Asked whether Mr. Altman should resign, Mr. Cutler did not directly respond.

"I think Mr. Altman should have a full chance to explain to the Senate and House committees exactly what he did and see if he can re-establish their confidence," Mr. Cutler said.

Mr. Steiner also wrote in the diary that Mr. Stephanopoulos wanted to "find a way to get rid of" Jay B. Stephens, a former Republican United States Attorney who was selected by the Trust Corporation to handle the Whitewater case. But Mr. Steiner's diary records that he "persuaded George that firing him would be incredibly stupid and improper."

THE NEW YORK TIMES, MONDAY, JULY 25, 1994

PM-OH--Whitewater Hearings, Ohio Bjt,350

Two Ohio Freshmen Among Questioners In Politically Charged Hearings

Eds: Moved first for Monday AMs

By KATHERINE RIZZO= Associated Press Writer=

WASHINGTON (AP) Two newcomers from Ohio will get a chance to make a name for themselves when Congress starts sloshing through Whitewater.

At issue is whether there was improper executive branch intervention in the probe of a savings and loan owned by a real estate partner of Bill and Hillary Rodham Clinton.

The House and Senate scheduled separate hearings, beginning Tuesday in the House Banking Committee.

They promise to be the most politically charged investigative hearings since the 1987 Iran-Contra probe, which featured testimony from then-White House adviser Oliver North.

A long lineup of Clinton White House officials will be questioned about Whitewater by 51 House members, including freshmen Eric Fingerhut, D-Ohio, and Deborah Pryce, R-Ohio.

The hearings, to be televised by PBS, give the first-termers a rare chance to be seen in action from coast to coast.

But seniority rules will be working against them as Fingerhut and Pryce try to frame incisive, provocative questions that weren't already asked.

"I'm the last Democrat. Can you think of trying to be the last one and asking something of a witness that nobody else thought of?" Fingerhut said.

"It's kind of a daunting prospect."

About 10 White House officials are expected to be on the witness list.

Treasury Department officials also will be called.

This first round of hearings will be restricted to two areas: the propriety of White House contacts with federal regulators who were investigating the Clintons' investment in the Whitewater land development in Arkansas, and the suicide of White House aide Vince Foster.

"I don't really have particular, formulated questions," Fingerhut said.

"I think the question Congress ought to be asking is whether or not the president used the power of the White House to interfere in any way with a Justice Department or Treasury Department investigation."

Pryce's staff said the congresswoman would discuss Whitewater hearing preparation on Monday.

**** filed by:APW-(OH) on 07/24/94 at 23:10EDT ****

**** printed by:WHPR(JEL) on 07/25/94 at 08:50EDT ****

The chairman insists he opposes a Whitewater investigation simply because there is nothing to investigate. The 33-year House veteran, who traveled with President Kennedy on his fatal trip to Texas, says he won't be party to another presidential assassination -- "a character assassination."

"Why don't the Republicans just introduce a bill of impeachment?" asks Rep. Gonzalez, who did just that with both Presidents Reagan and Bush. He answers: "Because they're not talking about anything he's done in office."

The Republicans' strategy, in fact, is to play down these initial hearings, anticipating the public might view them as much ado about nothing -- and view Republicans as partisan snipers. "It's really just an introduction," says GOP Rep. Marge Roukema of New Jersey.

Democrats, for much the same reasons, play up the hearings. Because they deal with Mr. Clinton's presidency, rather than his actions while governor of Arkansas, "this is really the most critical part," Rep. Frank says.

He and other Democrats say the greatest embarrassment likely will fall to Deputy Treasury Secretary Altman. Mr. Altman's private diary is part of the Whitewater documentation, and Rep. Frank says its entries include reference to Hillary Rodham Clinton's opposition to appointment of a special counsel to investigate the Clintons. Mr. Altman also told Congress that he didn't learn until March that Ms. Hanson, the Treasury counsel, had warned the White House in September that the RTC planned to ask for an investigation of Madison, but Ms. Hanson has told Senate staffers that she had contacted the White House at Mr. Altman's direction.

The Republicans, meanwhile, "obviously chafe at not being able to ask other questions," says Rep. Leach. "I would suspect the minority would obviously test the limits, but respectfully."

It's just such testing, some GOP members hope, that could rile Rep. Gonzalez to repeated angry rulings against the Republicans -- perhaps even prompting him to adjourn the hearings altogether. The chairman is well aware that even his own fellow Democrats have their qualms about his hearings. He says: "All I can tell them is, wait and see."

**** filed by:WSJ(--) on 07/25/94 at 02:26EDT ****

**** printed by:WHPR(JEL) on 07/25/94 at 08:34EDT ****

BC-WHITewater-CHRONOLOGY (SCHEDULED, REFILED)

CHRONOLOGY OF 1994 WHITewater DEVELOPMENTS

(Eds: adds dropped word 'the' in first para)

WASHINGTON, July 24 (Reuter) - Committees in the House of Representatives and Senate begin public hearings this week on the Whitewater affair. Following is a chronology of developments since the beginning of the year in the affair, the complex web of business deals, personal ties and actions of the President and first lady Hillary Rodham Clinton.

Whitewater is the term used to describe dealings involving the Clintons' failed real estate venture with Arkansas friend and political ally James McDougal and his wife Susan, the eventual failure of McDougal's Madison Guaranty, a state-chartered thrift association, and the July 1993 suicide of Clinton legal adviser and friend Vincent Foster.

January 12 - Clinton directs Attorney General Janet Reno to name an independent counsel to probe the Whitewater affair after congressional Republicans clamour for a special congressional committee to mount an investigation.

January 14 - White House completes turnover of 10 boxes of Clintons' Whitewater-related documents to the Justice Department, in anticipation of special counsel's appointment.

January 20 - Reno names New York lawyer Fiske as special counsel to conduct a wide-ranging criminal investigation into Whitewater.

February 28 - Fiske says in letter to the U.S. Attorney's office in New York that he will reopen the investigation of whether Foster committed suicide.

March 5 - White House Counsel Bernard Nussbaum is forced to resign after six senior White House aides including Nussbaum and four current or former Treasury Department officials are subpoenaed by Fiske to testify before a federal grand jury. All 10 were involved in autumn 1993 meetings and contacts concerning

a decision by federal thrift regulators to refer the findings of their Madison Guaranty probe to the Justice Department in a report naming Clinton as a potential beneficiary of suspected Madison wrongdoing. Senior White House adviser George Stephanopoulos and White House aide John Podesta are later subpoenaed -- bringing the total to 12.

March 7 - Clinton defends his wife's ethics and disputes notion that Whitewater and Watergate are alike. "We're not covering up, we are opening up. No one has accused me of any abuse of authority in office. That's what Watergate was about," he says. Concerning his wife, he says: "Her moral compass is as strong as anybody's in the country."

March 8 - Clinton names attorney Lloyd Cutler, an influential old Washington hand with political savvy, as temporary special White House counsel to help him through the Whitewater mess. Clinton also says it is highly unlikely he would invoke "executive privilege" to shield White House information from investigators, as Richard Nixon tried to do in the scandal that ruined him 20 years ago.

March 9 - Fiske meets with Senate Republicans, says he continues to oppose hearings into the controversy. Republicans indicate their willingness to delay hearings until late May or early June, but majority Democrats, who ultimately will decide whether to schedule hearings, hold fast to their position that the probe should be left to a special counsel.

March 22 - Democratic leaders of House back off earlier opposition to possible Whitewater hearings. House votes 408-15 on bipartisan measure to consider hearings into Whitewater, same as earlier Senate-passed measure. In Little Rock, former Arkansas Municipal Court Judge David Hale, who has implicated Clinton in a Whitewater-related dispute, pleads guilty in federal court to charges of conspiracy and mail fraud. Hale pledges to cooperate with a Justice Department probe of allegations against Clinton and others. Fiske calls the plea "a significant contribution to our investigation." Hale has said Clinton pressured him to make a \$300,000 loan to Susan McDougal.

March 24 - Clinton, holding only second evening news conference, reduces amount earlier said lost in the Whitewater venture to \$46,000, \$22,200 less than the amount a Clinton adviser reported in the 1992 campaign. Clinton also clears release of tax returns going back to 1977.

Earlier in day, Republican Representative Jim Leach charges federal-backed funds were skimmed in Whitewater matter. "Whitewater may have begun as a legitimate real estate venture, but it came to be used to skim, directly or indirectly, federally insured deposits from an S&L and a small business investment corporation," he says in speech in Congress.

March 25 - White House releases tax records showing combined income of Clintons soared from 1977 to 1979 -- but from investments other than the Whitewater deal. Documents show Clintons paid \$46,635 in interest, taxes and costs to the Whitewater scheme over more than a decade -- reflecting what they have called net losses from the investment.

March 26 - News reports say Fiske is examining whether Stephanopoulos and another White House official, Harold Ickes, inquired about removing a Republican heading a civil probe related to Whitewater. The reports say the two were outraged when they discovered the Resolution Trust Corporation, an independent regulatory agency, had hired Jay Stephens, a former federal prosecutor and Clinton critic, to handle possible civil suits growing out of Madison's failure. The reports said the aides spoke to Treasury Department officials about the matter and asked about having Stephens removed.

May 5 - Fiske subpoenas White House to turn over all documents relating to suicide of Foster.

June 12 - The Clintons interviewed under oath by Fiske about Whitewater, including Foster death.

June 21 - Senate votes to hold Whitewater hearings, by July 29. House hearings due to start July 26 with Fiske as first witness.

June 29 - The Clintons set up legal defence fund for mounting legal bills from Whitewater and sexual harassment lawsuit filed against the president by Paula Corbin Jones, a former Arkansas state clerk. Clintons limit donations to \$1,000 from individuals only.

June 30 -- Fiske issues interim report on the Washington aspects of the affair. He finds Foster's death was a suicide unrelated to the case and says he will file no criminal charges over the White House-Treasury contacts.

REUTER

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BC-WHITewater-LEACH (MAN-IN-THE-NEWS)
JIM LEACH SOFTSPOKEN POINT MAN ON WHITewater

By William Scally

WASHINGTON, July 24 (Reuter) - When Congress opens hearings Tuesday into the Whitewater affair it will be a victory of sorts for soft-spoken Republican Jim Leach and his declared campaign to ensure that no politician is above the law.

From the start of revelations about President and Hillary Rodham Clinton's financial dealings in Arkansas, the Iowa Representative has demanded formal investigations first by a special counsel and then by Congress.

He has also conducted his own investigation and delivered a lengthy report on his findings to the House.

The initial hearings before the House of Representatives Banking Committee on which Leach, 51, is the senior Republican, will fall far short of the disclosure Leach wants.

They will be confined at first to the suicide a year ago of White House Deputy Counsel Vincent Foster and possibly improper contacts between White House aides and Treasury officials about a government investigation into the insolvent Madison Guaranty Savings and Loan, headed by Clinton's partner in the Whitewater Development Corp.

And the hearings could well turn out to be a public airing of a battle-by-letters between Leach and the committee's crusty chairman, Texas Democrat Henry Gonzalez.

The two have butted heads over the ground rules for the hearings and over Gonzalez's reluctance to get involved in Whitewater.

Leach's role as Republican point-man in the Whitewater affair is an unusual one for him, although he has been deeply involved in efforts to solve the 1980s savings and loans institution crisis.

He is known for a quiet thoughtfulness and moderation; his rumpled look and trademark sweater give him a professorial appearance.

Leach was elected to Congress in 1976 after stunning family and friends by quitting a promising diplomatic career in the Foreign Service to protest President Richard Nixon's firing in October 1973 of Special Prosecutor Archibald Cox during the Watergate scandal.

"This symbolised the president putting himself above the law," Leach said.

He does not, however, consider the Clinton controversy to be in the same league as Watergate.

He said it was important because of its symbolism, involving obedience to the law, whether public office could be used for private gain and whether full disclosure was part of the traditional U.S. government.

Many characterise Leach, known as one of the most liberal Republicans in Congress, as a "loner" who does not always share Republican views. He formed the Republican Mainstream Committee in 1984 to give moderates a greater voice in the party's policies -- then dominated by conservative Ronald Reagan.

He is married with two children.

REUTER

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Treasury Official's Diary: Mrs. Clinton Paralyzed By Whitewater

Eds: Note contents in 7th graf, ``One of...

By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) Hillary Rodham Clinton was depicted as almost paralyzed and distracted by the wide-ranging authority given the Whitewater special counsel, according to an administration official's diary.

The diary of Roger C. Altman, deputy secretary of the Treasury and a key Whitewater figure, was described to reporters on Friday by Rep. Barney Frank who will be an administration defender at House Banking Committee hearings on Whitewater.

Frank told The Associated Press that the diary described Mrs. Clinton as ``almost paralyzed'' by the jurisdiction given special counsel Robert B. Fiske Jr. The lawmaker did not have the exact language from the diary.

``People on the first lady's staff would like to see lines around the jurisdiction of the independent counsel,'' he said, describing the diary.

Earlier, Frank told a group of reporters that Altman ``described in there her personal state of mind. ... She's upset, she's distracted ... (she) doesn't want the independent counsel running all over the lot.''

The decision of Frank, D-Mass., to reveal the contents of the diary amounted to a political pre-emptive strike, since Republicans were likely to use them at Whitewater hearings that begin in both houses next week.

``One of the surprises people will find was that Mrs. Clinton wasn't thrilled by the idea of an examination of everything she had ever done,'' Frank said. ``I don't remember the exact words (of the diary) but it was something like, 'Boy was she pissed.' That will be the bombshell.''

Altman had served in a dual role as the No. 2 official at Treasury and as acting head of the Resolution Trust Corp., the savings and loan bailout agency.

In the RTC job, which he no longer holds, Altman headed the agency that was investigating links between Whitewater Development Corp. the president and Mrs. Clinton's former Arkansas land venture and the failed Madison Guaranty Savings and Loan.

Altman will be a key witness in the Whitewater hearings, and the disclosure of his diaries would be of keen interest.

``Wasn't Roger Altman too old and too smart to keep a diary? He should have been,'' Frank said.

Madison was owned by James McDougal, who along with his wife co-owned Whitewater Development with the Clintons. Whitewater special counsel Robert B. Fiske Jr. is investigating, in part, whether Whitewater caused losses at Madison, which eventually needed a taxpayer bailout of between \$47 million and \$60 million.

At an earlier Senate Banking Committee hearing, Altman admitted giving White House officials a ``heads up'' about the RTC's intention to extend the deadline for filing civil claims in a host of cases, including the Madison failure.

That revelation caused a furor over administration contacts with banking regulators.

Fiske released a report on June 30 revealing that there were more than 20 contacts between administration officials and regulators a subject that will be the focus of the congressional inquiries.

Fiske concluded that the contacts weren't criminal but made no findings about whether they were ethical.

Frank said he was convinced that Altman ``took no action to impede the investigation but he wasn't as open about his conversations with other people as he should have been.''

``I don't know at this point whether he lied or withheld (information) but he did not seem to give a complete accounting of his conversations,'' Frank said.

BC-WHITewater 1STLD (SCHEDULED)
CONGRESS TO LIFT THE LID ON WHITewater -- A LITTLE
(Eds: Updates with comments by White House counsel)

By William Scally

WASHINGTON, July 24 (Reuter) - After months of political squabbling, Congress this week begins public hearings on the Whitewater affair dogging the president and first lady Hillary Rodham Clinton.

But to the frustration of Republicans, only a tiny part of the affair will be aired at several days of separate hearings by the House of Representatives and Senate banking committees.

The probe deals with the financing of the Whitewater Development Corp, a failed Clinton land development in Arkansas during his time as governor of that state.

The House committee goes first with a hearing Tuesday at which Clinton's special counsel, Lloyd Cutler, will testify. The Senate panel plans to start its sessions Friday.

"I have concluded that, so far as the White House people are concerned, there was no violation of any ethical-legal standard prevailing under the government regulations today," Cutler said on CBS' "Face the Nation."

But he said "there were some regrettable errors of judgment and that, looking at it in retrospect, perhaps too many people were involved in the contacts and the heads-up which was given by the Treasury officials to the White House which I think was entirely proper."

"But it should have been done from counsel to counsel and all the other persons involved might better have been kept out of the matter," Cutler said.

"We're dealing with five percent of Whitewater," said Representative Jim Leach of Iowa, senior Republican on the House Banking Committee and Clinton's leading Whitewater critic in the House.

In fact, Leach notes, the hearings will be dealing not with the Whitewater affair itself, but with the White House reaction to it -- "a very separate situation."

Clinton said Saturday he thought next week's congressional hearings would be "just a rehash" but he was prepared to cooperate with the Capitol Hill investigation.

"I feel quite confident that the hearings will be seen as just a rehash of what's already been looked into in detail," the president told reporters in Hot Springs, Arkansas where he was attending his 30th High School class reunion.

The scope of the hearings was limited under an agreement with special counsel Robert Fiske, who is still investigating the matter. Off limits will be the complex financial transactions surrounding the Clintons' investment in an unsuccessful Arkansas vacation development known as Whitewater and the failure of Madison Guaranty savings and loan.

Instead, the initial hearings will deal only with Whitewater-related events after the Clintons arrived at the White House that have already been investigated by Fiske.

These are:

- the suicide one year ago of White House deputy counsel Vincent Foster, a close friend of Clinton from Arkansas. Fiske, in a lengthy report on June 30, concluded that Foster, deeply depressed, did indeed kill himself with a .38 calibre revolver in a park near Washington on July 20, 1993. The counsel said there was no evidence that Whitewater issues were a factor in the suicide.

- more than 20 contacts over some six months between Treasury Department officials and White House staff on an investigation into Madison by the Resolution Trust Corporation, the agency cleaning up the thrift industry. Madison head James McDougal was a political supporter and the Clintons' partner in the Whitewater venture.

Media reports at the weekend indicated that revelations of so-far undisclosed Treasury-White House contacts would be made at the hearings,

including testimony from the Department's top lawyer that could challenge Treasury Secretary Lloyd Bentsen's stance that he did not know of the contacts.

The New York Times said Saturday Treasury general counsel Jean Hanson had recently testified secretly that she had briefed Bentsen about the contacts in February.

Fiske also concluded after reviewing grand jury testimony by numerous Clinton aides and government officials that there was insufficient evidence to show that anyone in the White House or Treasury Department acted with any intent to corruptly influence the RTC investigation.

But he added: "We express no opinion on the propriety of these meetings or whether anything that occurred at these meetings constitutes a breach of ethical rules or standards."

Scope of Hearings To Be Limited

EDS: INSERTS grafs 19-20, ``Still, there are xxx to include Post report on time Altman learned of RTC investigation By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) Republicans have been trying to portray Whitewater as President Clinton's Watergate, and now the hearings they've demanded for months are finally about to begin.

But the sessions beginning Tuesday will barely touch on Whitewater, the Arkansas land venture of Bill and Hillary Rodham Clinton.

Under congressional agreements with special counsel Robert B. Fiske Jr., the hearings will be limited to the two topics he has completed.

One is the more than 20 meetings and telephone conversations between administration officials and banking regulators pursuing civil actions related to Whitewater contacts that Fiske concluded were not illegal.

The second topic is the findings, by law enforcement authorities and Fiske, that Deputy White House Counsel Vincent Foster committed suicide a year ago.

Members of the House and Senate banking committees have said they expect little focus on the death of Foster, who handled some Whitewater matters for Clinton.

Lawmakers had expected to examine the removal of Whitewater files and other papers from Foster's office by White House officials. But Fiske unexpectedly announced he would not report on that subject, a potential embarrassment for the administration, prior to the hearings.

Even under the restrictions, look for the Republicans to dramatize their theme that the contacts were unethical.

``I predict the hearings will show a lack of perfect candor'' by administration officials, said the ranking Republican on the House committee, Jim Leach of Iowa.

But Democrats are ready to defend the administration.

``At every decision point, the investigation (by regulators) went ahead,'' said Rep. Barney Frank, D-Mass. ``They didn't stop it.''

The political strategies already are operating.

Leach and the ranking Republican on the Senate Banking Committee, Alfonse D'Amato of New York, played down the televised hearings they so fervently demanded.

``It may be rather boring to the general viewing public and I don't think that many people are going to watch it live. I certainly wouldn't recommend that people tune in live,'' D'Amato said.

The Republicans may have reached an important political conclusion: Republicans will do better by producing sharp sound-bite exchanges with administration witnesses for newscasts, then by encouraging viewers to watch hours of less-than scintillating testimony.

By the end of last week, the Democrats pulled off a pre-emptive strike. Frank revealed contents of a diary kept by Deputy Secretary of the Treasury Roger C. Altman, which Republicans were likely to use at the hearings.

According to Frank, Hillary Rodham Clinton was described in the diary as extremely upset and distracted by the breadth of Fiske's Whitewater investigation.

The tactic served notice that Republican efforts to embarrass the administration will be contested at every turn.

Still, there are likely to be new tidbits.

For example, The Washington Post quotes ``a knowledgeable source'' in Sunday's editions as saying that Altman was briefed in March 1993 about a Resolution Trust Corporation investigation into matters possibly affecting the Clinton's at least five months earlier than he has acknowledged knowing about the inquiry.

Whitewater Development Corp. was the name of the Arkansas land venture formerly owned by the president and Mrs. Clinton, along with James and Susan

McDougal.

James McDougal owned a Little Rock thrift, Madison Guaranty Savings and Loan, which failed and required a taxpayer bailout of between \$47 million and \$60 million. Fiske is trying to determine, in part, whether Whitewater caused losses at Madison.

But viewers will learn little of the Arkansas transactions from the hearings, except possibly as a result of Republican complaints about the narrow subject matter of the inquiry.

Nonetheless, Republicans will try to make the most out of the hearings.

``It's the obligation of the minority to investigate whether there was ethical myopia and identify who was responsible for that,'' said Rep. Rick Lazio, a New York Republican and a former prosecutor.

``You're going to see questions asked for which there will be no answer or an unsatisfactory answer. It may leave the viewer with some impression about somebody's ethical compass.''

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

Little New Expected From Congress Whitewater Probe (Washn)

By Charles V. Zehren= (c) 1994, Newsday=

WASHINGTON Did aides to President Bill Clinton and first lady Hillary Rodham Clinton try to stop federal regulators from investigating an Arkansas thrift that was owned by their partner in the Whitewater real estate development?

That's the question Congress will ask, but probably not get an answer to this week when the House and Senate banking committees convene their first round of televised Whitewater hearings.

It is likely that testimony offered by administration officials beginning Tuesday in the House and Friday in the Senate will prove politically and personally embarrassing to the Clintons and their aides. For example, it is anticipated that testimony will show that Deputy Treasury Secretary Roger Altman knew about administration contacts with regulators over Whitewater earlier than he previously acknowledged and kept a diary reflecting Hillary Clinton's resentment of special counsel Robert Fiske Jr.'s investigation.

But by the time the final gavel falls, Republicans and Democrats agree that, barring any major surprises, no new information will emerge proving that Clinton aides tried to squelch a probe or implicating the president and first lady in any legal or ethical wrongdoing.

"There's very little here," said Rep. Barney Frank, D-Mass., who will lead the majority's defense of the Clintons in the House hearings. "The Whitewater critics have adopted a kind of millennialist theology: The promised land is just around the corner, but they always have to keep explaining why you haven't got it yet."

Frustrated Republicans on the committees acknowledge as much, saying that the Democratic leadership especially in the House has succeeded in greatly narrowing the scope of the hearings by limiting the number of witnesses and congressional investigators' access to relevant documents. They also say White House Special Counsel Lloyd Cutler and administration lawyers have crossed out many passages from appointment logs and other papers submitted to congressional investigators.

In memos to House colleagues last week, Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, said the format for hearings permitted by the Democratic majority will cover only 2 to 3 percent of what the public knows as Whitewater. He said the White House has held back relevant documents, not made witnesses available, and restricted the ability of members to review documents. In an extraordinary deal cut with congressional Democrats, the White House was able to have Whitewater papers put under armed guard in the Rayburn building, a move ostensibly designed to prevent news leaks, which last week were nonetheless rampant.

"Sure, in the end, we are going to raise more questions than we can answer," said Rep. Peter King, R-N.Y., who will take part in the questioning. "But in raising the questions about whether there was an administration cover-up, we will show how it is more necessary than ever to take the hearings to another stage" investigating the mind-numbingly complex Arkansas business deals.

(Optional Add End)

House Banking Committee Chairman Rep. Henry Gonzalez, D-Texas, aggressively fought against holding hearings, only agreeing to do so after Democratic leaders in both houses gave in to Republican demands last spring.

Late last week, members of both parties in the House were still scrambling for information on how Gonzalez intends to conduct the hearings. Meanwhile, Senate Banking Committee Chairman Donald Riegle, D-Mich., Sen. John F. Kerry, D-Mass. who will take the lead in defending the administration and Sen.

Alfonse D'Amato, R-N.Y., the ranking minority member of the committee, were trying to iron out details in the Senate.

House rules will allow the Republicans, led by Leach, to call their own witnesses at a hearing next week. The Republicans say they will draw from a far wider list of potential witnesses than the Democrats and try to focus more aggressively on possibly improper contacts by administration officials with thrift regulators.

Just two weeks ago, Fiske who has refused to testify before Congress issued a report stating that White House and Treasury Department officials, who appeared before a grand jury, committed no crimes when they discussed Whitewater-related investigations with federal regulators. He also debunked rumors of murder surrounding the death of Foster, agreeing with police that Clinton's lifelong friend committed suicide in a Virginia park last summer. But Fiske also stated pointedly that he was not commenting on whether the Clintons or their aides breached "ethical rules or standards." Distributed by the Los Angeles Times-Washington Post News Service

Rabin-Hussein glow, not Whitewater glare, will bathe Clinton

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

BY RANDY LILLESTON
Democrat-Gazette Washington Bureau

WASHINGTON — Politics is filled with what, for lack of a better phrase, could be called happy coincidences.

Things just seem to happen to some politicians at the most opportune times. On Monday, President Clinton will be the beneficiary of one of those happy coincidences.

Israeli Prime Minister Yitzhak Rabin and Jordan's King Hussein will meet at the White House, address a joint session of Congress and be the featured guests at a presidential dinner.

Monday also is the day before the House Banking Committee begins hearings into the Whitewater Development Corp. affair. On virtually any other day, the start of Whitewater hearings would be the lead item on Tuesday morning's newscasts and in that morning's newspapers.

Now the first thing Americans will hear and read about presuming nothing important happens in the O.J. Simpson case will be the previous day's meeting between Rabin and Hussein.

Whitewater will be pushed down in importance.

One of life's happy coincidences?

Yes, Clinton administration aides insist. They say Monday was chosen because it was the first available date for all parties involved and Congress' light sends on Mondays makes the first address possible.

The word "historic" is used a lot these days and not without some validity when it comes to today's events. But the Hus-

Washington journal

sein-Rabin meeting is hardly on the level of the ceremony at the White House last September, with Rabin and Palestine Liberation Organization leader Yasser Arafat.

Rabin and Hussein already have held a secret session in London. And no one in the Clinton administration is saying anything about a new treaty coming out of Monday's session.

Still, it will make for good television — two old rivals sitting at a table together, speaking to Congress, arriving at a White House dinner.

The president will get to look well, presidential.

The previous Democratic president, Jimmy Carter, never looked better than when standing between world leaders and serving as an intermediary for peace.

It would be normal for Clinton to look back fondly on the signing of the Israeli-PLO accord last year. He stood between and slightly behind Arafat and Rabin as they shook hands. The photo was on the front page of newspapers around the world the next day.

The sight of the two old enemies shaking hands was so stunning that the audience on the White House lawn gasped and broke into wild applause. A president can't hope to look any better than Clinton looked that day.

Monday's photo opportunities won't be as strong, but they couldn't come at a more opportune time. That's because in the days that follow, the president's image could take a beating on Capitol Hill.

Tucker named to lead governors' program on telecommunications

BY JANE FULLERTON
Democrat-Gazette Washington Bureau

BOSTON — Gov. Jim Guy Tucker will head the National Governors' Association's effort on telecommunications next year if he defeats his Republican challenger, Sheffield Nelson of Little Rock, on Nov. 8.

Tucker was named as the lead governor on the issue Tuesday as the NGA wrapped up its annual summer meeting. He will serve along with Iowa Gov. Terry Branstad, a Republican.

A statement from the association said the governors will focus on "how to use the enormous technological advances that have come and are still coming with geometrically increasing speed in order to serve people."

Tucker said Arkansas is putting fiber-optic services into every school and hospital in the state.

Tucker also will serve on the NGA's Legal Affairs Committee, State Management Task Force, and Economic Development and Commerce Committee if he wins a four-year term in November.

★ ★ ★

The governor's wife, Betty Tucker, participated in a forum Monday initiating a national breast cancer awareness campaign.

The educational program is aimed at providing more information about breast cancer. It seeks to sort out the conflicting viewpoints among breast cancer experts.

The campaign is a collaboration between the Governors' Spouse Program, the American Cancer Society and the federal Centers for Disease Control. It marks the first formal public health effort by governors' spouses.

Governors' spouses from about 40 states helped kick off

NGA Notebook

the program. The forum featured cancer survivors, health experts and advocates. They discussed issues affecting public confidence. ■

The forum was designed to serve as a prototype for similar programs that governors' spouses will conduct during October, National Breast Cancer Awareness Month.

★ ★ ★

Governors were treated to some of New England's finest foods and culture during their four-day stay in Boston. ■

There was a brunch Sunday aboard the U.S.S. Constitution, known as "Old Ironsides," the oldest commissioned warship in the U.S. Navy.

That was followed Sunday night by a lobster and clam dinner at the John F. Kennedy Library and Museum.

On Monday night, a reception and buffet featured the Boston Pops Orchestra conducted by John Williams.

The highlight may have come Saturday night, when governors were feted at the Massachusetts State House by the famed chef Julia Child. Child, who lives across the Charles River from Boston at Cambridge, helped plan a menu with local seafood and other regional dishes. The meal was prepared by 18 chefs from area restaurants.

Child sat at the head table and introduced the chefs to the governors.

The offerings included lobster, mussels, scallops, squid and lamb. The meal was topped off with such desserts as New England blueberry cakes with whipped cream and maple sugar cookies.

measures, such as changes in insurance laws, fail to boost coverage to some specified point beyond the current 85 percent level in a set number of years.

When the leaders said Thursday night that their bills would be "less bureaucratic, more voluntary, and will be phased in over a longer period of time" than Clinton's original proposal, they were establishing symbolic distance from a plan that has been widely criticized despite popular support for its broad aims.

But they were also restating the obvious. Clinton's legislative proposal itself has not been the operative bill for several months. Most remakes of it have dropped the mandatory inclusion of most Americans in insurance purchasing alliances, its most unpopular feature. Clinton has praised several bills that did that.

The president claimed credit Friday for the words the Congressional leaders used as they left Thursday's meeting.

Clinton said Friday at a news conference that when Thursday's meeting ended, the leaders asked what they should tell reporters waiting outside the White House.

"I said, 'Well, I have been saying for four weeks we have agreed to dramatically change this plan. We're going to string it out, we have to have a longer phase-in, we have to have less bureaucracy, we have to have totally voluntary small-business alliances, and we have to give a bigger break to small businesses to get them to buy into it. I'll bet if you go out there and say it, it will be treated as news.'

"And that is exactly what happened," Clinton said. "That is exactly what I said to the governors; that is exactly what I've been saying for the last three or four weeks. And I'm glad that it finally is going out to the American people."

Meanwhile, Republicans were complaining that the legislation was getting patched together too quickly for serious consideration by Congress.

Rep. Newt Gingrich of Georgia, the number two House Republican, urged that the House use August to study the bill that Gephardt will introduce, as well as an unwritten "bipartisan substitute."

Sen. Bob Packwood of Oregon, the senior Republican on the Senate Finance Committee, asked for only a week's delay after Mitchell produces his bill.

"With a 500- or 1,000- or 1,500-page bill that we've got no report on, no language, no estimates, I would hope at that stage we would be willing to take a one-week recess before the recess and say, 'All right, let's everybody look at this for one week.' This is the most important piece of legislation we've had in 25 years. It is not fair to start on it on one or two days' notice."

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WASHINGTON IN BRIEF

Rising tide of venom drenches Clinton

By Ernie Fedra
STAFF WRITER

There have been other presidents that Americans liked to hate. Franklin Roosevelt, Lyndon Johnson, Richard Nixon, to name a few. But anger over President Clinton appears to be reaching new levels of intensity and viciousness.

Companies peddling T-shirts, bumper stickers and coffee mugs — all good vehicles for vitriolic slogans — have popped up all over and



Knight-Ridder Newspapers

Anti-Clinton items at a political paraphernalia store in Washington.

usually helps a president. But what Clinton has been facing is a new, powerful political force, something most of his recent predecessors didn't much have to contend with: loud, continual, ever-present negative talk radio, which likes to keep the venom flowing.

And it works. Circulation of conservative and anti-Clinton magazines and membership in conservative organizations are soaring.

This president has been hounded by more than his share of political and personal problems. Past presidents might have been able to

badmouth him on radio talk shows and campaign against him. ... Ronald and Nancy Reagan came through their annual physicals at the Mayo Clinic in Minnesota with clean bills of health. ... Virginia Republican Senate candidate Oliver North, according to a new Virginia Commonwealth University survey, has gained on Sen. Charles Robb (D-Va.) and the two are now running neck and neck, with independents Douglas Wilder and Marshall Coleman running much further behind. ... The White House, according to U.S. News & World Report, would like to utilize the talents of former Defense Secretary and 11-term Wisconsin congressman Les Aspin to head a Foreign Intelligence Advisory Board study of the role of U.S. intelligence agencies now that the Cold War is over. ... District of Columbia statehood activists are asking the 35-nation Organization of American States to declare that D.C.'s lack of congressional representation is federal "oppression" and an abuse of human rights.

IT'S A FACT

The last Supreme Court justice to be confirmed unanimously was Anthony Kennedy in 1988. There were three Senate votes last year in opposition to Ruth Bader Ginsburg: those of Jesse Helms (R-N.C.), Bob Smith (R-N.H.) and Don Nickles (R-Okla.). Next up Stephen Breyer.

SAY IT AGAIN

"By the time you're old enough to be standing here, there will probably be a woman standing up here as president saying, 'Well I've done a pretty good job appointing men to my Cabinet. I'm up to five and looking for some more qualified people to serve.'"

President Clinton, to laughter and applause, addressing Girls Nation delegates at the White House.

— From staff, news services and published reports, contributing: Julia Malone

There's other merchandise too: things like an 8-inch "I Feel Your Pain" Clinton doll/pincushion, a "Stick Willy" doormat, a glass ashtray "to put your butt in Bill's face."

"In terms of personal hatred, it is really without precedence in this century," complains Clinton political adviser Paul Begala. "The criticism is far more personal. I don't think it has ever reached this level."

And all this comes as the country is enjoying relative economic good times, something that

This president has been hounded by more than his share of political and personal problems. Past presidents might have been able to escape the hounding attention once in a while. This one can't.

CUTLER NOT READY TO GO: White House counsel Lloyd Cutler said Thursday that he may say in his job a little while longer than the 130 working days permitted by his appointment as a temporary employee, but not so long that a violation "two weeks" of the law. He brought into the administration as temporary employee, Cutler was not required to sever his professional connections. Some critics, including consumer activist Ralph Nader, claim that Cutler's presence in the White House is improper while he remains a partner in a law firm that represents a variety of businesses that lobby the administration. Cutler, 76, dismissed the criticism, saying his hiring arrangement "has been approved by the ethics counselors. I can find."

THAT'S HIS STORY, AND ... First there was lunch with the Grateful Dead in the Senate dining room, then there was this: Sen. Howell Heflin (D-Ala.) reached into coat pocket for a handkerchief in the cafeteria and pulled out a pair of women's panties. But two aware they were his wife Elizabeth's, he mistakenly picked up a pair of my wife's white panties and put them in my pocket while rushing out the door to go to work." Heflin, 73, said, OK, we believe it.

SOMETHING WRONG WITH THE FOOD? Sen. Jesse Helms (R-N.C.) found a nice table at the recent congressional crab feast put on by the White House. But shortly after he sat down, he was joined by Rep. Gerry Studds (R-Mass.) and his boyfriend. Then, according to Washington magazine, Rep. Barney Frank (D-Mass.), who also is openly gay, came over and hugged and kissed both Studds and his companion. With that, Helms excused himself, grabbed his plate and drink, and went elsewhere.

ELSEWHERE

A House-Senate conference committee approved a bill to break the Social Security Administration away from the Department of Health and Human Services and make it an independent agency headed by a presidentially appointed commissioner. ... The General Accounting Office says it will audit the White House staff's use of military helicopters in response to request by Rep. Roscoe Bartlett (R-Md.). ... Vickie Reggie Kennedy, wife of Sen. Ted Kennedy (D-Mass.), has resigned her partnership in a Washington law firm over its decision to represent Libya in a wrongful death suit filed by the family of one of the victims of the 1988 terrorist bombing of Pan Am Flight 103 — perhaps just in time to help in her husband's re-election campaign. ... Governor Fowers, who claims a longtime affair with pre-presidential Bill Clinton, returned to Arkansas to

BC-Gonzalez-Asks-Cutler-to-Be-Lead-Witness

Gonzalez Asks Cutler to Be Lead Witness at Whitewater Hearing

Washington, July 21 (Bloomberg) -- Rep. Henry Gonzalez (D-Texas) said today he invited Lloyd Cutler, special counsel to the president, to be the first witness at the House Banking Committee's Whitewater hearing on July 26.

Gonzalez, the Banking Committee chairman, said he wanted Cutler's testimony on "the propriety of contacts among the White House, Treasury Department and Resolution Trust Corp. related to Madison Guaranty Savings and Loan."

Questions have been raised whether Treasury officials improperly discussed investigations into the Whitewater affair with the Clintons and White House officials.

White House officials were unavailable to say whether Cutler agreed to appear.

Madison, an Arkansas thrift institution, was run by a friend of President Clinton and Hillary Rodham Clinton. The friend, Jim McDougal, was involved with them in the Whitewater Development Corp. in Arkansas years ago. Investigators have been examining whether money from Madison improperly aided the Clintons' investment or went into Bill Clinton's gubernatorial campaign funds.

In establishing procedure for the hearing, Gonzalez rejected the urging of Rep. Jim Leach (R-Iowa) the ranking Republican on the Banking Committee, that committee lawyers ask some of the questions and that certain committee members be given extra time for questioning beyond the normal five-minute periods.

"While these procedures would be novel for the Banking Committee, so are these hearings," Leach wrote in a letter to Gonzalez that the chairman made public.

Gonzalez wrote Leach, saying his suggestions violated committee rules.

Leach also asked that key witnesses be questioned alone and not in panels of three or four. Gonzalez said he would consider Leach's views on that matter but saw "no need to call witnesses one at a time without exception since we are not conducting a trial or a prosecution." --Bill Arthur (202) 434-1829 /da

(For more on Clinton and Whitewater: NI EXE; on Congress: NI CNG; on politics: BBN45; on Madison: NI SAL; on the RTC: NI RTC; on the investigation: NI LAW) -0- (BBN) Jul/21/94 19:52 EOS (BBN) Jul/21/94 19:52 86

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BC-WHITewater-LEAKS

CUTLER ASKS EXPANSION OF WHITEWATER LEAKS INQUIRY

WASHINGTON (Reuter) - White House Special Counsel Lloyd Cutler asked Thursday for expansion of an inquiry into leaks of testimony to Senate investigators of the Whitewater affair.

Cutler said that confidential information about a deposition involving a senior White House official had been transmitted to Newsweek magazine.

The chairman and senior Republican on the Senate Banking Committee asked this week for a Senate Ethics Committee inquiry into leaks of testimony to Banking Committee investigators. The committee is to open public hearings on Whitewater issues next week.

In a letter to Chairman Donald Riegle, a Michigan Democrat, and Republican Alfonse D'Amato of New York, Cutler said the White House appreciated their prompt action Tuesday seeking an investigation.

"However, hardly 24 hours went by before confidential information about a deposition involving a senior White House official was transmitted to Newsweek magazine," Cutler said.

"We therefore suggest that you call upon the Select Committee on Ethics to expand its inquiry into this apparent violation as well," he said.

Cutler gave no further details. A White House official said the leak had been disclosed by a reporter's question.

The banking committees of both the House and Senate are looking into the Whitewater affair centered on an investment in an Arkansas vacation development by then-Governor Bill Clinton and Hillary Rodham Clinton, in partnership with the head of the head of a savings and loan bank that later failed.

In a letter to the ethics committee seeking an inquiry into leaks, Riegle and D'Amato cited a news report referring to a committee interview with Treasury Counsel Jean Hansen.

Hansen was reported to have said Deputy Treasury Secretary Roger Altman instructed her to brief White House officials about the Whitewater investigation. Altman had testified to Congress he did not know about meetings between Hansen and White House aides.

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By Al Kamen
Washington Post Staff Writer

Political consultant James Carville called the exercise a "colossal waste of time," but he and his cohorts who advise the Clinton White House were required to file financial disclosure forms, and yesterday the White House made them public.

Carville, his consulting firm partner, Paul Begala, pollster Stan Greenberg and media consultant Mandy Grunwald are among the handful of Clinton advisers who show up frequently at the White House to offer the Clintons and their top aides advice and counsel.

Their disclosures—abbreviated when compared to the forms public officials have to fill out—reveal very little except that none of the four has major corporate clients and all four earn their livings giving advice to Democratic politicians.

The disclosures list no dollar amounts, so no one can tell if the four populists are getting rich having helped elect a president.

Carville, however, appears to be edging in that direction. He listed a plethora of investments, and 25 paid speeches for the first half of this year. Greenberg and Grunwald fall under the serious investments category as well. Begala less so, but with no amounts, who can tell.

However skimpy the disclosures, they are a first.

The White House asked for them after Republican members of Congress and some commentators suggested that outsiders with such routine access to the White House ought to reveal who pays them to ensure the outsiders have no conflicts of interest. Prior administrations refused to require nongovernment employees to publicly disclose their finances, calling that an invasion of privacy.

Carville is none too happy about it, but said what President Clinton asks, he does. "I hope this makes Meg Greenfield happy," he said, referring to this newspaper's editorial page editor who called for disclosure.

Opening a Virtual Embassy in Hanoi

■ James H. Hall, a career foreign service officer who runs the Vietnam, Laos and Cambodia desk at the State Department and was an Army captain and Agency for International Development officer in South Vietnam, is said to be the top pick to be the first head of the new U.S. diplomatic liaison office in Hanoi.

The office, which is set to open in the next few weeks, is not a full-fledged embassy, but almost. There's even a chance it will fly a U.S. flag.

The United States doesn't have any real estate to go back to in Hanoi and the real estate market on big houses there is so tight as to be nonexistent. Washington missed the boat a few years ago when the old East European communist bloc, mostly in Vietnam to show solidarity, said "enough" and pulled out, leaving some tiles up for grabs.

But those were quickly snapped up by Southeast Asian governments. There is nothing set for a diplomatic presence in old Saigon, heart of the real economic action, and where a commercial section would really help American businesses that have pretty much lost out, as usual, to Southeast Asian companies.

Meanwhile, look for the Vietnamese to open their reciprocal office in the former South Vietnamese Embassy off Sheridan Circle that has been vacant for these many years.

Also in diplomatic circles, Clinton says he's going to nominate career officer James W. Swihart Jr., now deputy chief of mission at the embassy in Vienna, to be ambassador to Lithuania.

Clinton Loyalist and Enemy Seen, Not Heard

■ Heads turned and jaws dropped in Little Rock last week. There, having breakfast at Bard's Restaurant, a well-known political gathering place, were none other than die-hard Clinton loyalist Skip Rutherford, an Arkansas public relations executive, and bitter Clinton enemy and Little Rock lawyer Cliff Jackson, who has represented the famous Arkansas state troopers.

Some people went up to this oddst of odd couples during their 2½-hour chat, asking to take their picture. The get-together, apparently Jackson's idea, went very well, but nobody's saying what the discussion was all about. "We agreed we'd only say that it was personal and private," Rutherford said.

Wonder who tasted the food?

Ex-Prosecutor Hired for the Defense

■ Democrats are bringing in some heavy hitters to work on the House Banking, Financing and Urban Affairs Committee's Whitewater hearings, which start on Tuesday. Rep. Jim Baccus (D-Fla.) has brought in Mark Schnapp, a longtime Miami federal prosecutor turned defense lawyer who was part of the team that got William Kennedy Smith acquitted of rape charges in down there in 1991.

Safety Board Appointment Derailed

■ It seems only yesterday, in fact it was just a few weeks ago, that the White House said it would name bus industry executive Susan B. Perry to be a member of the National Transportation Safety Board.

But then the transportation unions decided that she was not qualified for the job—although she's been with the industry for 13 years—and they weighed in against her at the White House and the congressional committees.

Perry withdrew yesterday, saying that, "Unfortunately, it has become clear that for reasons revolving around the political process, but having nothing to do with me personally, my nomination will not receive a fair hearing."

So it's back to the drawing board.

After Worst Flood in 65 Years, Florida Starts Recovery

New York Times Regional Newspapers

TALLAHASSEE, Fla., July 14 — As residents of flood-ravaged Georgia anxiously waited for their rivers to crest today and the water to start receding, towns in the Florida Panhandle were also beginning to recover from the worst flooding there in 65 years.

Although Florida's floods have caused no deaths or severe injuries, more than 1,000 residences and businesses have been flooded, damage to state roads and bridges has reached \$10 million, and oyster harvesting in Apalachicola Bay on the Gulf Coast has been halted.

Twelve Florida counties, all west of Tallahassee, have been declared Federal disaster areas because of extensive flooding, primarily along the Apalachicola, Chipola and Choctawhatchee Rivers.

The floods in both Florida and

Georgia are a result of a tropical storm that stalled over the South on the Fourth of July weekend. In Georgia, 29 deaths have been attributed to the flooding.

Better News in Georgia

In the southwest Georgia city of Bainbridge, the Flint River was still rising this morning, but residents were relieved when a revised forecast said its crest later today would be lower than expected. In Macon, however, 150,000 people today spent their eighth day without tap water.

At Lake Seminole, on the Georgia-Florida line, an estimated 242,000 cubic feet of water per second was moving through the dam at the peak of the weekend flooding, according to the Northwest Florida Water Management District. The dam would normally handle about 15,000 cubic feet per second. The flood crested

Sunday at 78.1 feet at the 79-foot dam. The flooding throughout the Florida Panhandle, a largely rural region, was characterized as the worst since a flood in March 1929.

Officials at the state Department of Community Affairs estimated damage at \$40 million. But Toni Riordan, an agency spokeswoman, said the figure was likely to rise.

Damage estimated at \$10 million was done to state roads and bridges in the Panhandle, including the Interstate 10 access roads near Caryville, said Dick Kane, a spokesman for the state Department of Transportation.

Damage to Florida Crops

Agriculture Commissioner Bob Crawford reported that Panhandle farmers were already expecting a 5 percent to 10 percent crop loss because of unusually heavy summer rain. Now they are expecting to lose

as much as half of their peanut, cotton, corn and soybean crops.

The effects of the flooding may linger in Apalachicola Bay, a prime seafood-producing region at the mouth of the Apalachicola River. Oyster harvesting was halted there on Saturday.

The heavy rainfall can carry excess pollutants, like septic tank discharges in flood areas, to the bay, and it is bringing an abnormal amount of fresh water into the estuary. Too much fresh water can kill or damage the oysters, according to David Heil, director of the marine resources bureau in the state Department of Environmental Protection.

Grady Leavins, who owns an Apalachicola seafood business, said he feared that the bay could be closed longer than the three weeks it was shut after a 1990 flood.

Corrections

An article on June 14 about the deposition given by President Clinton and his wife, Hillary, to Robert B. Fiske Jr., the special prosecutor in the Whitewater case, incompletely described the history of such testimony by sitting Presidents. In 1980, President Jimmy Carter gave a deposition to the Office of Professional Responsibility of the Department of Justice. The department was conducting an inquiry into conversations between Attorney General Benjamin Civiletti and the President concerning its investigation into whether Mr. Carter's brother, Billy, had violated the Foreign Agents Registration Act. This correction was delayed by editing lapses.

A correction in this space on June 4 about a picture caption describing President Clinton's signing of a bill to limit abortion protests misspelled the surname of a member of Congress. She is Representative Constance A. Morella.

An article in some editions yesterday about plans for a new terminal at Kennedy International Airport described the ownership of the airport incorrectly. It is owned by New York

City, which leases it to the Port Authority of New York and New Jersey. The article also described the recent history of the Eastern Air Lines terminal incorrectly. The terminal, which occupies the site where the new terminal will be built, was indeed used by several other airlines between 1990, when Eastern went out of business, and November 1993.

Because of an editing error, a front-page article yesterday about the proposed merger between Federated Department Stores Inc. and R. H. Macy & Company misstated the value of the package of securities and cash that Federated offered to Macy's bondholders in some editions. It is valued at about \$482 million, not \$4 billion.

A brief report in the Real Estate column in Business Day on Wednesday about a lease signed by a group of men's wear manufacturers for space at 1350 Avenue of the Americas in Manhattan misstated the city street. The building is at 55th Street, not 54th Street.

The article also misstated the height of the building. It has 38 stories, not 35.

Board Recommends Discharge for Gay Sailor

WASHINGTON, July 14 (AP) — A Navy board of inquiry today recommended an honorable discharge for Lieut. (j.g.) Tracy Thorne, who declared his homosexuality on national television in 1992.

In a unanimous decision, the three-member board said Lieutenant Thorne had not disputed the presumption that he engaged in homosexual conduct, which is grounds for dismissal.

Mr. Thorne, 27, revealed his sexual orientation on ABC's "Nightline" in May 1992. His case has become a major test of the Clinton Administration's "don't ask, don't tell" policy on homosexuals in the military, which took effect on March 1.

The board's decision will be reviewed by Navy Secretary John H. Dalton, and Lieutenant Thorne's law-

yers have said they will appeal any discharge in Federal court.

The Pentagon's policy on homosexuals "will eventually be overturned," said Patrick Lee, one of the lawyers, on Wednesday, the third day of the hearing.

Two other gay servicemen suffered setbacks Wednesday in their struggle to stay in the Navy.

In Bangor, Wash., another board of inquiry recommended an honorable discharge for Mark A. Phillips, a machinist's mate 2d class, even though a Navy officer had closely questioned the sailor about his homosexuality in defiance of the new policy.

In Norfolk, Va., a third board of inquiry recommended an honorable discharge for Lieut. (j.g.) R. Dirk Selland, who revealed that he was gay in the belief that President Clin-

ton would keep his promise to lift the ban on homosexuals in the military.

The Norfolk board unanimously concluded that Lieutenant Selland, by notifying superiors that he was involved in a monogamous gay relationship, had violated the "don't ask, don't tell" policy.

Lieutenant Thorne did not make such a disclosure to his superiors, but a fellow officer testified during the hearing that Mr. Thorne lived with a gay man.

In a memo Jan. 31 to his commanding officer at the Naval Air Systems Command in Arlington, Va., Lieutenant Thorne wrote, "I consider my sexual life, whether orientation or conduct, as private as anyone else's, and I do not believe that it should be of interest or concern to the Navy."



Associated Press

Lieut. (j.g.) Tracy Thorne.

THE NEW YORK TIMES, FRIDAY, JULY 15, 1994

AS GOVERNOR, CLINTON BORROWED MONEY TO PROMOTE HIS LEGISLATIVE AGENDA

By STEPHEN LABATON

c.1994 N.Y. Times News Service

WASHINGTON - As governor of Arkansas in the mid-1980s, Bill Clinton borrowed hundreds of thousands of dollars from a tiny Arkansas bank to promote his legislative agenda, loans that were paid off by donations from supporters and special interests, according to bank records.

The personal loans were made by the Bank of Cherry Valley, an Arkansas institution that has also figured in the investigation of the Clintons' finances that is being conducted by the independent Whitewater prosecutor, Robert B. Fiske Jr. The bank, owned and run by Maurice Smith, who was a close aide to Clinton, also lent him \$50,000 for his 1984 re-election campaign.

A vast advertising campaign on behalf of Clinton's legislative proposals, and his aides' soliciting donations to help pay for it, were well known at the time. But Clinton's personal borrowing to finance it was first disclosed on Wednesday by The Associated Press.

The existence of the loans provides another view of Clinton's personal finances at the time, constituting as they did a large financial burden when his salary as governor was \$35,000 a year.

The AP reported that according to bank records, Clinton borrowed at least \$220,000, and perhaps twice that amount, for various legislative initiatives. Officials said on Wednesday that the loans had been paid back by scores of contributions from many of the state's most powerful corporate interests, including Tyson Foods, utility companies, and savings associations, as well as the largest owner of the TCBY yogurt chain, Frank Hickingbotham. Hillary Rodham Clinton served on the TCBY board beginning in the 1980s.

Since the money was separate from Clinton's re-election financing, donors were not subject to the \$1,500 state limit on campaign contributions, and some supporters gave more than \$10,000. A partial list of contributors compiled by The Associated Press showed that Hickingbotham had donated \$25,000, Tyson Foods \$15,000, Union Bank \$11,500, and Arkansas Power and Light \$10,000. Thomas F. McLarty, who became a senior aide in Clinton's White House, was a top official at the power company.

The White House press secretary, Dee Dee Myers, said on Wednesday evening that Clinton's administration in Arkansas set up four funds from 1983 to 1988 to push for legislation to overhaul the state ethics and tax codes and the educational system. She said that a fifth fund was also created in the mid-1980s, to finance a conference planned by the governor's office, but that she did not know whether any money borrowed by Clinton had gone to this fund.

Ms. Myers said that money from four of the funds had been used for major advertising on television and in newspapers, to pay consultants and for other expenses. Asked why Clinton had decided to assume financial risk by making personal loans, she said: "They needed to get things going as quickly as possible."

At the time of the loans, the Clintons already had other bank obligations that were stretching their finances to the limits. They were personally liable for the mortgages that had been obtained on the Whitewater real estate development, debts that at one point exceeded \$200,000.

In addition, they were liable for the \$50,000 campaign loan that Clinton had obtained from the Bank of Cherry Valley. That loan was subsequently paid off by contributions raised by James B. McDougal, a savings and loan executive who was also the Clintons' partner in the Whitewater venture.

Betsey Wright, who was Clinton's chief of staff at the time, told The Associated Press that there had been no impropriety.

"There were no slush funds," she said. "Those people contributed to specific programs that they believed in and that they had a stake in."

Ms. Wright said that private donors had been approached because Clinton had not wanted to use state tax dollars. "It may look clumsy to you now," she said, "and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books."

Ms. Wright said that she had turned over records detailing the loans and fund raising to Fiske, the Whitewater prosecutor.

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Jones' attorneys fight effort to use immunity to stall suit

Say Clinton should face charges if he can beat them

By Michael Hedges
THE WASHINGTON TIMES

Paula Corbin Jones' attorneys yesterday decried President Clinton's move to separate the immunity issue from other parts of her sexual misconduct lawsuit as a "transparent attempt to stay as far and as long as possible from the merits of the case."

In a memorandum opposing Clinton attorney Robert Bennett's request to file a brief in August that would deal solely with presidential immunity and delay responses on other parts of the case, Mrs. Jones' attorneys said, "An American citizen, even one who happens to be president, is not above the normal processes established for the legal testing of a plaintiff's claims."

Mrs. Jones' response, filed in U.S. District Court in Little Rock by Gilbert Davis and Joseph Cammarata, said the Clinton argument "asks nothing less than a categorical suspension of the Federal Rules of Civil Procedure."

Mr. Bennett could not be reached for comment yesterday.

In late June Mr. Bennett filed the motion asking U.S. District Judge Susan Webber Wright to delay Mrs. Jones' lawsuit until Mr. Clinton leaves office. He cited a 1982 Supreme Court ruling involving Richard Nixon that said presidents are immune from being sued for official actions while in office.

Mr. Clinton's legal team is expected to formalize the immunity move in August with a more extensive motion. Mr. Bennett has said a central argument of the motion will be that responding to Mrs. Jones' accusations would distract Mr. Clinton from his official duties and thus harm the country.

"Mr. Clinton's request would delay this case for years," Mrs. Jones' attorneys said yesterday. "Delay carries with it the risk that memories will fade, evidence will disap-



"It is wrong for a woman not to be able to work in the workplace."

— Paula Corbin Jones

pear, witnesses will die or become hard to locate, and, in short, the case will become stale. Each party is entitled to an expeditious resolution of all claims."

Mrs. Jones' attorneys said they are "unaware of anyone in the history of this country who has been held immune from suit in his private capacity in the absence of protective legislation."

Their memorandum also said that if, as Mr. Clinton has insisted, Mrs. Jones' accusations "can be disposed of on other, less momentous and non-constitutional grounds," then "judicial discretion counsels strongly against addressing the complex immunity question." Mr. Clinton has called Mrs. Jones' charges groundless.

Mr. Clinton has denied meeting

with Mrs. Jones. Her four-count lawsuit seeks \$700,000 in damages. She has said she will donate any money won in the suit, minus attorney's fees, to charity.

The issue of presidential immunity from litigation involving acts "beyond his official duties" became one of the subjects of the confirmation hearing of Judge Stephen Breyer, nominated by Mr. Clinton to serve on the Supreme Court.

Sen. Hank Brown, Colorado Republican, is following the Jones lawsuit and thinks the issue of presidential immunity from acts unrelated to official duties could become a question before the Supreme Court.

"Do you see a basis in the Constitution for the president to order a federal judge to dismiss a private suit that might be filed against him if the suit is not related to his official acts?" the senator asked Judge Breyer.

"Those are kinds of questions that have never come before me," the judge said. "If they ever came, I'd read the briefs, consider the arguments and think about them, and try to get the correct decision."

Mrs. Jones first detailed her accusations at a news conference in February. She described unwanted sexual advances by Mr. Clinton when he was governor of Arkansas and she was an employee of the Arkansas Industrial Development Commission.

Mrs. Jones, 27, said Mr. Clinton urged "a type of sex" on her repeatedly after she was escorted to his room at Little Rock's Excelsior Hotel by a state trooper May 8, 1991. "It was just humiliating what happened to me. . . . It is wrong for a woman not to be able to work in the workplace."

In her lawsuit, filed in May, Mrs. Jones said Mr. Clinton touched her leg and made a specific sexual request that she resisted during a 15-minute encounter.

Gore Sees Cynicism Endangering Reform

By Stephen Barr
Washington Post Staff Writer

Vice President Gore appealed to federal employees yesterday to overcome "a deep and pervasive cynicism" that he portrayed a barrier to his efforts to reshape the government.

In a speech at the Federal Quality Institute awards luncheon, Gore said that cynicism—"the public's willingness to believe the worst"—has increased because of the nation's speedy and unsettling transformation from an industrial-based economy to an Information Age economy, because the news media "voraciously on the failures of government" and because politicians often fail to deliver on their promises.

The public's cynicism and distrust, the vice president said, "has fallen heavily on the largest institution in America—the federal government—and it has worn heavily on federal employees for much of the past two decades."

But Gore told the Washington Hilton ballroom audience that the winners of the president's quality awards this year showed that "no leader can lead as a cynic." The award winners, he said, "are not in some ivory tower. They are in the real world, making a difference in the lives of hundreds of thousands of people."

Saying he wanted "our government to address head-on the public's distrust of us," Gore reminded federal employees that the administration was challenging "agencies to provide services to their customers equal to the best in business," to cut red tape, tolerate risk and encourage innovation.

"As you can imagine, cynics need not apply. Leaders must move from control to trust if they want organizations that are the best in business," Gore said.

The vice president then handed out awards to four organizations—all from the Defense Department—that he said had



VICE PRESIDENT GORE
... honors four organizations

created "learning organizations." Gore paid a special tribute to the Naval Air Systems Command in Arlington, which improved internal operations significantly while in the midst of a downsizing that cut 9,000 people in four years.

Later in the day, Gore went to the Office of Personnel Management, where he praised Director James B. King and his staff for a series of "reinventing government" accomplishments, including the elimination of the 10,000-page Federal Personnel Manual.

"What is the principal enemy of change," Gore asked the OPM employees. "Very simple. Cynicism—a belief on the part of those who deep down would like to see change that we who are in the federal government are basically not serious about it and not good enough or well-motivated enough to really bring it about," Gore said.

The cynics think the administration's initiative "will sputter out and there will be some sound and fury signifying nothing," Gore added.

He urged the employees to "find your own personal strategy for resisting and defeating the temptation to surrender to that kind of cynicism."

Clinton Personal Loans Partly Repaid by Donors

By Susan Schmidt
and Charles R. Babcock
Washington Post Staff Writers

President Clinton took out about \$400,000 in personal loans when he was governor of Arkansas to pay for a state education initiative and his political campaigns, his banker and former aide said yesterday. At least part of the debt was repaid with large donations from Arkansas corporations.

Clinton took between a half-dozen and a dozen unsecured loans between 1983 and 1988 from the Bank of Cherry Valley, a small country bank owned by W. Maurice Smith, Clinton's top gubernatorial aide until 1985.

Smith said yesterday he believes an estimated \$300,000 of the money he lent Clinton went to campaigns, but Clinton's gubernatorial campaign records show only one \$50,000 loan to the candidate during those years.

The White House was unable yesterday to fully explain the loans, first reported by the Associated Press.

The loans and the funds set up to pay them off raise new questions about the Clintons' personal finances, their income tax liabilities and whether campaign contributions were properly raised and accounted for.

And while it was previously known that Clinton had raised private money to fund advertising for several legislative programs, it was not known that the money was used to repay Clinton's personal loans.

"Clinton went out and raised money from the business community to put ads on the media. It was a well-known part of his efforts to move the state forward," said White House aide John Podesta. The White House released two lists of contributors who donated a total of \$120,000 to legislative initiatives in 1988.

Special counsel Robert B. Fiske is investigating whether taxpayer-insured funds from Madison Guaranty Savings & Loan were diverted to pay off the \$50,000 campaign loan. Madison was owned by James B. McDougal, the Clintons' business partner in the Whitewater land venture, which itself had borrowed from the Bank of Cherry Valley.

Smith said he knew of only one legislative initiative funded by his bank, but the AP quoted former Clinton aide Betsey Wright as saying that Clinton borrowed money from Cherry Valley for several legislative programs, including ethics reform and an economic program, as well as the education initiative. Wright told the AP she controlled both the raising and the spending of the money for the legislative agenda, and said she has turned over the loan records to Fiske. She declined to return phone calls yesterday.

Smith said his bank lent Clinton \$100,000 in 1983 to push for education reform in a special session of the legislature. Arkansas corporations, including Tyson Foods, Worthen Bank,

Wal-Mart and TCBY Yogurt made contributions to an education reform fund that paid off Clinton's loan, Smith said. The AP said some of those donations ranged from \$10,000 to \$25,000.

"It was my idea," Smith said of the first loan. "We needed the money right quick to promote this education program. I knew I could get my board to okay it."

Smith said the money was in no way a personal or political slush fund for Clinton. "I guarantee if he'd had one I'd have known about it."

Smith said his bank also made a series of loans for Clinton campaigns, which he estimated totaled about \$300,000. None was for more than \$100,000, he said, and all were repaid in full.

Smith, who also served as Clinton's finance chairman, said he does not believe any of the donations that went toward repaying the campaign loans exceeded the \$1,500 campaign limit.

Smith remains close to the Clintons. He said he traveled to Washington in March and spent the night at the White House.

The Cherry Valley bank charged market interest rates on Clinton's loans, Smith said. The Clintons didn't take any deductions for interest payments on loans at Smith's bank during that period, their tax records show. Borrowing the money personally and having someone else repay the loans "raises serious questions of taxable income for the Clintons unless they have proof that all the money was for the good of the state and none for themselves personally," said a former high-ranking IRS official.

Scott Trotter, executive director of Common Cause of Arkansas, said a list of all contributions to the legislative initiatives and a record of how the money was spent should be made public.

Wright told the AP that "There was no vehicle for disclosing this stuff at the time. . . . If people asked, we wouldn't have hidden it from them."

William Bowen, former head of First Commercial Bank and a former Clinton chief of staff, said he remembers contributing to Clinton's efforts to improve public education in Arkansas but was unaware the money was paying off a loan.

Bowen, according to the AP, contributed \$5,000 and First Commercial gave \$3,700.

He said the "mechanics" of the fund did not concern him, and felt confident all the money was put toward Clinton's public policy efforts.

"I am not surprised of the mechanics of the funding because Maurice [Smith] was one of his dearest friends," Bowen said. "I was sold on Bill and Hillary's program . . . and I think it was good for him politically."

Staff writer Howard Schneider contributed to this report.

Lawyers Seek to Force Clinton to Address Merits of Suit

By Sharon LaFraniere
and Howard Schneider
Washington Post Staff Writers

Attorneys for Paula Corbin Jones yesterday argued that President Clinton should respond to the merits of Jones's sexual harassment allegations before a federal judge decides whether he is immune from such lawsuits.

If the judge takes up the immunity issue first, as Clinton's attorneys have asked, the case could be delayed for years with appeals, attorneys Gilbert K. Davis and Joseph Cammarata said in a pleading filed in U.S. District Court in Little Rock, Ark. "Memories will fade, evidence will disappear, witnesses will be or become hard to locate, and in short, the case will become stale," they said.

Jones's attorneys argued that like everyone else, the president has a legal obligation to respond to the merits of a lawsuit against him. "Defendant seeks an exemption no other litigant would be allowed," they said.

But as Jones's attorneys pushed for a full response to the lawsuit, attorneys familiar with civil rights and employment discrimination law questioned whether some of Jones's claims will stand under the Reconstruction-era statutes and case law cited in her complaint. Clinton's attorney Robert S. Bennett has contended that the presidential immunity issue must be decided before the case goes forward, and U.S. District Judge Susan Webber Wright has said she will decide by Aug. 10 whether to sort out that thorny constitutional question first.

If she sides with Jones, the president's attorneys will be forced to present all their arguments for dismissal at the same time. In a pleading two weeks ago, Bennett cited four potential reasons for dismissing the case, including the fact that Jones failed to pursue her claim before the Equal Employment Opportunity Commission (EEOC), the standard forum for such complaints.

Jones, a former clerical employee for the state of Arkansas, alleges that as governor Clinton made lewd and unwanted sexual advances while she was working at a 1991 state-sponsored conference. She claims that Clinton's bodyguard, state trooper Danny Ferguson, told her the governor would like to meet her and escorted her to the governor's hotel room, where Clinton exposed himself. She claims she failed to advance in her job after she turned down Clinton's request for oral sex. Clinton denies the incident occurred.

Jones's suit alleges that Clinton violated her constitutional rights to equal protection and due process. She also sued under common law, alleging that Clinton intentionally inflicted emotional distress—a tort claim. And she

alleges that the president and Ferguson defamed her. She seeks \$700,000 in damages.

Each of her claims is fraught with potential obstacles, according to attorneys who handle civil rights and employment cases. The deadline expired three years ago for Jones to file an EEOC complaint. And that prevents her from suing under Title VII, the civil rights statute designed to protect workers from discrimination. Instead, her suit relies on a broader, Reconstruction-era civil rights statute often used by prisoners alleging mistreatment by state employees.

Martha Walfoort, an employment law attorney with the D.C. firm of Guerrieri, Edmond & James, said some judges have rejected job bias complaints filed under the more general statute "because they feel by enacting a specific statute to govern your rights in the workplace, Congress has specified how it wants those claims dealt with."

Jones's common law allegation that Clinton's outrageous conduct intentionally caused her emotional harm may also be difficult to win, attorneys said. Courts typically set high standards for what they deem outrageous conduct, and the Arkansas Supreme Court is no exception.

"The emotional distress . . . must be so severe that no reasonable person could be expected to endure it" and the conduct "so outrageous in character, and so extreme in degree, as to go beyond all possible bounds of decency," the Arkansas Supreme Court said in one case. The federal court would be bound by the Arkansas court's interpretation of state common law on the emotional distress claim.

Jones's attorney, Cammarata, said she alleges that Clinton clearly went beyond the bounds of "what we want to be doing in a civilized society" by exposing himself. "This was not just a mere pass," he added.

But Richard Quiggle, a Little Rock employment discrimination lawyer, is not so sure how jurors would react. "In some minds the exposure may do it," he said. "But it is hard to conceive of a single act of sexual harassment, unless it was a near rape, being

enough for most jurors to say that it is outrageous" enough to award damages.

Other labor lawyers said it will be crucial for Jones to show she suffered job repercussions and public humiliation. Jones, who received a merit raise after the alleged incident and eventually quit on her own, alleges that her superiors treated her rudely and she feared Clinton would arrange to have her fired.

An Arkansas woman who won a tort case against her employer had more evidence of job repercussions, according to James S. Dunham, who represented her. The woman's boss repeatedly grabbed her buttocks, tried to kiss her, touched her breasts and made suggestive remarks, then fired her when she and her husband complained, court documents show. Four co-workers backed up her account.

Attorneys not connected with the Jones case also question the strength of her claim she was defamed when trooper Ferguson falsely told a magazine reporter that she wanted to be Clinton's girlfriend. The article identified her only by first name.

Jones cites other negative comments about her, apparently by Clinton aides. But those statements were made after she held a February news conference to air her allegations. If a judge rules she became a public figure at that point, Jones would have to prove the statements were made not only untrue, but made with malice.

THURSDAY, JULY 14, 1994 THE WASHINGTON POST

409-pound k'er says he's too fat for death-row noose

By Deeann Giamser
USA TODAY

SEATTLE — Condemned double-murderer Mitchell Rupe spends time on death row snacking on cookies, candy and potato chips.

Now he's arguing he's too fat to be executed by hanging. Rupe, 39, is 6-1 and weighs 409 pounds. Since he's refused to choose how to die — by lethal injection or hanging — state law calls for him to hang.

But he and his lawyer, Todd Maybrow, say hanging would be cruel and unusual punishment because Rupe would be decapitated. State officials disagree. And relatives of the two women Rupe killed during a bank robbery say it's another attempt to delay execution after Rupe has lost a number of routine appeals.

It's "a laugh and an affront," says Karin Klingbell, 58, whose sister, Candy Hemmig, 33, was killed along with Twila Capron, 30. "It's a misuse of justice."

Wednesday, U.S. District Court Judge Thomas Zilly heard arguments on the issue.

Allan Tencer, head of biomechanics at Harborview Medical Center in Seattle, testified that he was "reasonably certain" Rupe would be decapitated if he was hanged with a 3½-foot rope.

But prison superintendent Tana Wood said prison advisers have assured her that won't happen.

State officials had said they'd use a shorter rope — 3½ feet instead of 5 feet — to reduce any risk of decapitation. Murderer Charles Rodman Campbell, who weighed 224 pounds, was hanged May 27 with a 5-foot rope — the maximum weight and shortest distance called for in the U.S. Army manual on which the state's hanging protocol is based.

Tencer said Campbell was "nearly decapitated" and that he and Rupe have similar spines, meaning that hanging Rupe with his extra weight would tear his head off.

During three days of testimony, Rupe has challenged his death sentence, handed down after his conviction of aggravated murder. That sentence was set aside on grounds that testimony about his gun collection was improperly admitted during the penalty phase of the trial. A second penalty phase was held in 1985 and a jury again said he should be executed. He argued he received ineffective counsel during the second phase.

In the last 18 months, Washington has hanged two triple-killers — the USA's only gallows executions since 1965.

Some say Rupe — who consumes about 2,000 calories daily just in snacks he buys from the inmate store — is trying to gain weight on purpose. Since his arrest in 1981 he's gained 116 pounds.

Maybrow says Rupe lost his job as an Army communications specialist in Germany in 1980 because of his weight and suggestions "he's trying to eat his way into this claim" are ridiculous. "The state can feed him whatever it wants. It's not like he gets to order in pizza."

Loye Studer, Department of Corrections food service director, says Rupe's three daily meals total 2,700 calories.

Rupe doesn't get seconds on meals brought to his 10-by-10-foot cell, where he spends about 22 hours a day. Exercise is optional: Rupe's prison job is sedentary, stamping return addresses on blank envelopes.

Studer says there's no medical reason to restrict Rupe's diet, which means "as long as he has money (to buy food) there is not a lot we can do about it."



RUPE: Convicted murderer says he would be decapitated if hanged.

loa is rom fr e ids gave Clinton agenda a big legislative boost

By John Solomon
The Associated Press

While governor of Arkansas in the mid-1980s, Bill Clinton borrowed at least \$220,000 — and perhaps twice that — to promote his legislative agenda, then asked aides to solicit supporters and special interests to pay off the debt.

The arrangement exposed Clinton to considerable risk at a time that his salary as governor was \$35,000 a year.

The loans and some donations had never been disclosed, officials close to Clinton told The Associated Press.

The loans came from the Bank of Cherry Valley, a tiny institution owned by a friend, Maurice Smith, according to an AP review of Clinton's finances during the years of his investment in the Whitewater land venture.

Many big donors were part of Arkansas' corporate elite, from poultry giant Tyson Foods and TCBY yogurt chain owner Frank Hickingbotham to state-regulated banks and utilities.

Clinton's then chief of staff, Betsey Wright, said she controlled the spending and fund-raising used to retire the debt.

The money was used to push an agenda that ranged from education to ethics reform. Included were extensive TV, radio and newspaper advertising, direct mail efforts, consultants who crafted legislation, travel and polling expenses.

The funds generally were kept separate from Clinton's re-election money, so donors were not subject to the \$1,500 limit on campaign contributions.

Some supporters gave \$10,000 or more, Wright indicated, including TCBY's Hickingbotham at \$25,000.

Scott Trotter, head of Arkansas' Common Cause, said such an arrangement was "an end run" around campaign finance laws. "Wealthy special interests were offered another opportunity through unlimited contributions to influence Gov. Clinton and his administration," said Trotter, who worked on utilities reform for Clinton before a falling out.

The White House referred questions to Wright, who bristled at any suggestion of impropriety. "There were no slush funds," she said. "Those people contributed to specific programs that they believed in and that they had a stake in."

At the time of the loans, the Clintons' personal credit was stretched. They were liable for the mortgages taken out for the Whitewater land venture, which at one point totaled more than \$200,000. And Clinton also had a separate \$50,000 loan from Smith's bank for his 1984 re-election campaign.

Wright said donors were approached because Clinton did not want to use state tax dollars for his political activities. "It may look clumsy to you now, and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books," she said.

Wright said she has turned over records detailing the loans and fund-raising to Robert Fiske, the special counsel investigating Whitewater and Clinton's political finances.

"There was no vehicle for disclosing this stuff at the time.... If people asked, we wouldn't have hidden it from them," said Wright, who is now a lobbyist in Washington.

The public didn't know about the loans, but they heard plenty about the political funds. For example, a \$130,000 campaign for Clinton's policies identified its sponsors as "Partners for Education" or "Arkansas 2000." However, the public did not know the extent of Clinton's involvement.

"The people who contributed did. But it was not a part of the public discussion about it," said Joan Roberts Watkins, a former press secretary to Clinton.

The AP learned of the loans from officials familiar with federal bank exams. Wright declined to allow AP to review donor, loan or expenditure records because Fiske is examining them.

Smith told the AP he recalls about a dozen loans totaling about \$400,000. Wright said she found records showing Clinton borrowed at least \$220,000, but added: "I'm certainly not going to dispute Maurice Smith."

As president, Clinton has attacked the influence of big donors on government and has offered campaign-finance legislation that has been stalled in Congress.

By the late 1980s, the political funds were operating without any borrowing by Clinton. In the early years, Clinton provided no accounting of donors but, by the late 1980s, his staff began providing disclosure lists.



By Eileen Blass, USA TODAY
WRIGHT: Former Clinton chief of staff denies impropriety with loans

AS GOVERNOR, CLINTON BORROWED MONEY TO PROMOTE HIS LEGISLATIVE AGENDA

By STEPHEN LABATON

c.1994 N.Y. Times News Service

WASHINGTON - As governor of Arkansas in the mid-1980s, Bill Clinton borrowed hundreds of thousands of dollars from a tiny Arkansas bank to promote his legislative agenda, loans that were paid off by donations from supporters and special interests, according to bank records.

The personal loans were made by the Bank of Cherry Valley, an Arkansas institution that has also figured in the investigation of the Clintons' finances that is being conducted by the independent Whitewater prosecutor, Robert B. Fiske Jr. The bank, owned and run by Maurice Smith, who was a close aide to Clinton, also lent him \$50,000 for his 1984 re-election campaign.

A vast advertising campaign on behalf of Clinton's legislative proposals, and his aides' soliciting donations to help pay for it, were well known at the time. But Clinton's personal borrowing to finance it was first disclosed on Wednesday by The Associated Press.

The existence of the loans provides another view of Clinton's personal finances at the time, constituting as they did a large financial burden when his salary as governor was \$35,000 a year.

The AP reported that according to bank records, Clinton borrowed at least \$220,000, and perhaps twice that amount, for various legislative initiatives. Officials said on Wednesday that the loans had been paid back by scores of contributions from many of the state's most powerful corporate interests, including Tyson Foods, utility companies, and savings associations, as well as the largest owner of the TCBY yogurt chain, Frank Hickingbotham. Hillary Rodham Clinton served on the TCBY board beginning in the 1980s.

Since the money was separate from Clinton's re-election financing, donors were not subject to the \$1,500 state limit on campaign contributions, and some supporters gave more than \$10,000. A partial list of contributors compiled by The Associated Press showed that Hickingbotham had donated \$25,000, Tyson Foods \$15,000, Union Bank \$11,500, and Arkansas Power and Light \$10,000. Thomas F. McLarty, who became a senior aide in Clinton's White House, was a top official at the power company.

The White House press secretary, Dee Dee Myers, said on Wednesday evening that Clinton's administration in Arkansas set up four funds from 1983 to 1988 to push for legislation to overhaul the state ethics and tax codes and the educational system. She said that a fifth fund was also created in the mid-1980s, to finance a conference planned by the governor's office, but that she did not know whether any money borrowed by Clinton had gone to this fund.

Ms. Myers said that money from four of the funds had been used for major advertising on television and in newspapers, to pay consultants and for other expenses. Asked why Clinton had decided to assume financial risk by making personal loans, she said: "They needed to get things going as quickly as possible."

At the time of the loans, the Clintons already had other bank obligations that were stretching their finances to the limits. They were personally liable for the mortgages that had been obtained on the Whitewater real estate development, debts that at one point exceeded \$200,000.

In addition, they were liable for the \$50,000 campaign loan that Clinton had obtained from the Bank of Cherry Valley. That loan was subsequently paid off by contributions raised by James B. McDougal, a savings and loan executive who was also the Clintons' partner in the Whitewater venture.

Betsey Wright, who was Clinton's chief of staff at the time, told The Associated Press that there had been no impropriety.

"There were no slush funds," she said. "Those people contributed to specific programs that they believed in and that they had a stake in."

Ms. Wright said that private donors had been approached because Clinton had not wanted to use state tax dollars. "It may look clumsy to you now," she said, "and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books."

PM-Clinton-Political Funds, Ark Bjt,1230
Donations to Political Funds Used to Pay Off Clinton Loans
With PM-Clinton Funds-Glance

By JOHN SOLOMON= Associated Press Writer=

WASHINGTON (AP) When he was governor of Arkansas, President Clinton borrowed at least \$220,000 from a friend's bank to promote his legislative agenda, then set up special accounts where special interests could donate to retire the debts.

The loans at the tiny Bank of Cherry Valley in Arkansas and some of the donations have never been disclosed, according to an Associated Press review of Clinton's personal finances during the years of his Whitewater investment.

Many of the biggest donors were members of Arkansas' corporate elite, from poultry giant Tyson Foods and TCBY yogurt chain owner Frank Hickingbotham to state-regulated banks and utilities.

Clinton's chief of staff at the time, Betsey Wright, says she controlled both the spending and the fund raising for the political accounts, which retired Clinton's unsecured personal debt and paid for the various activities.

The money was used to push a broad mid-1980s legislative agenda that ranged from education to ethics reform. The money went to television, radio and newspaper advertising; direct mail efforts; consultants who wrote legislation; travel and polling.

The funds generally were kept separate from Clinton's re-election money, so donors were not subject to Arkansas' \$1,500 limit on campaign contributions. Some supporters gave \$10,000 or more, Wright said, including Hickingbotham of TCBY, who donated \$25,000.

Upon learning of the details, critics attacked Clinton's arrangement as secretive and aimed at circumventing state laws limiting the influence of donors on government.

"He controlled all the boards, all the commissions, all the decisions made in state government and they (donors) were beholden to him," said Frank White, an Arkansas Republican who defeated Clinton in the 1980 governor's race.

"The kind of dollars that were put in there were really just supportive of his effort to stay in office," he said.

Added Scott Trotter, executive director of the Arkansas chapter of the Common Cause lobbying group: "It's an end run around what would otherwise be limitations on campaign contributions."

The White House referred questions to Wright, who bristled at any suggestion of impropriety.

"There were no slush funds," she said. "Those people contributed to specific programs that they believed in and that they had a stake in."

At the time of the loans, the personal credit of Clinton and his wife, Hillary, was stretched. They were liable for the mortgages taken out for the Whitewater land venture, which at one point totaled more than \$200,000. And Clinton also had a separate \$50,000 loan from Smith's bank for his 1984 re-election campaign.

Experts asked by the AP to review the arrangement said Clinton had no obligation to report the donations to the legislative fund as taxable income.

Wright, now a lobbyist in Washington, said private donors were approached because Clinton did not want to use state tax dollars for his political activities.

"It may look clumsy to you now, and it may look sticky to you now, but we really did try to find ways to disclose it and make it comply with what laws were on the books," she said.

Wright said she has turned over records detailing the loans and fund raising to Robert Fiske, the special counsel investigating Whitewater and Clinton's political finances.

While Clinton's loans were invisible to the public, the political funds were not. For example, ad campaigns for Clinton's policies identified its sponsors as "Partners for Education" or "Arkansas 2000." However, the

No date

—

Hill Democrats anti Stephens, too ✓

By Steve Langdon
CONGRESSIONAL QUARTERLY

White House aide George Stephanopoulos isn't the only one to "blow off steam" because of the decision of the Resolution Trust Corp. to hire former federal prosecutor Jay Stephens to work on Whitewater-Madison related investigations.

Congressional Democrats are crying foul, too. But like Mr. Stephanopoulos, they can't do anything about it.

Mr. Stephanopoulos, one of President Clinton's closest advisers, got in hot water after he telephoned Joshua Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, on Feb. 25 to complain about the RTC's hiring of Mr. Stephens.

Both Mr. Steiner and Mr. Stephanopoulos were summoned before a federal grand jury investigating the Whitewater-Madison affair to testify about the conversation. There is no evidence that either Mr. Steiner or his boss took any action in response to the Stephanopoulos call.

The RTC is an independent federal agency formed in 1989 to shut

Kennedy demands investigation

down failed savings and loans, sell off their assets and pay off depositors.

The RTC this year retained Mr. Stephens' law firm — Pillsbury, Madison & Sutro — to work on civil claims against the failed Madison Guaranty Savings and Loan Association. Madison was owned by James B. McDougal, Bill and Hillary Rodham Clinton's partner in Whitewater Development Corp. Investigators are examining whether Madison funds were improperly funneled into Whitewater, thus contributing to the S&L's collapse.

Mr. Stephens served as U.S. attorney for the District of Columbia until Mr. Clinton essentially fired him, along with the 93 other Republican-appointed U.S. attorneys, early last year. Most went quietly, but Mr. Stephens complained loudly, charging the "unprecedented" move could "by design or default" disrupt sensitive investigations.

At the time, Mr. Stephens was heading a very sensitive investigation into reported financial mis-

conduct by House Ways and Means Chairman Dan Rostenkowski, Illinois Democrat. Some saw the Stephens protest as a thinly veiled allegation that Mr. Clinton was trying to protect a crucial administration ally from indictment.

Rep. Stephen Neal, North Carolina Democrat and a senior member of the House Banking Committee, said the RTC's decision to hire someone with Mr. Stephens' background is "outrageous, almost unbelievable."

Rep. Bruce Vento, Minnesota Democrat and another Banking Committee member, said it is "a political conflict — a pretty obvious one. It's a real blunder by the firm and the RTC."

Several Democrats believe Mr. Stephens has "a political axe to grind" with Mr. Clinton, according to Mr. Vento. "He was the only one that actually resisted" Mr. Clinton's request for the U.S. attorneys' resignations, he said.

But Rep. Toby Roth, Wisconsin Republican and ranking minority member on the Banking Committee, disagreed. "We need more

people like Stephens [working for the RTC] to provide some balance," he said.

Mr. Stephens is prohibited from commenting on RTC work but said in an interview, "Whatever legal matters I am working on would be done with integrity and independence in a highly professional manner."

The RTC would only say, "We are not aware of any conflict in what he is working on for the RTC."

Despite their ire over Mr. Stephens' Whitewater-Madison role, most Democrats aren't about to call for his ouster.

But at least one Democrat wants an investigation into Mr. Stephens' hiring. "It reeks of Republican cronyism. I think the committee should investigate how Jay Stephens got the job," said Rep. Joseph Kennedy, Massachusetts Democrat and Banking Committee member.

The bright side for Democrats: Mr. Stephens' hiring helps "puncture the argument that we're trying to cover something up," said Rep. Barney Frank, Massachusetts Democrat, who also serves on the Banking Committee.

Arkansas capitalism

A Justice Department official recently took it upon himself to read Labor Secretary Robert Reich's 1991 book, "The Work of Nations: Preparing Ourselves for 21st Century Capitalism."

"There is one passage," the official writes inside the Beltway, "that I am having some difficulty with in the chapter 'The Problem Restated' on page 244:

"... And leaders of Eastern Europe, China, and Arkansas, among many other places, are adapting to the ineluctable fact that capitalists will come to their jurisdictions not on an eleemosynary impulse but only out of greed; thus are officials in all such locations seeking to make their environs as hospitably remunerative as possible."

"At first," says the official, "I was taken aback by the combination of half a continent, and a country with what seems like half the people in the world, and an American state that is none of those. ... Did Reich perhaps confuse some of the local greedy capitalists' in Arkansas with the outsiders?"

"Frankly, I'm left at the dock but curious how Reich knew this in 1991!"

What's the rush?

Was that Webster Hubbell, who resigned his post as associate attorney general in mid-March, climbing out of a chauffeur-driven sedan Friday afternoon outside the Metropolitan Club?

Yes, says our source, who added, "I thought that fellow had gone."

It's doubtful the 46-year-old Mr. Hubbell is in a hurry to go anywhere, especially back to Little Rock, where investigators are poring over his old Rose Law Firm files to determine if the former Rose partner did, as the firm claims, overbill clients by not



Labor Secretary Robert Reich's 1991 book offers a futuristic view of Arkansas-style greed.

dreds of thousands of dollars and use firm money to pay personal expenses.

Color-blind society?

During a recent review of employee files, Inside the Beltway has learned, the U.S. Forest Service's office of personnel management and office of civil rights questioned the accuracy of the race, sex, national origin and disability (RSNOD) coding of the entire Forest Service staff.

As a result, on March 14 an extraordinarily worded order

was issued to forest supervisors throughout the country, "requiring a review of the RSNOD coding of all permanent employees," to be completed no later than April 2.

"If an employee is coded as being of one particular race, yet you believe them to be of different race, the Forest Civil Rights Officer... is to personally contact the employee and inform them, confidentially, that there appears to be an error in the coding of their race," directs the order signed by Leon Bennett, director of personnel management, and Anne M. Boeder, director of civil rights.

"The same procedure is to be used for questionable disability and sex codes," the order states, adding that "since compliance with any request to change the RSNOD data is strictly voluntary on the part of the employee, we can never be assured of 100 percent accuracy."

The unusual order warns each supervisor that the written report they submit "for this project is to be shredded as soon as the review is completed."

Don't ask us

"Dear Inside the Beltway," writes Ken Basford of Springfield.

"Spiro Agnew, Richard Nixon, Richard Allen, Anne Burford, Earl Butz, James Watt, Ed Meese, Ollie North, Ronald Reagan, Nancy Reagan, Robert Bork, John Tower, George Bush, Neil Bush, Clarence Thomas

"Now all of a sudden in 1994 we are seeing an unprecedented outbreak of journalistic soul searching and self-flagellation in response to the reporting of the Whitewater story. Why is this?"

Era or error?

At noon today on the University of Maryland campus, a panel discussion will examine the current and controversial "Political Correctness (PC) Phenomenon."

The agenda includes: What exactly is this thing we call PC? Does it represent a new epoch of tolerance or does it pose a threat to freedom of speech and expression? Is PC a passing fad or does it represent a fundamental long-term change in our society and culture?

The panel discussion, we're told, is sponsored by the university's Diversity Initiative, a year-long series of activities "exploring and celebrating diversity and multiculturalism" at Maryland.

Sounds to us like a PC initiative.

Too much to count

So you thought the national debt totaled only \$4.9 trillion? Think again, says National Taxpayers Union Foundation director Sid Taylor.

"Today, hardly anyone in Washington, including the secretary of the Treasury, knows our real total national debt," Mr. Taylor tells us.

Mr. Taylor's own research, on the other hand, uncovers nearly \$17 trillion in the debt ceiling, long-term commitments, fiscal liabilities and contingencies of the federal government.

Not on your life

Asked whether she favors placing a so-called "Twinkie tax" on junk food to help pay for universal health care, Health and Human Services Secretary Donna Shalala quipped, "Not with this president."

Leach Whitewater hearings too narrow

By JANE NORMAN

OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — Beginning July 26, the House Banking Committee finally will hold hearings on Whitewater — a development Rep. Jim Leach of Iowa has been advocating for months.

But Leach, the senior Republican on the committee, said in an interview Tuesday that the hearings will be very narrow in scope, and likely will touch on few of the questions he has raised about the controversy.

Leach said he does not know yet whether he will be able to call any witnesses for the hearings. Questions he or other Republicans ask may be ruled out of order by the Democratic chairman of the committee, who has been bitterly opposed to hearings.

"There is a decision by the leadership of the House to hold a hearing on about 5 percent of the Whitewater circumstance," Leach said.

"The hearing that is now tentatively scheduled for July should not be considered a benchmark kind of hearing," he said. "It is basically a very preliminary side issue probe."

Banking Committee Chairman Henry Gonzalez, D-Texas, announced Monday that the hearings will focus on the removal of files from the office of Vince Foster, a White House lawyer, soon after his death. Foster handled Whitewater matters for President Clinton.

Also, Gonzalez said hearings will examine contacts between administration officials and banking regula-



Jim Leach
Seeks more disclosure

tors. Both of these aspects of Whitewater are known as the "Washington phase" of an investigation by special counsel Robert Fiske.

Fiske, who is expected to issue a report soon on that phase of his inquiry, also has been invited by Gonzalez to testify at the July hearings.

Leach said this means the hearings will not examine "the heart of Whitewater and analogous circumstances, which is everything that occurred in Arkansas." Leach and his minority staff have been investigating the failure of an Arkansas savings and loan, Madison Guaranty, and the ties between its owners and the president and his wife, Hillary Rodham Clinton.

Leach said he will respond to Gonzalez with a letter suggesting additional witnesses "as well as a modest broadening of the probe" to at least include contacts between Washington officials of the Resolution Trust Corp. and RTC officials in Kansas City who investigated Madison.

Leach has alleged that improper pressure was placed by Washington RTC officials upon the Kansas City investigators to quash their Madison inquiry.

"Clearly there is a very considered intent to limit the scope" of the hearings, Leach said. "I have argued from the very beginning this is not the world's largest issue. But you have to put it behind, and the way you put it behind is have a full-blown public review through the hearing process."

Democrats "just pique curiosity" by resisting broader hearings, he said.

Leach and Gonzalez have been at odds, with Leach fighting for greater disclosure of Whitewater information on the House floor and in the federal courts. Gonzalez recently filed a complaint with the ethics committee about Leach's ties to an endowed chair at an Iowa college; the panel said Leach violated no House rules.

But Leach said he will not carry any animosity into the hearings.

"I will proceed exactly on the facts, exactly with the greatest comity I can possibly muster," he said. "If the chairman wishes to respond in any way he wants, that's his right as a member of Congress."

ATTEMPT TO STRIP U.N. FUNDING

Lightfoot amendment on Haiti defeated

By JANE NORMAN

OF THE REGISTER'S WASHINGTON BUREAU

Washington, D.C. — The House early Tuesday turned down 214-186, a move by Rep. Jim Lightfoot, R-Ia., to strip a \$25 million U.S. contribution to United Nations operations in Haiti.



Lightfoot
Opposes policy

Lightfoot, a member of the foreign operations subcommittee of the House Appropriations Committee, is opposed to U.S. involvement in Haiti.

"The Clinton administration has learned nothing from its nation-building venture in Somalia, which cost some of my constituents their lives," Lightfoot said on the floor.

He said the stated goals of President Clinton's policy on Haiti "do not include any American exit strategy."

The New York Times recently reported that the administration is preparing creation of an international peacekeeping force that would involve several thousand American troops, police and civilian contractors. The force would be authorized if and when military leaders leave Haiti ousted president Bertrand Aristide is returned to office.

More Haitians are being picked up by the Coast Guard as they flee their homeland. The boat people have overwhelmed American officials and the situation has led to speculation that military intervention in Haiti may be used soon by the Clinton administration to restore Aristide.

Lightfoot asked that the House send back to committee a bill doling out funds for operations of the Commerce, State and Justice departments. The bill included \$25 million budgeted as the U.S. share of U.N. peacekeeping operations in Haiti.

"Let's remove funds from this bill for Haitian peacekeeping now, and

once the president shows us a plan and demonstrates the national interest, consider adding the money back in," said Lightfoot.

But Rep. Alan Mollohan, D-W.Va., said the amendment was "patently unwise" because it would telegraph U.S. intentions to Haiti's military rul-

ers. "We should not... take options away from the president as he deals with this matter," Mollohan said.

All of the Republicans in the Iowa delegation — Jim Nussle, Jim Leach and Fred Grandy — voted with Lightfoot. Rep. Neal Smith, D-Ia., voted against the amendment.

bc-whitewater-ndy - a1908

(ndy) (ATTN: National editors) (Includes optional trims)
Counsel Backs Police in Ruling Foster's Death a Suicide (Washn)
By Charles V. Zehren and Martin Kasindorf= (c) 1994, Newsday=

WASHINGTON Whitewater independent counsel Robert B. Fiske Jr., debunking rumors surrounding the death of White House Deputy Counsel Vincent Foster, Thursday agreed with police and reported that President Clinton's lifelong friend committed suicide in a Virginia park last summer.

Issuing the initial report of his broad-based corruption investigation, Fiske backed up the findings of the U.S. Park Police, ruled out murder and found "no evidence" that matters relating to the Arkansas land deal involving Clinton and his wife, Hillary Rodham Clinton, played any role in Foster's death. Instead, Foster was deeply depressed over media criticism of his performance as a White House aide, Fiske said.

More important politically, Fiske in his report also stated that White House and Treasury Department officials, who were called to testify before a grand jury, committed no crimes when they discussed Whitewater-related investigations with federal regulators.

White House aides subpoenaed included presidential advisers George Stephanopoulos, Bruce Lindsey and John Podesta; deputy chief of staff Harold Ickes; communications director Mark Gearan; and former White House counsel Bernard Nussbaum, who resigned under pressure over his handling of the Whitewater and Foster matters. Hillary Clinton's chief of staff, Margaret Williams, and her press secretary, Lisa Caputo, also testified.

Involved from the Treasury Department were Deputy Secretary Roger Altman and three other present or former officials.

And Fiske said he would announce within 10 days whether he will prosecute anyone for removing documents from Foster's office, including some related to Whitewater, shortly after his death July 20. Foster sat down on a hill in Fort Marcy Park overlooking the Potomac River, placed the barrel of an antique .38-caliber Colt revolver in his mouth and pulled the trigger, Fiske determined.

Fiske, who was appointed by Attorney General Janet Reno in January, will continue the Arkansas part of his investigation into whether money from Madison Guaranty Savings and Loan Association was improperly used to fund one of Clinton's gubernatorial campaigns or the Whitewater Land Development Co. Whitewater, a failed real estate venture, was a partnership of the Clintons with Madison Guaranty's owner, James B. McDougal, and his then-wife, Susan.

White House officials, facing congressional hearings beginning late this month, said they felt gratified and vindicated by Fiske's report.

Special presidential counsel Lloyd Cutler promised that the administration would continue to cooperate with Fiske and said he was confident there would be no criminal charges in Arkansas, although he acknowledged the Clintons could "conceivably" face some civil claims if it is proven that McDougal improperly used Madison Guaranty funds to benefit Whitewater.

The president was notified of Fiske's report by an aide, and Cutler said, "I have no doubt he's very pleased by these results."

Fiske's report "should put to rest the irresponsible speculations many of them politically motivated that something more sinister occurred," Cutler said. "We hope these rumormongers and the media that published their rumors will now leave the Foster family in peace."

Among rumors effectively squelched Thursday by Fiske's report: that Foster was murdered by a German hit squad, or that his body was moved from a "safe house" kept by Arkansans in the administration to the park where it was found by a passerby.

Members of the GOP who have been demanding congressional investigations of the Clintons, including Sen. Alfonse D'Amato, R-N.Y., and Rep. James Leach, R-Iowa, asserted that Fiske's report covers only a small portion of what is collectively known as Whitewater. They pledged to use the upcoming hearings to find out if the president, his wife or their aides did anything improper or

unethical.

"I have no argument with Mr. Fiske's findings, but this was a very, very limited report," said D'Amato, ranking minority member of the Senate Banking Committee, where the Senate hearings will be held. "If the purpose of these contacts between administration officials was not to obstruct justice or influence an ongoing investigation, what was their purpose? We have a right to know."

(Optional add end)

"People in the White House should be held to a higher standard than whether or not they are criminals," said Rep. Peter King, R-N.Y., a member of the House Banking Committee, where Fiske will testify July 26. Leach, ranking minority member of House Banking, said it was "noteworthy" that in a statement accompanying his report, Fiske (a Republican) said, "We express no opinion on the propriety of these meetings ..."

Fiske's report was rich in detail about Foster's death. But it included no specifics on the contacts between administration officials concerning Whitewater because it is illegal to make grand jury testimony public.

However, in his report Fiske said he investigated "more than 20 different contacts, either face-to-face meetings or telephone meetings," between Treasury and White House officials concerning Whitewater, more meetings than the administration has acknowledged.

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BC-Whitewater-Chronology,890
With PM-Whitewater-Fiske Report
By The Associated Press=

Events in the controversy involving President Clinton's role in an Arkansas real estate venture:

1978 - Bill and Hillary Rodham Clinton, along with James McDougal, who later became a savings and loan operator, purchase 200 acres in the Ozarks for a resort development.

1979 - Whitewater Development Co. is formed, with the Clintons as half owners with McDougal and his wife, Susan.

1986 - McDougal is ousted as president of Madison Guaranty Savings and Loan, though he remains as owner. Examiner's report by Federal Home Loan Bank Board faults the S&L for risky investments in real estate deals, low cash reserves and shoddy record-keeping.

March 1989 - Madison fails, at a cost of between \$47 million and \$60 million to taxpayers.

March 1992 - In response to repeated questions about the Whitewater investment, Clinton's presidential campaign issues a report by Denver lawyer James Lyons saying Bill and Hillary Clinton invested about \$70,000 and did nothing improper in Whitewater dealing with McDougal. The report, based on an examination by a Denver accounting firm, makes clear that incomplete or missing records make a complete study impossible.

December 1992 - The Clintons sell their share in Whitewater to McDougal. They eventually record a \$1,000 capital gain on their tax form.

July 20, 1993 - Vincent Foster, deputy White House counsel and a former partner of Mrs. Clinton at the Rose Law Firm, is found dead, an apparent suicide. Documents related to Whitewater are among those taken from his office by administration officials and turned over to David Kendall, Clinton's personal attorney.

Oct. 31, 1993 - Federal regulators have recommended to the Justice Department that a criminal investigation be conducted into Madison's failure, The Washington Post reports. It is later learned that regulators named the Clintons as beneficiaries of possibly illegal activities at McDougal's S&L.

Nov. 9, 1993 - Republican lawmakers begin calling on Attorney General Janet Reno to nominate a special counsel to investigate any ties between McDougal's failed S&L and Whitewater.

Dec. 20, 1993 - White House acknowledges officials removed documents, including some involving the Whitewater venture, from Foster's office after his death without letting investigators inspect them.

Dec. 23, 1993 - Clinton says he and his wife will turn over all records relating to Whitewater but says it might take several weeks.

Jan. 5, 1994 - White House reveals subpoena has been issued for Whitewater records under terms negotiated on Dec. 23 between prosecutors and Kendall.

Jan. 12, 1994 - Bowing to intensifying political pressure, Clinton asks that a special prosecutor be appointed.

Jan. 20, 1994 - Robert B. Fiske Jr., a Manhattan lawyer, is selected by Reno to be special counsel in the Whitewater case. Fiske pledges a "flat out" investigation.

Jan. 26, 1994 - House Speaker Thomas S. Foley says there is no need for congressional hearings since "there is no evidence of any credible nature pointing to misconduct by the president or the first lady."

Feb. 25, 1994 - Deputy Treasury Secretary Roger C. Altman says he has removed himself from the Arkansas S&L investigation and will step down March 30 as head of the savings and loan cleanup agency. Altman acknowledges giving the White House a private briefing on the status of the S&L agency's investigation. The White House later acknowledges a total of three briefings dating to fall 1993.

March 2, 1994 - Associate Attorney General Webster Hubbell, friend of the Clintons and the No. 3 official at the Justice Department, acknowledges he has been questioned by his former law firm, the Rose Law Firm, about his billings

First Whitewater Report Pleases Clinton Advisers

Prosecutor Says Aide's Death Was Suicide

By DOUGLAS JEHL
Special to The New York Times

WASHINGTON, June 30 — The White House seized today on the first report by the independent prosecutor in the Whitewater affair as evidence that some of the sinister accusations surrounding the Clinton Presidency were unfounded and often politically motivated.

The report by the prosecutor, Robert B. Fiske Jr., essentially embraced what has been the White House version of the circumstances surrounding the death last July of Vincent W. Foster Jr., the deputy White House counsel. And it said there was no evidence that Mr. Foster's death in a northern Virginia park had anything to do with the Whitewater affair or that it was anything other than a suicide.

Mr. Fiske also said he had found no violation of law in discussions between White House and Treasury officials about a Federal inquiry into Madison Guaranty Savings and Loan, an institution with links to the Clintons that is the central focus of his investigation.

Those conclusions were welcomed by top advisers to President Clinton as signs that a long and painful period in which Mr. Clinton and his staff have faced intense scrutiny may be

In 200 pages, support for the White House version of events.

ending. But it also opens the way for Congress to begin a public investigation of the issues that Mr. Fiske studied, including the internal Administration discussions that even Mr. Clinton has labeled as inappropriate.

Counsel's Work Continues

Lloyd N. Cutler, the White House counsel, promised today to complete his own investigation by the time Congressional hearings begin in late July to determine whether the conversations were improper. But Mr. Cutler said the White House was pleased by Mr. Fiske's conclusion that there were insufficient grounds to bring criminal charges against the White House and Treasury officials who took part in those exchanges.

In the four months since the contacts were disclosed, Mr. Clinton's critics in Congress and among the public have repeatedly cited them as evidence that Presidential aides sought to obstruct justice by interfering with an investigation potentially embarrassing to the Clintons. The discussions were among the central focus of Mr. Fiske's questioning of the President and his wife, Hillary, in the White House in mid-June.

Mr. Fiske is still expected to issue separate conclusions within 10 days about the handling of papers in Mr. Foster's office shortly after his death. He will then turn his attention to the investigation of Madison Guaranty, the failed Arkansas thrift with ties to the Clintons that is at the heart of the Whitewater affair.

But with today's report, issued as Mr. Fiske neared the conclusion of the first phase of his investigation, senior White House officials contended that they were emerging at last

from a politically dangerous time.

"Certainly, the issue of indictments is behind the President," said Mr. Cutler, who was installed in the job after Bernard W. Nussbaum was forced to resign from it when his participation in the discussions with Treasury officials became public.

Condemning 'Rumormongers'

Appearing before television cameras in the White House briefing room, Mr. Cutler also said that Mr. Fiske's conclusion that Mr. Foster committed suicide "should put to rest the irresponsible speculations — many of them politically motivated — that something more sinister had occurred."

The special prosecutor devoted nearly 200 pages to his review of an exhaustive investigation that he said left no doubt that Mr. Foster, a kindergarten classmate of the President's and former law partner of Mrs. Clinton's, put a revolver in his mouth and took his life July 20, hours after he left his office in the White House West Wing.

Although the Park Police quickly concluded last year that it was a suicide, the death of the 48-year-old Arkansan has spawned theories so widespread and ugly that Mr. Cutler went on today to express hope that "those rumormongers and those parts of the media that published their rumors will now leave the Foster family in peace." Among the rumors spread by political opponents was that Mr. Foster had been killed in another location and that his body had been moved to the park.

On to Phase Two

With the special prosecutor preparing now to focus more directly on matters related to Madison Guaranty, White House officials sought to emphasize today that issues involving the Clintons' personal finances and Arkansas transactions would represent only a small fraction of that investigation.

In a statement that echoed that sentiment, Representative Henry B. Gonzalez, Democrat of Texas, the chairman of the House Banking Committee, praised Mr. Fiske's investigation today as one that "may go a long way toward revealing how much of the Whitewater furor is simply partisan hysteria."

But Representative Jim Leach of Iowa, the ranking Republican on the Committee, which will open its Whitewater hearings on July 26, sought to minimize the findings as "essentially those expected from this extremely narrow aspect of the probe."

Mr. Leach also called attention to the fact that Mr. Fiske had refused to express his judgment as to whether the meetings between White House and Treasury officials had violated Federal ethics guidelines, a subject that is certain to remain a focus of next month's hearings.

In a five-page written statement that he issued today, Mr. Fiske said he examined more than 20 contacts, including "face to face meetings or telephone conversations," as part of an inquiry in which he subpoenaed testimony from a dozen White House and Treasury officials.

But he said he had unearthed no evidence that anyone "acted with an intent to corruptly influence" an investigation by the Resolution Trust Corporation, the Treasury agency, into Madison Guaranty Savings and Loan, which is owned by a business partner of the Clintons.

But, citing grand jury secrecy

Ahead lies a public investigation by Congress.

rules, Mr. Fiske offered no explanation for his findings, no description of the scope of his inquiry and no indication of who had been interviewed.

The longer report issued by the special prosecutor today dealt exclusively with the question of whether Mr. Foster killed himself or was murdered, a peripheral issue among the many matters that Mr. Fiske is investigating. A few news reports had raised questions about the death, but law enforcement officials never took seriously the possibility of homicide.

As a result, the report entirely sidestepped some of the most provocative questions raised by Mr. Foster's death, including to what extent White House officials, like aides who entered his office in the hours after his death, impeded the Park Police inquiry. Mr. Fiske promised to provide more details on that issue within 10 days.

One portion of the report did shed a little light on the case. That section assesses Mr. Foster's state of mind in the days before his death, traces his movements and analyzes factors that might have contributed to what investigators concluded was Mr. Foster's depressed state.

Mr. Fiske found that Mr. Foster was "distraught" by critical editorials that appeared in The Wall Street Journal and "distressed" by criticism of the White House counsel's office in May 1993 after the dismissal of seven employees from the White House travel office.

Mr. Fiske said he had uncovered no evidence that Whitewater or other personal financial issues involving the Clintons had a bearing on Mr. Foster's state of mind in the days preceding his death. But the report did not make clear how deeply Mr. Fiske examined other motives or whether he sought to verify the accounts of White House officials independently.

THE NEW YORK TIMES, FRIDAY, JULY 1, 1994

Independent Counsel Law Reauthorized

President Clinton yesterday signed into law the reauthorization of the Independent Counsel Act, calling it a "foundation stone for the trust between the government and our citizens."

The act provides for the appointment of an independent counsel, rather than a Justice Department investigation, when credible allegations are made against high-ranking government officials. Its purpose is to ensure investigations free from political interference or the appearance of such interference.

Robert B. Fiske Jr., the special counsel investigating Whitewater and related matters involving Clinton, probably will have his status changed to independent counsel under the new act.

Clinton's signature also means that another case, that of Agriculture Secretary Mike Espy, who is currently under federal investigation, is almost certain to face an independent counsel probe now. Career Justice Department criminal attorneys were close to determining that prosecution was not warranted.

Sources said last night said Jo Ann Harris, assistant attorney general for the department's criminal division, had decided not to close the case and to allow the FBI to continue to study the relationship between Espy and Arkansas-based Tyson Foods, owned by Donald Tyson, a strong supporter and political patron of Clinton. The bureau has been investigating whether Espy accepted tickets to sporting events and free air travel from the nation's largest poultry company.

A decision to close the investigation on the eve of the president's signature of the independent counsel legislation "would appear to have been an attempt to subvert the purpose of the law," one law enforcement source said last night.

Richard Cohen

Clinton's Defense Fund

And my two cents.

If I were not ethically prohibited from doing so, I would make a modest donation to President Clinton's defense fund. The sum would be in keeping with my middle-class origins, not to mention my station in life, but I would give something so Clinton does not have to go broke defending himself in various legal matters—Paula Jones's lawsuit, in particular. In fact, I would give her a little something just to go away.

Whitewater and related matters are not in the Jones category. Some serious charges have been raised here, and the poking around of a special counsel, Robert B. Fiske Jr., is a legitimate government enterprise. The president has some questions to answer, but he should not go broke doing it, especially if he is guilty of nothing more than having inadvertently once gone into business with a scoundrel. The investigation proceeds because it has to. Bring on the congressional hearings.

But when it comes to Jones, I am entirely on Clinton's side. I wrote once—and repeat here for the record—that Jones's allegations are in every way as supportable as Anita Hill's. Both women lack eyewitnesses, and both have inconsistencies, minor and otherwise, in their stories. I, for one, can never reconcile Hill's claims that Clarence Thomas sexually harassed with her decision to follow him to another job. I remain, as I was at the time of Thomas's confirmation hearings, an agnostic on the matter.

So, too, with Jones. Given what we either know or think we know, her charges do not fall into the realm of the absurd. Maybe Clinton did summon her to a hotel room in May 1991, and maybe he did entreat her to engage in a sex act. Maybe she did rebuff him, as she said, or maybe she really did tell a member of Clinton's security detail that she would consider it a high honor and distinct pleasure to be the governor's girlfriend. Given that the only two parties to the alleged encounter dispute the facts, we may never know.

But we do know that Jones's charges of sexual harassment seem to have been motivated by something other than damage suffered on the job. So far, she has come up with no evidence that she was ever penalized for whatever happened in that hotel room—assuming she was in it. She was a state employee, for sure, but she remained one afterward and received at least one upgrade—a month after the alleged incident—and at least one merit raise. She says she should have gotten more, but that's a mere assertion. Who's to know?

More to the point, she waited until the very last minute to file her suit. She did so only after the American Spectator, a journal of political pornography, alluded to her in a story about Clinton's allegedly rambunctious extramarital sex life. Pardon me for suspecting that Jones is more interested in clearing—or promoting—her name than in proving she was sexually harassed. To say the least, those are not worthwhile reasons to damage a presidency or to financially bust the Clintons.

But the stakes are greater than the net worth or reputations of just the people involved. In our sue-till-you-drop society—and, more important, in our determination to hold a president no higher in the eyes of the law than any other citizen—there seems to be no way to shield presidents from legal suits, nuisance or otherwise. Celebrities commonly insure themselves against such risks—some extra coverage just because their names are in the paper—and a presidential defense fund serves something of that purpose. There's little doubt that Clinton remained the (relatively) obscure governor of Arkansas, this suit would never have been brought. It was, in fact, midwived by his political enemies. The suit has been brought against Clinton, but in a sense, the presidency has also been named.

A presidential defense fund undoubtedly raises ethical questions. But White House counsel Lloyd Cutler has arrived at a sensible compromise. Corporations, labor union and PACs are not welcome, and contributions are limited to no more than \$1,000. A smaller amount would have been preferred, but at \$475 an hour, Clinton's outside counsel, Robert S. Bennett, is going to cost a pretty penny.

It's a pity, too, that lobbyists are permitted to donate as individuals. That's a questionable decision, which can only be rationalized by the same explanation the celebrated robber Willie Sutton once gave about why he continued to rob banks: That's where the money is. Bennett, after all, is but one of the Clinton's lawyers. The total legal bill will undoubtedly exceed \$1 million.

The ethical canons of journalism—a contradiction in terms, if ever there was one—proscribe me from donating to the Clinton defense fund. But the obligations of being a columnist demand that I say where I stand on this matter. If I could, I would contribute to the Bill and Hillary Clinton defense fund. They're entitled to the best legal defense they can get. After all, it would be a sad day for any president if the White House becomes synonymous with the poorhouse.

FRIDAY, JULY 1, 1994 THE WASHINGTON POST

Aides to Clinton Cleared on Part of Whitewater, But He Still Faces Long Hot Summer of Inquiries

By ELLEN JOAN POLLOCK
And JEFFREY H. BIRNBAUM
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—President Clinton has faced, and surmounted, the first stage of the official investigation into the Whitewater controversy.

Yesterday, Whitewater prosecutor Robert Fiske declared that Clinton aides did nothing illegal when they discussed a politically sensitive investigation of an Arkansas savings and loan. Mr. Fiske also reaffirmed a police assertion that Deputy White House Counsel Vincent Foster killed himself.

But there are more hurdles ahead. The president still has to endure a long summer of public inquiries and revelations about his past.

Another Fiske report about whether White House aides obstructed an investigation of Mr. Foster's death when they took documents from his office is expected to be released in the next few weeks. Congressional hearings next month will publicly examine the same questions that Mr. Fiske has quietly pursued since February. Meanwhile, the president's newly established legal defense fund will continue to be a lightning rod for criticism. And Paula Jones, the former Arkansas state employee who has sued Mr. Clinton for alleged sexual harassment, will be in the news as her lawyers spar with the president's legal team this summer.

Still, Mr. Fiske's report yesterday contained mostly good news for the president, even as it put the spotlight on the Whitewater affair once again. The independent counsel looked into more than 20 meetings and telephone conversations between Treasury Department staff members and White House aides about Madison Guaranty Savings & Loan and a Resolution Trust Corp. investigation into the thrift's 1989 collapse. Mr. Fiske and a Washington grand jury looked into whether any of these contacts amounted to obstruction of justice, concluding that they didn't.

Partner With the Clintons

The meetings and phone calls concerning Madison were politically sensitive because the S&L's owner, James McDougal, was a partner of the Clintons in their Whitewater real estate investment. Mr. Fiske has been investigating whether money from Madison was improperly diverted to Whitewater or Mr. Clinton's 1984 gubernatorial campaign.

But in his report, Mr. Fiske said that "the evidence is insufficient to establish that anyone within the White House or the Treasury Department acted with the intent to corruptly influence an RTC investigation." He said that no criminal prosecution was justified.

Nevertheless, Mr. Fiske stopped short of clearing the officials completely. "We express no opinion on the propriety of these meetings, or whether anything that occurred at these meetings constitutes a breach of ethical rules or standards," he said.

Lloyd Cutler, special counsel to the president, acknowledged yesterday that "some of these contacts may have been inadvisable in hindsight." He said that he would now conduct his own investigation and would take "remedial" action if necessary. He said the White House would also

cooperate with pending investigations by the Office of Government Ethics and the Treasury inspector general that were put on hold while Mr. Fiske finished his work. Treasury Secretary Lloyd Bentsen said yesterday he had requested that those inquiries now resume. Both Mr. Cutler and Mr. Bentsen said they would cooperate with congressional panels.

'Covers Less Than 5%'

Meanwhile, Rep. James Leach (R., Iowa), who has doggedly pushed for investigations into Madison and Whitewater, noted ominously yesterday that Mr. Fiske's report "covers less than 5% of the Madison-Whitewater affair."

At the very least, these events will produce what could well be a drumbeat of bad publicity for the president, and it couldn't come at a worse time. This autumn, Mr. Clinton will face a pivotal point in his presidency. Indeed, just as he faces renewed scrutiny on Whitewater, Congress will be deciding the fate of his chief domestic priority, a health-care overhaul.

The White House is worried enough about that prospect that it is planning an offensive to bolster the public image of the president's character. Thomas McLarty, now a White House counselor, has been specifically assigned to take a lead role in the effort to defend the president's honor.

Some Political 'Gossip'

Mr. Fiske may be the first witness when House hearings begin July 26. Senate hearings will begin by July 29. Both panels have requested numerous documents from administration officials. The Democrats don't want to tread into areas Mr. Fiske is still investigating, and the scope of the hearings has become the subject of much partisan sniping.

Mr. Fiske also released a voluminous report on Mr. Foster's death, which he concluded was a suicide. Since Mr. Foster's death last summer, there had been unsubstantiated speculation that he had been murdered or that his body had been moved, perhaps even by administration officials.

Mr. Cutler said he hoped Mr. Fiske's conclusions would "put to rest the irresponsible speculations, many of them politically motivated, that something more sinister occurred."

Mr. Fiske's 58-page report was an attempt to do just that. Citing forensic evidence reviewed by four pathologists, Mr. Fiske said that Mr. Foster's wound was self-inflicted and that his body hadn't been moved from Fort Marcy Park in Virginia.

In addition, Mr. Fiske documented Mr. Foster's despondent state and said it couldn't be attributed to the Whitewater affair. Whitewater-related files had been found in Mr. Foster's office by White House aides after his death and then distributed to President Clinton's private attorney.

A Battle With Depression

Mr. Fiske said that in the last six to eight weeks of Mr. Foster's life, the former deputy White House counsel appeared exhausted, had difficulty sleeping and lost weight. He told his sister he was "battling depression," considered consulting a psychiatrist and had started taking an antidepressant.

Mr. Foster's friends and colleagues told Mr. Fiske's investigators that criticism of administration officials following the White House Travel Office controversy of May 1993 was the "single greatest source of his distress." Mr. Foster and others in the White House had come under attack for the handling of allegations that the Travel Office was mismanaged.

Mr. Fiske also said that Mr. Foster was

"distracted" over critical editorials in The Wall Street Journal, which, among other things, attacked Mr. Foster and other former members of the Rose Law Firm who had joined the Clinton administration. Robert L. Bartley, the Journal's editor, said yesterday that "our assessment of the mores of the Rose Law Firm has been confirmed by events" and that he hoped Mr. Fiske would drop his opposition to the release of Park Service and FBI reports on Mr. Foster's suicide.

Even the monthlong pause before the congressional hearings isn't likely to provide Mr. Clinton with a break from Whitewater angst. One lawyer familiar with the investigation predicted that one or two more embarrassing revelations are likely about the handling of the contents of Mr. Foster's office. Although they won't "suggest illegal conduct," he says, they could have people "buzzing."

Even Lobbyists Can Contribute

Meanwhile Mr. Clinton's legal fund, which will accept donations of as much as \$1,000, probably will generate criticism that he will take money from almost anyone, including lobbyists whose job it is to influence his government.

And finally, Mr. Fiske will now be able to turn his full attention to the Little Rock, Ark., phase of his investigation, which could drag on into next year and shed far more light on the Clintons' personal investments.

Viveca Novak contributed to this article.



Robert Fiske



Bill Clinton

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