OVER THE COFFEE



Donald
KAUL

Whitewater: The stupidity of cupidity

So this is Waterwater; this is what Jim Leach, the Whitewater hearings' Godfather, meant when he talked about "the arrogance of power." This is what was going to blow the lid off the Clinton White House.

This couldn't blow the lid off an outhouse. As a scandal, it ranks with wearing red socks with a blue suit.

The first two sessions of the House Banking Committee's look into the Whitewater matter were certifiable duds. I can't imagine anyone but totally degenerate political junkies and insomniacs without cable watching them on TV.

No zippy witnesses appeared, no wrongdoing uncovered. The worst that could be proved against the Clinton administration was that certain overzealous aides attempted to leak stories from The New York Times to the press before he had read the paper.

Admittedly the Democrats on the Banking Committee, who outnumber Republicans 31-19, wanted dud hearings. Every time they got a chance, they went into their four-corners offense to set up the clock so that the Republicans couldn't get on TV in time to make the evening news.

But still . . . when the Republicans were handed the ball, they didn't do anything with it. It was the political equivalent of six-girl basketball.

Some sort of high point or low point or point of absurdity was reached by our own Jim Nussle, who went on and on, waving his arms and making faces, about the fact that the head of the Resolution Trust Corp. had sent a White House counsel a fax of a year-old story from The New York Times! Thank God it wasn't an article from the Progressive; the Republicans would be readying impeachment proceedings right now.

(Nussle, by the way, won the door prize for ugliest sport coat; a gray number that looked as though his wife had made it for him out of a shower curtain. Either that or it was a glen plaid with leprosy.)

Leach pointed out, with only modest exaggeration, that the question of improper contacts between the White House and investigators comprised only "1 percent" of the entire Whitewater matter. Maybe so, but in many ways it is the most significant 1 percent.

Those contacts are, after all, the only part of the Whitewater mess that took place after Clinton became president and thus represents his only exposure to charges of "high crimes and misdemeanors," potentially impeachable offenses.

As it turns out, there weren't even any low crimes and misdemeanors. So far as the rest of Whitewater goes, what we're going to find is the governor of Arkansas and his wife entered into a slightly sleazy business arrangement in expectation of making a few easy bucks and, in the process, lost money. That is not the arrogance of power, that is the stupidity of cupidity.

The House laid down its Sherlock Holmes magnifying glass on Thursday in favor of the Senate, which held hearings to investigate the death of White House aide Vince Foster.

This is perhaps the most bizarre aspect of the Whitewater affair. Every law-enforcement agency that has looked at Foster's death by a bullet to the head in a deserted park near Washington has ruled it a suicide. But there is a determined band of conspiracy theorists who maintain that Foster was, or at least might have been, murdered to cover up President Clinton's Whitewater crimes.

These, basically, are people who believe in Santa Claus and think he's a Communist agent.

The hearings, all of them, are a sad reflection of the condition of politics in Washington these days: mean-spirited, hollow, partisan and lame. The Republicans seem to have no interest in anything save making Bill Clinton look bad. The Democrats are more interested in protecting their favorites than in getting anything done.

The most sensible comment of the hearings was made by Congressman Bernie Sanders of Vermont, neither a Republican nor Democrat but a Socialist. He asked why his colleagues weren't holding hearings on such issues as the growing gap between rich and poor or the increase in children born into poverty.

He pointed out that in most elections 60 percent of the people don't bother to vote. "They've given up on the process," he said, "because we're not doing anything about the problems that they have."

Do something about problems? What? And quit show business?

DONALD KAUL is a Register columnist.

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THOMAS SOWELL

Personal and political

Time and again during the Clinton administration, the question has arisen as to where the line should be drawn between what is purely personal and what is political. Whether it is the president's history of womanizing or Hillary's miraculous adventures in commodity-trading, some have argued that this has nothing to do with the Clintons' political agenda or their competence to serve.

That same question has also spilled over onto members of their administration. The latest and most painful example is Surgeon General Joycelyn Elders, whose son has just been convicted of drug dealing.

Our natural sympathies go out to any parent whose offspring has ended up so tragically. And yet there is so much more than that to the Joycelyn Elders story.

The central theme of her career, both before and after she became surgeon general, has been an air of utter contempt toward traditional parents who want to raise their children differently from the avant-garde way Dr. Elders thinks they should be raised. Policies that circumvent those parents and directly convey both condoms and the avant-garde view of sex to their children have been the hallmark of this consummately self-righteous woman.

Quick with the snappy remark dismissing traditional views, bold in taking over molding the values of other people's children, the surgeon general is now in a very poor position to expect the tolerance and sense of common humanity which she has so long and so arrogantly denied to others.

When you come on like that, you had better be very close to perfection — closer than any human being has ever been.

If this were just a personal defect of Joycelyn Elders, it would be one thing. But this arrogance, this sense of being one of the anointed whose role is to ride herd on the benighted, permeates the Clinton administration and their ideological allies in the media.

More than 20 years ago, a young, single and inexperienced Hillary Rodham wrote that parents should not be permitted by the law to "unilaterally" decide how to raise their children. Instead, those she called "children's allies" should be given legal authority to tinker with the internal decisions of the family. That is what the so-called Children's Defense Fund is all about.

Defending children from abuse and neglect is the job of the police and the courts, not of organized busybodies who are bent on imposing their supposedly superior wisdom on families that don't want it. Unfortunately, the theories and policies of the busybodies have already hobbled the law's ability to lock up rotten parents and to let decent people adopt their abused or neglected children.

Instead, all sorts of "social services" are supposed to provide "parenting skills" so abusive parents can escape jail and whole families can become guinea pigs for the social experiments of the self-anointed.

The notion that what is lacking in many people are "skills" that the government can provide is likewise the theme of Clinton administration Labor Secretary Robert Reich. The dismal and often scandal-ridden record of government "retraining" programs leaves him as undaunted as Joycelyn Elders.

The supreme example of this dogmatic and self-righteous attitude is the Clinton administration's grandiose attempt to take over medical care. Neither Hillary nor Bill Clinton has medical training, medical experience or experience in health insurance, pharmaceutical drugs, hospital administration or any of the other occupations or industries they want to control from Washington.

Nor do they seem to be at all interested in the history of disasters in government-controlled medical care in other countries around the world. These include countries like New Zealand and China, which are pulling back from such policies just as the Clintons are rushing in headlong.

The problem is not that mistakes might be made in government policies. The more fundamental tragedy is that politics ensures that mistakes will not be admitted so long as they can be covered up or turned aside with words.

Do you expect Joycelyn Elders to say, "What a fool I was to think that I could take over the raising of other people's children when I obviously failed in raising my own"?

Not a chance.

There will be no more chance that a government medical juggernaut will reconsider whether it is doing more harm than good. Instead, there will be politically defined goals, to be met by arbitrary "spending caps," imposed by bureaucratic rules — despite life-and-death consequences.

Think about it. If you or a loved one were facing a deadly disease, would you begin by imposing a spending cap? Or would you sell your car, take out a second mortgage on your house or do whatever else it might take?

But a bureaucrat with a "spending cap" is not going to think that way. Under Germany's government-controlled medical system, the bureaucrats skimped on AIDS testing of blood to save money, and patients paid with their lives.

Unfortunately, these "spending caps" are in both Republican and Democratic bills pending in Congress. Such are the political priorities that drive the plunge into government-controlled medicine. If you seriously believe people in Washington have the understanding to run medical care across this country, remember Surgeon General Joycelyn Elders and the pride — indeed, arrogance — that goeth before a fall.

Thomas Sowell, an economist and a senior fellow at the Hoover Institution, is a nationally syndicated columnist.

The Washington Times SUNDAY, JULY 31, 1994

PAUL GREENBERG

Watered down ethics gruel

After watching Maestro Henry B. Gonzalez's all-congressional orchestra conduct an "investigation" in five-minute segments, complete with stray clashes of cymbals and off-key crescendos, is it any wonder that the American people tend to despise and distrust their elected representatives?

The general orderliness, relevance and cogency of the proceedings last Tuesday before the House Banking Committee ranked about two cuts above a bunch of clowns pounding away at one another with pig bladders. Or maybe two cuts below. Well, that may not be entirely fair. To the clowns, who are *supposed* to be transparently absurd. Most of the members of Congress achieved that tragicomic effect unintentionally.

Does anyone doubt that most of these "investigators" had an agenda, and that it wasn't the public's? Even if one could get a handle on the facts and the principles involved in the murky Whitewater affair within five minutes, which is all each congressman had for questions *and* the witness' uniformly smooth response, understanding was not the objective here. Spin was. No wonder these hearings are being covered as if they were just another sporting contest, a Game of the Week. They are. The name of the game: Play to the camera.

Lloyd Cutler was best at it. The counsel to the president presented himself as counsel to the nation. An advocate, he played judge, but so well that, like any actor, he would have made a real judge look like an imposter.

"I'm not here to be a special pleader for the president of the United States," said the special pleader for the president of the United States, which essentially is the job description for any counsel to the president. If he isn't going to plead for the president, the president needs another counsel. Clearly, Mr. Cutler is an effective one. Seldom can the nation have seen a lawyer with such utter confidence in his own absolute integrity, not to mention the absolute integrity of anybody ever affiliated with this administration past, present, and probably future.

Pick an administration official, any administration official current or resigned, and Lloyd Cutler would vouch for his ethics. Smoothly. Competently. Effectively. Any glitches in handling a criminal referral that mentioned Mr. or Mrs. President were only glitches and nothing more,just a matter of "too many people having too many discussions about too many sensitive matters." Boy, could Richard Nixon could have used this guy.

But who couldn't have played Lloyd Cutler to perfection, given this committee's ground rules? An endless array of Democratic congressman, beginning with the all too imitable Henry B. Gonzales, served the witness one slow-pitch softball after another. ("Would you call the president's cooperation unprecedented?") This gave Distinguished Counsel plenty of time to rest up between brief Republican sallies. Given a set-up like that, Richard Nixon would have been not just exonerated by the Watergate investigation but canonized.

Oh, there was an exception or two to this half-sad, half-comic rule. Who is this congressman from Ohio whose name sounded like Fingerhut, and why did he ask fair, probing questions even if he is a Democrat? There's always one member of the party who doesn't get the word.

And there's also Jim Leach, Iowa's own Diogenes, who summed up in his quiet way what this is all about:

"What the minority intends to show is that the executive branch has been less than candid with the American people, and that government of, by and for the people cannot credibly be carried out without candor. ... The minority has no desire to tarnish anyone's reputation nor suggest or imply criminal conduct. This is not a trial; these hearings are about public ethics pure and simple. On the landscape of political scandals, Whitewater may be a bump, but it speaks mountains about 'Me Generation' public ethics, as well as single-party control of certain states, cities and the United States Congress. Whitewater is about the arrogance of power; it is a metaphor for privilege, for a government run by a new political class which takes shortcuts to power with end runs [around] the law."

Whitewater is about the arrogance of power.

But what, exactly, did the administration do wrong? Jim Leach summed that up, too: "It was unethical for the Treasury Department to notify the White House about the criminal referrals .... No American, including the president of the United States, is entitled to inside information about a criminal referral." This is called equality before the law. It used to be a well-known American principle.

The congressman from Iowa made his case with precision and restraint, calm and discretion, judgment and perspective, and without rancor or bitterness. Clearly, he doesn't have much of a future in American politics.

Paul Greenberg is editorial page editor of the Arkansas Democrat Gazette in Little Rock and a nationally syndicated columnist.

Bentsen forwarded Treasury IG report

By John Solomon
and Pete Yost
ASSOCIATED PRESS

Treasury Secretary Lloyd Bentsen asked his agency's independent investigator last weekend for copies of interviews from an ethics review of the Clinton administration's handling of Whitewater, officials said yesterday.

Mr. Bentsen, who ordered the review and was among those interviewed, forwarded the Treasury inspector general's documents to the White House so it could prepare for congressional hearings, the administration officials said.

By law, the IG's office is supposed to be free of political interference.

At the time of Mr. Bentsen's request, the Office of Government Ethics had not finished its review, which is expected to be released today.

Administration officials said they saw nothing wrong with Mr. Bentsen's request and the documents were simply forwarded to White House Counsel Lloyd Cutler. They said no one except Mr. Cutler saw the information.

"Nothing we did compromised the integrity of the investigation," Mr. Cutler said in an interview. "The IG was essentially finished with the investigation."

He said the White House and Treasury arranged to get the IG reports to save his staff from doing duplicative interviews. "It was more economic," he said. Mr. Cutler was the leadoff witness in the House Banking Committee hearings into Whitewater last week.

But the arrangement drew immediate criticism from outside the administration.

Sherman Funk, an inspector general for 13 years at the State and Commerce departments before retiring last year, said it was "totally inappropriate" for an IG to release investigative interviews from an ongoing review.

"The whole purpose of the IG is their independence, and if their independence can be questioned, then the very usefulness of the IG is impaired," Mr. Funk said.

Another former IG, Chuck Dempsey, said he would have immediately rejected the request and then reported it to Congress. "You just don't do that. You don't turn interviews of an investigation over for politicians to use," said Mr. Dempsey, who was IG at the Department of Housing and Urban Development during the Carter and early Reagan years.

Republicans, who have sought in congressional hearings to portray the Clinton administration as meddling in an earlier savings and loan investigation involving the Clintons and Whitewater, pounced on the revelation.

"The question now under review is one of independence of a regulatory agency investigation. And now we have questions about the independence of the inspector general's office at a Cabinet-level department," Rep. Jim Leach, Iowa Republican, said.

Mr. Leach said he was concerned about a "chilling implication" the Bentsen contact could have sent to the IG, that the "White House is very concerned and clearly would like to have a given result."



Lloyd Bentsen

In all, interview transcripts from about 20 top officials involved in the Whitewater affair were forwarded to the White House. They included Deputy Treasury Secretary Roger Altman, Treasury Counsel Jean Hanson and White House aide George Stephanopoulos.

Acting Treasury IG Robert Sesca said he approved Mr. Bentsen's request after "some deliberation" on July 23. At the time, he said, the IG's office had only one more interview to conduct and had already written a draft report of its findings.

Mr. Sesca said he "made a judgment" based on his conclusion that releasing the interviews to Mr. Cutler would not affect the outcome of the investigation.

"I felt no pressure," he said. "If there were any indication that we were short-circuiting the investigation for political purposes, we would have not done this. . . . It was a very thorough review."

WASHINGTON POST SUNDAY, JULY 31, 1994

MARY McGRORY

The Whitewater Klutzes

BERNARD NUSSBAUM, the ex-White House counsel, turned to the House Banking Committee and said piteously, "It always comes out that I am politically naive . . . . I realize it is why I am back in New York instead of Washington."

Had Nussbaum but explained to the press at the time what Whitewater was all about, how all the president's men were rushing to tell him about a "criminal referral" in the case of the Madison bank, he would still be in the White House. He had been away too long. His service as associate counsel to the House impeachment committee in the Nixon era had not prepared him for today's press frenzies.

It was a moment of truth in the Whitewater hearings. Everyone knew how wounded he was to leave the White House. It wasn't just the legal work. He was a crack litigator out of New York, accustomed to big cases and big fees. It was the politics that he loved. But his love was unrequited, say old associates. Bernie was a terrific lawyer, they agree, but he had a tin ear.

It was inevitable, they believe, that he would come a cropper. He shielded his client in the White House as fiercely as Robert Shapiro is protecting O.J. Simpson. Life as a trial lawyer had not instructed him in the importance of the appearance of

See McGRORY, C8, Col. 1

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MARY McGRORY

The Whitewater Klutzes

Still, when you have said that Bernie Nussbaum is a klutz, where are you? Is klutziness a crime? Not yet. He was just trying to help he protested, just trying to spare the president the worst fate of all, being blindsided.

Clumsiness is not in the U.S. Code. Nor is another lapse which is looming. Is it punishable to lie to your diary? Joshua Steiner, Treasury Secretary Lloyd Bentsen's young chief of staff, says he did that. Since he is a prime source of who said what to whom about the Madison Bank, we may have to work out a code of ethics for diary-keepers. Steiner has no excuse for being one. That is a Republican trait. Republicans have a compulsion to write everything down, which often makes for a more coherent performance in office but can bring about grave consequences when the jig is up, as in Watergate.

The Republicans find the scope of the House hearings too narrow and the time alloted for questions—five minutes—too short. They have worked out a system of turning over their time to one of their designated questioners. First was Bill McCollum of Florida, who barked out questions and then chewed up Nussbaum's answers. McCollum was a member of the Iran-contra committee. There, the House Republicans had a strategy of asking no questions at all, contenting themselves with making boilerplate speeches about the nobility of the contras. But McCollum is a changed man today, rattling off accusations at breakneck speed, the habitual expression of near-disgust on his pale narrow face suggesting he smells something bad, although he could not say what.

Rep. Barney Frank (D.-Mass.) is coming on as the president's ablest defender. He laughs at the Republicans. Of course, he comes from a culture and a city where a counsel who did *not* give his principal a heads-up about a criminal referral in a savings and loan case would have been hauled in to explain.

Nussbaum spoke well of everybody with the exception of Roger Altman, the deputy treasury secretary, who was plainly just trying to be helpful and make points with the boss with the first heads-up. Altman, also the acting chief of the Resolution Trust Corp., the agency charged with cleaning up after failing thrifts, wanted to bow out of the case. Considering that he and the president had been close friends from college days, he might have been right. But Nussbaum thought he should do his duty. There was so much sympathy for Nussbaum that Rep. Paul Kanjorksi (D-Pa.) spoke sternly of "too many people willing to protect their backsides."

Again, reprehensible, like being clumsy and lying to your diary. But not actionable—not yet anyway.

McGRORY, From C1

objectivity. Nothing evil happened in Whitewater, he kept pointing out, but he got fired. "Thinking back," he said to Rep. Maxine Waters (D-Calif.), who was pitching underhanded to him, "I think I should have done a better job, and I would have done a better job for him as well as myself."

This was good stuff for the committee. Republicans like to hear from rueful Democrats. They like to hear from people who have been humbled by Washington and have learned a lesson. Lloyd Cutler, Nussbaum's successor, the epitome of Washington smooth, had irritated them. They found him arrogant and told him so. But Nussbaum's confession soothed them and gave a fleeting relevancy to the proceedings, which the chairman, Henry B. Gonzalez of Texas, who hates every minute of them, charitably called "dreary."

THE WASHINGTON POST SUNDAY, JULY 31, 1994

David S. Broder

The GOP: Learning To Listen

It was what Republican National Committee Chairman Haley Barbour called "idea week" on the GOP front. What the Republicans emphasized—foreign policy—and what they played down—abortion—tells you a lot about the way they intend to play politics in the elections of 1994 and 1996.

First, let it be noted that the script for "idea week" did not include Bob Dole promoting delay in consideration of health care legislation. The whole idea of "idea week," as Barbour said, was to demonstrate a Republican commitment to develop "good public policy" that would challenge the views of the Democratic-controlled White House and Congress.

Dole's saying on Capitol Hill that inaction in the face of serious medical inflation and large gaps in health insurance might be the best outcome did not—to put it mildly—sound the affirmative note Republicans were seeking. But more often than not in the time I've covered politics, the opposition party's congressional leaders, whether Democratic or Republican, have been consumed by the insider tactics of Capitol Hill and heedless of the need to develop policy proposals that can win voter approval in coming national campaigns.

That's why sponsoring policy-development forums is one of the few really vital tasks a national party can perform when it has lost the White House. Former Republican chairmen Ray Bliss and Bill Brock understood that and moved quickly to set up such panels after the GOP defeats of 1964 and 1976—one reason that the Republicans' recovery time in each instance was cut to four years.

The Democratic chairmen couldn't grasp the concept even after consecutive losses in 1980, 1984 and 1988; it was only when the unofficial Democratic Leadership Council developed a serious policy arm in 1989 that the intellectual foundations were laid for the election of its chairman, Bill Clinton.

After becoming GOP chairman last year, Barbour quickly put together the financing and organizational structure for a semi-autonomous National Policy Forum, under veteran idea-broker Michael E. Baroody.

Last week, at a news conference kicking off idea week, the forum produced its first report, "Listening to America," a summary of themes and messages heard at 62 grass-roots meetings around the country. It is a broadly written document, less specific even than a party platform, but its large themes reflect the economic and social conservatism that has been dominant in the GOP for decades.

In view of the attention abortion gets every four years, the report's treatment of it was striking. In the 64 pages, I found only these two sentences on the subject: "When a Nebraska-born Republican on the West Coast called 'family values' a 'thinly veiled, negative, anti-abortion message' and 'a dead issue,' another member of the audience responded, 'The abortion issue is not dead, not while lives are being taken, and not while my tax dollars are paying for it.' Whenever the issue arose, the latter sentiment was the majority position."

Note the factual tone of the last sentence, the acknowledgment of differences of opinion among loyal Republicans. That, I would guess, is the way the issue will be approached in 1996, if Barbour has his way. Reducing it to less than one paragraph in a chapter on "strengthening the family," was a clear effort to put it in perspective.

If you want to know what Barbour considers a large issue, look at what he did—directly under RNC auspices—later last week with a forum on American foreign policy, for which he lined up two former secretaries of state, Henry A. Kissinger and James A. Baker III, former secretary of defense Dick Cheney and former ambassador to the United Nations Jeane J. Kirkpatrick.

The theme was stated at the outset by Baker, when he said that despite successes in some areas—notably, Russia, the Middle East and international trade—the Clinton administration "has squandered American credibility and undermined our preeminence around the world."

The root causes, Baker said, are that there is "no overall sense of direction . . . and no sense of consistency. . . . There is fragmentation in authority. . . . There is a tendency to view foreign policy through the lens of domestic politics . . . and a seeming inability to understand the importance of American leadership."

"If the international community is going to act" on the challenges of the post-Cold War world, Baker said, "only America can lead. And only the president can lead America. Much as he would like, he cannot be just a domestic president."

Cheney, who is gearing up to run for president in 1996, embellished the theme with references to the five decades of sacrifice, under presidents of both parties, that enabled the West to win the Cold War and installed the United States as the only superpower. Now, he said, employing the verb of the day, that goodly inheritance is being "squandered by one of the least competent administrations in the 20th century."

The populist tone of Barbour's grass-roots report was counterbalanced shrewdly by the use of four highly credentialed authorities to make the case for change of management and direction in foreign policy. Erase Dole, and "idea week" was a textbook example of the way a smart political party prepares the ground for a possible comeback.

A National Dialogue on Kids

ONE OF THE central questions underlying the welfare reform debate—what will happen to poor children under the various plans being proposed—ought to preoccupy policy-makers whether reform is on the table or not. Figuring out how to create caring and stable environments for children in troubled families and violent neighborhoods is the key to easing a slew of social problems, crime foremost among them.

The Clinton administration is reviewing child welfare, family preservation and foster care programs. The review is designed to help it sort out its budget priorities next year. But the administration could do itself and the country a favor by broadening the review beyond budgetary issues to create a national dialogue over what can be done for society's most vulnerable children. The point should be to abandon absolutist claims about this or that program and realistically assess successes and failures.

The administration is pleased that Congress has passed and begun financing a major "family preservation" program aimed at encouraging intervention in troubled families before disaster strikes. The idea is noble, but holding together families and keeping children with their natural parents is not always possible or feasible and can lead to terrible consequences for the children.

Advocates of family preservation cite research showing that early intervention can work. But other research has raised questions, suggesting that family preservation may encourage child welfare workers to keep dysfunctional families together in cases where children should have been removed quickly from violent, abusive or neglectful homes. This argument won't be settled by shouting claims and counter-claims across a table. In fact, family preservation has real value—but it may work best in families that have not yet reached the point of violence or neglect.

Other highly charged issues could also use calm discussion. Re-establishing orphanages and group homes, which were for a while universally condemned, is an idea you hear more about these days. Group homes may in fact be better for some children—especially those who are in a kind of judicial limbo as to their status—than foster care or other alternatives. But all this needs to be calmly discussed, and there has not been enough attention paid to how much the group home alternative would cost compared with other options.

On these and similar issues the Clinton administration could depolarize the debate. The most vulnerable of children should not become fodder for political or ideological squabbling among adults.

Week One of Whitewater

RAW PARTISANSHIP reigned supreme during the first week of Whitewater hearings as both House and Senate Banking Committees managed to sink to low points. The Senate Banking Committee, led by the Republicans, laboriously and unnecessarily rehashed the tragic suicide of former White House deputy counsel Vincent Foster. Across the Capitol, ill-mannered squabbling between two disorderly House banking committee members, Democrat Rep. Maxine Waters and Republican Rep. Peter King, ended in Rep. Waters angrily demanding on national TV that Rep. King "shut up." With those performances, both committees have no where to go but up.

The House especially is at rock bottom. Instead of conducting an investigation to determine the propriety of contacts between White House and Treasury Department officials on Whitewater-related matters, Chairman Henry Gonzalez and his Democratic colleagues on the House Banking Committee used last week's public hearings to go bail for the Clinton administration. In doing so, they mocked the congressional oversight process.

House Democrats effectively shielded administration witnesses from the kind of questioning that might have shed additional light on the behavior of administration officials after they learned about the Resolution Trust Corp.'s request for a Justice Department probe of the failed Madison Guaranty Savings & Loan. Instead, the witnesses got away with the absurd explanation that they were prying about the RTC's business out of an unselfish desire to be responsive to inquiries from the working press—even as their private papers suggested otherwise. That noses didn't grow at the witness table is a miracle.

Less miraculous but more illuminating was the testimony of former White House counsel Bernard Nussbaum. Mr. Nussbaum said there was no reason for Deputy Treasury Secretary Roger Altman, who also served as acting head of the RTC, to have recused himself from the Madison probe, absent a legal or ethical ruling requiring him to do so. Even Mr. Altman realized eventually that his personal relationship with President Clinton, who named him to his job, represented a potential conflict of interest. So Mr. Altman recused himself and subsequently quit the RTC position. To this day, however, the former White House counsel finds no reason for Mr. Altman to have acted as he did. That is fresh evidence that Mr. Nussbaum's departure from the White House was for the best.

Attention returns tomorrow to the Senate Banking committee, where Republicans will attempt to depict the White House-Treasury contacts as improper interference in an independent regulatory investigation—or something worse. Key RTC and Treasury staff get a chance to tell their side, including Mr. Altman. He must respond to allegations that he testified falsely to Congress and gave the White House "inside information" that would have stymied the RTC from taking civil legal action that could affect the Clintons. Mr. Altman has denied both charges. His face-off with the Senate is set for Tuesday. And to think: We haven't even gotten around to Little Rock.

Treasury Ethics Documents Forwarded to White House

Bentsen Passed Along Whitewater Transcripts

By Clay Chandler
Washington Post Staff Writer

Treasury Secretary Lloyd Bentsen asked the Treasury inspector general for interview transcripts from an ongoing ethics inquiry into how the Clinton administration handled the Whitewater matter and forwarded the documents to the White House, administration officials said yesterday.

Administration officials said Bentsen's actions last week had not compromised congressional efforts to determine whether the Clinton administration had meddled in a government probe of Madison Guaranty Savings & Loan, a failed Arkansas thrift with ties to President Clinton.

But the document-sharing arrangement drew sharp condemnation from former government ethics inspectors.

It is "totally inappropriate" for a independent government inspector to release investigative interviews before the completion of an ethics review, Sherman M. Funk, an inspector general for 13 years at the State and Commerce departments, told the Associated Press, which first reported the document transfer.

Chuck Dempsey, a former inspector general at the Department of Housing and Urban Development, told AP he would have rejected a request of the sort made by Bentsen and reported it to Congress.

"You just don't do that," he said. "You don't turn interviews of an investigation over for politicians to use."

Bentsen, who ordered the ethics inquiry and was among those questioned, provided copies of the transcripts to White House counsel Lloyd N. Cutler and his staff, Treasury officials said. Cutler requested the transcripts to help him prepare for congressional hearings examining the Whitewater case, the officials said.

Treasury officials said Bentsen gave Cutler the transcripts—text of interviews with about 20 top Treasury officials concerning their dealings with the Whitewater case—with the approval of Robert Sesca, acting Treasury inspector general, who conducted the ethics inquiry.

Sesca, Treasury officials said, allowed Bentsen to pass on the documents under the provision that they be used only by Cutler and his staff.

"The secretary felt it perfectly appropriate for Mr. Cutler, who was not in any way a subject of the inquiry and was not at the White House at the time of the contacts, to have this report to accurately lay out his testimony," said Treasury spokesman Howard Schloss.

"It seemed to me and to them to be a very reasonable form of cooperation that did not interfere with the integrity of the investigation," Cutler told AP.

Bentsen ordered the ethics review earlier this year after revelations that Treasury officials had provided senior White House officials with sensitive information about the Resolution Trust Corp.'s investigation into the possibility of criminal activity by James B. McDougal, a business partner of the Clintons and owner of the collapsed Arkansas thrift.

The RTC investigation did not accuse the Clintons of wrongdoing, but it named them as "potential beneficiaries" of misdeeds by McDougal and alleged that funds from Madison had been diverted to Whitewater Estates, a Clinton-McDougal property venture in the Ozark mountains, and to Clinton's gubernatorial campaign.

Sesca conducted the interviews with Treasury officials as part of an Office of Government Ethics review of the administration's handling of the Whitewater case. The OGE is scheduled to release a report today assessing, among other issues, whether Treasury officials behaved improperly in alerting White House officials to the RTC's investigation of Madison.

Treasury officials said it was unusual for an inspector general to authorize departments to share interview transcripts before an ethical inquiry had been completed, but argued the transfer was necessary to enable Cutler to present Congress, on short notice, an accurate account of White House contacts involving Whitewater.

"Congress would yell and scream if Bentsen and Cutler sat before them and said, 'We don't know,' or 'I'm not sure.' " a Treasury official said. "It would have been an outrage. We had an obligation to give an accurate rendition of what happened."

oblems in maintaining
public confidence are rooted
in the record of his life. They do
not arise because Bill Clinton
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ultimately because he was not.

THE PRESIDENT'S PAST

A GOOD PLACE TO BEGIN THINKING about how Bill Clinton became who he is today is the Arkansas town of Springdale, where a short, red-faced man known as Mr. Chicken sits in a room modeled after the Oval Office of the President of the United States (although not precisely; the White House's Oval Office does not have doorknobs shaped like hen's eggs) and tells a story about the political education of a bright young fellow.

It may seem an act of considerable vanity for a chicken farmer to build himself a copy of the President's office. But Don Tyson is a realist to his thick fingertips, as befits a man who presides over the largest abattoir the world has ever seen — every week, Tyson Foods reduces 25 million chickens to plucked and gutted shadows of their former selves — and he sees politics as a series of unsentimental transactions between those who need votes and th who have money. His office décor is an accurate, not immodest statement about where, in a world where every quid has its quo, power lives.

Money men like Tyson are strong in politics everywhere, but the realities of Arkansas favor particularly. Power in Arkansas rests upon two enduring conditions complicated by an enduring contradiction. The first condition is that most people in Arkansas have very little money while a few people have a great deal. The second condition is that Arkansas is not really a democracy. It has been ruled for almost all of its existence, and is largely ruled still, by a thin upper crust of Democratic Party officials and Democratic legislative leaders and important landholders and businessmen. This elite, bound together not by party or even ideology but by mutually advantageous relationships, holds sway over a small and politically disorganized middle class and a large but well-beaten population of the poor. The contradiction is that Arkansas voters, in a class-based reaction against this condition, perpetually favor politicians who are "common" in touch, populist in theology and reformist in policies.

What results is a system in which voters consistently reward candidates who promise change, but in which men like Tyson consistently reward those who preserve the pro-business status quo. Because each candidate must, in the absence of politics, build his own organization, and becaus the money men are the only dependable sources c the heavy financing that this requires, Arkansas' wealthy corporatists possess far greater clout tha they would in a state with a strong party systen large professional class or powerful unions. The are the equivalent of Broadway's "angels," deter mining who appears on the big stage and who doe not. There are a few Republicans among the angels and perhaps one or two mild ideologues, but mos of the heavenly host fit the description Don Tyso applies to himself: "businessman's Democrat, which means they support Democrats who port them.

"The Arkansas system had always been to fin some good young people and encourage t work on the local level," Tyson ruminates b speakerphone from his oval office. "The syster kind of weeds them out, and out of that comes United States Senator or a governor. . . . It's lik a horse race. You back three or four, so yo always got a winner."

The Tyson family has been backing w in Arkansas politics since 1954, when Joh Tyson, Don's father and the founder of th family business, bet on a promising your man named Orval Faubus. "Orval was n

BY MICHAEL KELLY

Michael Kelly is the staff writer of The New York Magazine.



CLINTON was precisely the right kind of budding politician to app

dad's first political deal," Tyson recalls, speaking of the six-term Governor with the nostalgic affection of an old horseplayer remembering a 5-to-1 shot that paid off. "Orval was a little newspaper editor 25 miles east of here in Huntsville. He got over here one day and had a lunch with a bunch of Springdale people here in a restaurant. He said, 'I want to run for Governor and I need $1,500 and don't have it.' Dad was one of the three people who gave him $500 apiece so he could pay his filing fee."

The generation that entered Arkansas politics in the 1970's was exceptionally rich in talent, but even so, Bill Clinton caught Tyson's eye. "He was young and he was impressive," Tyson recalls. "I don't believe we ever talked about his politics; hell, he a Democrat." Tyson put a modest sum of money on Clinton in his yearling race, a Congressional run in 1974. Although Clinton lost that election, he showed excellent form, and Tyson backed him again in his successful 1976 run for State Attorney General; and again in 1978, when the 32-year-old ran as the overwhelming favorite for Governor.

But before Tyson made his gubernatorial choice for 1978, he posed a question. In the relentless drive of expansion and acquisition that would make Tyson Foods the largest poultry processing company in the world, Tyson faced a serious obstacle. In recent years, most other states had raised their legal truck weight limits from about 73,000 to 80,000 pounds. Arkansas, though, still stuck to the old limit, which put the state's poultry and trucking companies at a disadvantage with their out-of-state competitors and cost them millions of dollars. Would a Governor Clinton take care of that problem? Candidate Clinton, recalls Tyson, said he would be happy to.

"Bill promised a bunch of us that he'd raise the weight limit on trucks," Tyson remembers. "Damn right he did. He promised me, personally, in my car driving to the airport three or four months before the election. He said that if he was elected, he'd do it. He said he'd take care of it. Now, there's a bunch of chicken folks in this state, and we all had a big interest in this weight thing, so we supported Clinton."

It was, by Tyson's account, several months after this private talk that a great windfall came into the lives of a young and relatively poor couple named Bill Clinton and Hillary Rodham. The windfall fell from the hand of the Clintons' close friend James Blair, an important Arkansas Democrat of the backroom genre and a Springdale lawyer whose most important client was Don Tyson and Tyson Foods.

Blair was a man who greatly desired to be rich. In 1977, he began plunging deep into a string of commodities speculations that he expected would make him so. Trading in cattle futures through the Springdale branch of the Ray E. Friedman and Company (Refco) chain run by Robert (Red) Bone, a commodities broker (and former Tyson executive) of dubious reputation, Blair had already made several hundred thousand dollars by October 1978, and expected to make millions more. With Clinton up 30 points in the polls less than a month before Election Day, Blair approached Hillary Rodham to urge her to invest in his sure-thing scheme, telling her that "it was one of those rare chances to put aside some money," and that "she wouldn't have to be the expert. I'd give her advice."



Arkansas's favorite son, with his mother, at home after his first semester at Georgetown. Top: The band major at Hot Springs High.

Mrs. Clinton put up $1,000, and on her first day made a post-commission profit of $5,300, trading on 10 cattle futures contracts. She continued to invest with Blair and Bone for nine months, during which time her husband was elected and sworn in as Governor. Although Mrs. Clinton was a small, inexperienced and cash-poor customer, Bone's Refco office accorded her privileged treatment generally reserved only for investors with deep pockets or proven records. The Blair-Clinton investments ended in July 1979, having netted $99,537, a nearly 10,000 percent return.

On April 22, 1994, Hillary Rodham Clinton, soft-edged in a warm pink sweater and smiling sweetly at the badgering White House reporters, acknowledged that she had opened her account at Blair's "very strong recommendation," that Blair had always guided her about which trades to make and that "often" he had simply placed the trades for her. Her role, as she described it, was largely limited to approving Blair's suggestions. But, Mrs. Clinton insisted, Blair had done this large favor only because he and his wife were "among our very best friends." Scorn crisping the edges of her voice, Mrs. Clinton dismissed the idea that Blair might have meant to guarantee good will towards Tyson Foods with his $100,000 boon to the Governor and his wife. "I found it a little bit surprising that anyone would suggest that," Mrs. Clinton said, "because, in 1980, right during the time that this was all going on, when my husband ran for re-election, Tyson supported his opponent."

Mrs. Clinton's artful explanation notwithstanding, the records show that she had concluded her commodities trading with Blair by July 1979 — more than a year before the next gubernatorial campaign. For his part, Tyson says today that he never knew about the financial arrangements between his attorney and the Clintons until he about them in The New York Ti earlier this year. But Tyson also says the reason he didn't support Bill C ton in 1980 is not because he couldn't buy Clinton's favors in 1978. It because Tyson thought he had indeed obtained a favor — the promised truck weight increase. But Clinton had failed to deliver his part of the bargain. "He didn't raise the limit," Tyson says.

The fact is, even if he had wanted to, Governor Clinton could probably not have pushed the higher truck weight through the Legislature. The opposition of the powerful Arkansas Highway Commission — on the grounds that heavier trucks would damage the state's highways — was just too strong. But Tyson blamed the young Governor for not even making the fight. "He never even t to get it through," Tyson says.

And so, when Clinton ran again for Governor in 1980, against a little-known Republican businessman named Frank White, Tyson took revenge: "I said, 'Hell, I'll support Frank White.' "

Clinton lost the 1980 election, a defeat that threatened to end his political career. But in 1982, after a brutal campaign against White, he won the Governor's seat. Tyson, who had backed W a second time, watched with interest to see what the resurrected Governor would do about the truck weight limit, which remained unchanged despite White's support of an increase. A rr immediately after taking office again in 1983, Clinton maneuvered the 80,000-pound through the Legislature by linking it to a special on the heavier trucks, to pay for potential damage. And when Clinton ran for re-election in 1984, Tyson supported him, as he has in

TOP: GAMMA LIAISON. LEFT: CLINTON FAMILY COLLECTION/SIPA PRESS. RIGHT: THE NEW YORK TIMES.

ınsas powers. In an age of radicalism, Clinton was an instinctive establishmentarian.

CLINTON CONGRESS



Clinton was anti-big-business in this unsuccessful 1974 campaign. That stance would change after another loss in 1980.

ıion since. He is refreshingly candid about . "He started running the state better and ıed a few lessons," Tyson says, "And, hell, my ıs were running full, 80,000 pounds."

42D PRESIDENT IS AN IMPRESSIVE THINKER, ented political performer and something of a nary. Indeed, although Bill Clinton has been ly successful (for better and worse) in pre- ıng himself as a moderate, he is, in a and unpejorative sense of the word, lical, committed to a level of change nore ambitious than that of most idents. Through his ability to speak both uncommon intelligence and a mon touch, he has advanced issues had been frozen for years in a left- stalemate, most notably health welfare and crime. The expanded ed-income tax credit program he from Congress last year was a ric measure, the Government's first attempt to guarantee that no one works full time and has a family to ort would fall below the poverty The health care reform he is trying t through Congress this year would he most significant expansion of lements since the creation of Social ity and among the most ambitious ts at social engineering in the na- s history. The Clinton Administra- is the first to openly (if at times rly) embrace the idea of according ected minority status to homosex- The Clinton welfare-reform bill not entirely meet the grand cam- promise of "ending welfare as we it," but it nevertheless represents a ıne attempt to impose the toughest requirements ever attached to wel- the first serious effort by any Presi- Democrat or Republican, to stop disastrous generational cycle of rica's dole society. Because Clinton esident, it has become harder now riminals and lunatics to arm them- s, and easier for parents to take time ork without losing their jobs.

why doesn't all of this seem to r more? Why doesn't Bill Clinton ıore credit for his successes, and less ation for his failures, which seem to so large? Why does the President get so little ect? The problem is not just criticism from the , where many passionately loathe Clinton. That be expected; conservatives understand, if ls do not, how serious the President is about atic change. What threatens this President s to be much larger than mere partisanship. is a level of mistrust and even dislike of him s almost visceral in its intensity. In Washing- where power is generally treated with genu- flecting reverence, it is no longer surprising to hear the President spoken of with open and dismissive contempt. In mainstream journalism and even more so in popular entertainment, President Clinton is routinely depicted in the most unflattering terms: a liar, a fraud, a chronically indecisive man who cannot be trusted to stand for anything — or with anyone.

Bob Woodward, in his book "The Agenda: Inside the Clinton White House," describes the President as a lost leader, berating himself and his aides for selling out the populist promise of his campaign to satisfy Wall Street, being berated in turn by his own Vice President to "get with the goddamn program." At a television town-hall gathering in North Carolina, a woman confronted the President: "Many of us Americans are having a hard time with your credibility. How can you earn back our trust?" At another public event, a newspaper editor informed the President that his explanations on Whitewater reminded him of his young daughter's excuses for undone homework. The political columnist Joe Klein, once one of Clinton's great fans, writes that the President's idea of character is "adolescent, unformed, half-baked," and that "with the Clintons, the story is *always* subject to further revision," as "trust is squandered in dribs and drabs."

Much of this is unfair, some of it is irrational and some of it has more to do with the savagery of an angry and fearful time than it does with Clinton personally. It is true as well that Clinton suffers from a fundamental handicap; in the unusual three-way race of 1992, he was elected with only 43 percent of the vote, putting him in office with one of the weakest bases of support any President has ever had. But there is a fundamental reason for Clinton's plight. Bill Clinton is the first President since Richard Nixon to be threatened with the awful intimacy of rejection not simply as a leader or as a politician but as a person. As was also true with Nixon, this threat flows from a deep source, an abiding public doubt about the ethical content of the President's character. Such doubt is quite different from the criticisms of job performance that plague every President. It is an assessment of the man as a whole, of what is bred in the bone, one of those national gut decisions that happen in politics, something that solidifies after the accumulation of evidence passes some unseen tipping point: Lincoln is honest, Carter is weak, Reagan is decent but doddering, Bush is a wimp. Only Richard Nixon and now Bill Clinton have been tagged with nicknames that reflected a popular suspicion that the President of the United States could not be fully trusted: Tricky Dick and Slick Willie.

What plagued Nixon, and now Clinton, is that this sort of judgment is extremely difficult to overcome; it is almost entirely impervious to the machinations of speech writers and political consultants, and even to substantive achievements of office. Bill Clinton for President promising to revive the economy and bring about universal health care. Less than halfway through his term, the economy is in strong shape and care reform in some form is almost assured. Americans acknowledge these achievements. According to a New York Times-CBS poll in July, 53 percent of Americans view the economy as healthy, compared with only 23 percent when Clinton took office. Seventy-nine percent think universal health care is "very important." Yet the public is strongly disinclined to give Clinton credit. The Times-CBS poll found that 63 percent of



THE HOLLYWOOD version of Clinton's life centered on his early chi

Americans think Clinton has made no progress in improving the economy. Even more startling, 60 percent say Clinton has : no progress in advancing health care insurance. The President's overall approval, which has never risen more than about 10 points beyond the 43 percent mark, has dropped precipitously in the : six months; 47 percent of the public disapprove of the way Clinton is doing his job and only 42 percent approve.

Nixon's problems were rooted in the record of his life, and Clinton's are, too, in the things he has and done to get where he is today. Clinton's life trails him like a peculiarly single-minded mugger, popping out from the shadows every time it seems the President is for a moment safe — to whack the staggering victim anew. The has slugged Clinton so often, so publicly and so brutally, that its attacks have become known, in the pop-culture shorthand that signifies universal acquaintanceship, by their tabloid handles: Gennifer, the Draft, I Didn't Inhale, Whitewater, Troopergate, Hillary's Commodities, Paula Jones. Each episode moved the national assessment closer to the tipping point.

W makes this sad, even tragic, rather than merely sordid, is that Bill Clinton's predicament owes itself directly to Bill Clinton's promise. The President's problems did not come about because he was a cheap political hack. They came about because he was not. For what has happened to Clinton happened because he wanted, more anything in life, to get to where he is today, and because he wanted this, at in part, in order to do good — and because the great goal of doing good gave license to indulge in the everyday acts of minor corruption and compromise and falsity that the busi- of politics demands. Bill Clinton perceptive enough to master politics — but not perceptive enough to see what politics was doing to him.



The first-term Governor and Mrs. Clinton in 1979, around the time of her commodities windfall. Top: The high-school yearbook photo, 1963.

CIRCUMSTANCES OF BOTH NATURE nurture set Bill Clinton up for a life in politics. The Hollywood version of Clinton's life, produced for 1992 Presidential campaign, centered on his early childhood "in a place called Hope," a parable of small-town innocence and working-class roots. But Clinton really grew up in the old gangster city of Hot Springs, where his mother, Virginia, had m when he was 6. As she describes it in her recent, posthumously published memoirs, "Leading With My Heart," Hot Springs was "a town in which the con job was considered an art form," and the h of the some of the most thoroughly crooked politics in America. The city of Clinton's youth was a place where whorehouses and illegal gambling halls thrived under police protection, where the retired New York mobster Owney Madden was a celebrated citizen and the town's leading madam was another, where illegal gambling and liquor sales were routine — a place, Virginia writes, "where gangsters were cool, and rules were made to be bent, and money and power — however you got them — were the total measure of a man."

Virginia and her second husband, Roger (Dude) Clinton, were not peripheral citizens but successful members of the Hot Springs business and political establishment. Virginia built what was for three decades a successful practice as a nurse-anesthetist, and Roger was employed at his brother Raymond's thriving Buick dealership. In her memoirs, Virginia Kelley (as she was known at the time of her death in January) describes a family that always had a big, comfortable home, at least one late-model Buick convertible in the garage and enough spending money to indulge in frequent night-clubbing and gambling with a group of "running buddies" that included many of the men who ran Hot Springs. Indeed, the Clintons themselves were important political players: Roger's brother Roy was a member of the State Legislature from 1951 to 1954, and his brother Raymond, the y leader whom Clinton has described as a father figure, was a behind-the-scenes power in town. He made his Buick dealership "a gathering for powerful, politically savvy men in Hot Springs," Kelley writes. "The big wheels."

One critical point that the young Clinton c not have failed to notice was that people who had power and connections could do things that other people could not. Kelley's unblushing account makes it clear that Roger Clinton his friends had a long history of getting away with crimes and acts of drunken violence. She writes, offhandedly, that before she met Roger, Raymond had used his influence to get Roger out of trouble with the Hot Springs police after he had "bashed a Puerto Rican boy in the head with a cue stick." In years, Kelley recounts, there was a litany of violent occasions: "the night I ed with a man at the Tower Club Roger Clinton beat him to a pulp"; Roger punching and kicking her at a public dance; Roger and his drinking buddies driving roaring drunk down the highways; nights the cops were called to the Clinton home to protect her sons.

And the lesson was not merely that the right people could get away with doing wrong. As Kelley describes philosophy, the right people — her family and friends — couldn't really *do* wrong.

In the two years and eight m of her marriage to her first husband, Blythe, Kelley writes, he never told of his previous three marriages or that he had fathered at least one child besides Bill. Of her third husband, Jeff Dwire, Kelley writes that her suspected him of being "a con and of running a house of prostitution out of his beauty salon. Kelley she "never believed" those "awful rumors." In 1961 Dwire was indicted on 25 counts of stock fraud (for which he was ultimately convicted and sentenced to nine months in prison) for his part in a in which he and a partner bilked small-investors of more than $32,000 by pretending they were producing a movie on the life of the gangster Pretty Boy Floyd. As far as Kelley concerned, "that one mistake wasn't a reflection of the inner man."

Kelley calls her approach to life "brainwashing," and describes it in clear terms: "Inside head, I construct an airtight box. I keep what I want to think about, and everything else stays beyond the walls. Inside is white, outside is

TOP: SIPA PRESS. LEFT AND RIGHT: THE ARKANSAS DEMOCRAT-GAZETTE.

›wn called Hope.' But Clinton really grew up in the old gangster city of Hot Springs.

black . . . Inside is love and friends and optimism. Outside is negativity, can't-doism and any criticism of me and mine."

Also outside the parameters of Kelley's construct were the past and the future; she insisted on living in the present. "I've always felt the past is irrelevant," she writes. "I've always maintained that whatever's in someone's past is past, and I don't need to know about it." As for the future: "I've trained myself not to worry about what-ifs, either. . . . And when bad things do happen, I brainwash myself to put them out of my mind."

Kelley's relentless accentuation of the positive must have been a great help in dealing with years of adversity, and Bill Clinton clearly owes much of his own optimism, tenacity and resilience to his mother's inspiration. Clinton also may owe to Kelley the character trait that was perhaps the essential determinant of his political success — an unusually large need for adulation, a hunger for affirmation from others so intu that approval is seen almost as an entitlement. "I think Bill and Roger and I are all alike in that way," Kelley writes. "When we walk into a room, we want to win that room over. Some would even say we *need* to win that room over, and maybe that's true. Roger says the three of us, if there are 100 in a room and 99 of them love us and one doesn't, we'll spend all night trying to figure out why that one hasn't been enlightened."

This powerful need doubtless had a great deal to do with turning Clinton into the remarkable political performer he is, a campaigner driven to treat each encounter with a prospective voter as an occasion for seduction, an opportunity to win another's love. But this need also made him peculiarly vulnerable to the universal temptation of political life — to tell people what they want to

. Kelley's philosophy could only have encouraged this behavior. Her world view taught, ultimately, that people are not to be judged by their actions, but are endlessly free to reinvent themselves, to be whatever the moment demands. Since "what ifs" do not exist, one needn't worry that the promise of the moment cannot be met in the future, or that the action of the moment might have a harmful consequence. Since the "irrelevant" past does not really exist either, the actions of the moment cease to exist once the moment becomes the past, and cannot be held against one later.

Kelley describes herself as a natural performer who craved to be the center of admiring attention, and it is noteworthy that the early ambition of both of her sons was to be a popular music star like Kelley's idol, Elvis Presley. Roger Clinton never advanced beyond that adolescent dream; Bill Clinton, recognizing his true talents, put aside his saxophone and turned to politics.

Clinton's career began while he still a student at Hot Springs High School, where he was president of his junior class, the Beta Club (for academic achievers) and the Kiwanis Key Club. By his late teens, Clinton was already a semi-professional politician, so greatly in demand as a civics club speaker and leader of charitable fund drives that his high-school principal had to limit his engagements in order to protect his schooling.



The Governor and the Chicken Man in 1988. From Don Tyson, Clinton learned the cost of alienating Arkansas's moguls.

It was clear early on that Clinton possessed great political gifts. He was intelligent, charming and driven, and he had an extraordinary gift for intimacy, a chameleonlike quality of immense value in politics. All sorts of people, meeting Clinton, saw someone much like themselves. Like his hero, John F. Kennedy, he was at home on stage or in front of a camera.

Moreover, Clinton was precisely the kind of budding politician to appeal to the Arkansas powers. In an age of radicalism, he was an instinctive establishmentarian. He was a joiner: the calculus club, the advanced math club Mu Alpha Theta, DeMolay (an organization of "future leaders"), the Junior Classical League, the Bio-Chem-Phy Club, the marching band, concert band, stage band and pep band. He was the right kind of achiever: a National Merit Scholarship semifinalist, winner of the Hot Springs High School Civitan Junior Businessman Award and the Elks Youth Leadership Award for Arkansas, accepted at Georgetown, Oxford and Yale. He was not a bomb-thrower or even a boat-rocker. He ran for his first college office, the 1964 freshman class presidency of Georgetown University, on a platform of solid, modest reform. After his victory, he informed the college newspaper that "the freshman year is not the time for crusading, but for building a strong unit for the future. You must know the rules before you change them."

A young man of such obvious promise would have been encouraged in any state, but in a poor, chronically put-upon state like Arkansas, he was particularly prized. As A. J. Liebling once noted, the states of the old Confederacy are always searching for those exceptional "national" political talents, the bright young men who will go to Washington and make those damn Yankees stop their endless sneering. But neither Clinton's inarguable appeal nor his inarguable talent for wooing support explain why so many people were willing, would always be willing, to do so much to further his ambitions. The real explanation lies in the conviction, held by Clinton's elders and friends, as well as by Clinton himself, that he was ambitious for the right reasons — because he wanted power in order to do good.

"We all believed, at that time, that the most noble direction we could take was to serve in elective or appointive office," recalled David Mixner, a longtime Clinton friend and liberal political activist, in an interview with the Clinton biographer Robert E. Levin. "He deeply believed that Government could feed people, that the end war, that poverty did not have to be a permanent condition, that we could make our country great and prosperous and that our generation would be the one to do it."

The danger in this admirable thought was that it led, almost inevitably, to a logical successor: that the advance of a generational idealist like Bill Clinton was a moral imperative — one that justified any means necessary. The acceptance of this rationalization was the signal event in the development of Clinton's character — the ur-compromise from which all later compromises would flow. It occurred when Clinton was only 23, in response to the first great crisis in his life, the Vietnam War.

For Clinton, as for so many men of his generation, Vietnam would be the crucible, the defining ground that would shape their characters forever. Clinton's successful multiyear effort to avoid the Vietnam draft reached its apex in April 1969, when he was a Rhodes scholar at Oxford and received his induction notice from the Hot Springs draft board. At his request, the induction was postponed for two months so that he could finish his term. [illegible]



CLINTON'S life trails him like a peculiarly single-minded mugger, pop

summer, he returned to Arkansas and won a deferment on the strength of his pledge to enroll in the Reserved Officers Training Corps program at the University of Arkansas, whose law school he said he planned to attend once he'd finished at Oxford. It was a move of desperation. The R.O.T.C. deferment could protect him for four more years, but would at the same time commit him to two undesirable courses of action: attending the University of Arkansas Law School ins of the far more prestigious one at Yale and serving a lengthy stint in the Army reserves after graduation. The deferment was granted on Aug. 7, 1969, and was put into effect immediately, protecting Clinton from the draft for two crucial months in which the Hot Springs draft board inducted two younger men.

On Oct. 30, Clinton was reclassified 1-A. He has said that this was his idea, and that he took this step because he had come to feel, after several years of maneuvering to avoid the draft, a moral obligation to take his chances along with the other young men of his community. But Clinton's timing suggests otherwise; he changed his draft status only after President Nixon had announced that inductions would be sharply decreased and that graduate students, like Clinton, would be allowed to finish the school year even if drafted, thus guaranteeing protection through the late spring of 1970. Moreover, Nixon had begun winding the war down; 25,000 troops had already been with- , and the Administration was reportedly considering withdrawing all troops by the end of 1970. On Nov. 26, Congress enacted the new draft lottery system, and on Dec. 1, Clinton's birth date was assigned the number 311, high enough that he knew he would never be called. On Dec. 2, in violation of his promise to enroll in the R.O.T.C. program at the University of Arkansas, Clinton applied to Yale Law School. On Dec. 3, he sent a letter explaining his actions (and seeking the approval he craved even from someone he had deceived) to Col. Eugene Holmes, the Army R.O.T.C. commander at the University of Arkansas.

The now-famous Holmes letter, made public during the 1992 campaign, captures the young Clinton at a crossroads. On one hand, the writer of this letter is obviously and passionately concerned with doing, and being, good. But the letter also captures, with shattering clarity, a young man to rationalize acts of deception and compre as necessary in the pursuit of that good — which Clinton now regarded as inseparable from political advancement.

In his carefully crafted explanation of his thinking, Clinton made clear that he regarded the draft as "illegitimate," and the Vietnam War as immoral. He described two close friends who had openly resisted the draft as heroes, and portrayed the path of the conscientious objector as the honorable one for anyone opposed to the war. But in the end, Clinton wrote, he decided to put the moral imperative of his political success above his principles:

"I decided to accept the draft in spite of my beliefs for one reason: to maintain my political viability within the system. For years, I have worked to prepare myself for a political life characterized by both practical political ability and concern for rapid social progress. It is a life I still feel compelled to try to lead."

Here, astonishing in its hubris, is the idea at last expressed in its all-excusing force. Other young men of Clinton's generation might justify their actions regarding Vietnam on the grounds of simple self-interest: they did not want to lose their lives to a stupid war. Clinton deci that his self-interest was the same as his country's. He was acting for the sake of the nation's future.



The Clintons looked like winners on Election Day 1984, when he was re-elected for a third term. Top: Clinton, still only 38, in 1985.

THE ARKANSAS THAT BILL CLINTON came home to in the summer of 1973 after getting his law degree at Yale was in the middle of the most significant generational reform movements since the late 1940's. Clinton plunged immediately into it, with a 1974 challenge to the popular Republican Representative John Paul Hammerschmidt of the Third Congressional District, which covered most of northwestern Arkansas. That included Fayetteville, where Clinton accepted a teaching position at the University of Arkansas Law School. Although Clinton was unlikely to win against Hammerschmidt, he nevertheless attracted strong backing, beginning with his family connections and expanding quickly throughout the Democratic establishment.

In the Democratic primary and in the general election, both the A.F.L.-C.I.O. and the Arkansas Education A iation supported Clinton, as did consumer groups, the United Mine Workers and some of the angels of A s politics, most notably Don Tyson. According to Meredith Oakley, the author of "On the Make: The Rise of Clinton," Clinton was able to outspend Hammerschmidt by $20,000. In campaign, Clinton was much aided by his de facto campaign manager wife-to-be, a young woman whose reformist zeal surpassed even his. By running hard on an anti-big-business platform and by unfairly tarring Hammerschmidt with Watergate, the young candidate nearly pulled off what would have been a tremendous upset, w nearly 49 percent of the vote.

Falling back on his teaching job, Clinton immediately began planning race, a run for Attorney General that he won as expected in 1976. The Attorney General was a populist reformer in the classic Arkansas style: utilities, anti-big-business, pro-environment, pro-working class. Every he and his young staff attacked the utility companies over rate hikes and other issues, pushed environmental issues and energy conservation and sued local dairy farms and General Motors. He worked all the time, and kept his name before increasingly impressed voters through frequent photo ops media shows that demonstrated his deepening understanding of the new performance art of television politics. After only one two-year term as Attorney General, Clinton won the Governor's seat, ing, at 32, the youngest chief executive in the nation.

TOP AND LEFT: DAVE FORNELL/THE NEW YORK TIMES. RIGHT: THE ARKANSAS DEMOCRAT-GAZETTE

from the shadows every time it seems the President is for a moment safe — to whack the staggering victim anew.

Much of what the new Governor did in his first term, in 1979 and 1980, was relatively uncontroversial. For instance, he increased spending on public education by 40 percent and expanded legal, health and social services for the elderly. But a good deal of it directly challenged the moneyed interests. Clinton did not merely alienate Don Tyson and his fellow poultry barons; he took on the entire host of Arkansas angels: the utilities, the timber interests and the trucking companies.

The Administration's most famous and popular battles were fought against the Arkansas Power and Light Company, a perennial target of reform governors. The "whiz kids" who ran Clinton's new Energy Department — Scott Trotter, Walter Nixon 3d, Basil Copeland and Jerry Lawson — made headlines with a suit that forced the utility to refund to its customers $8.5 million in overcharges, and challenged the company over its secret plans to pass on to Arkansans up to one-third of the cost for Grand Gulf nuclear plant, which was being built near Port Gibson, Miss., by A.P.&L. and two other Southern utilities.

Thus, in 1980, when the first-term Governor ran for what was expected to be an easy re-election, it wasn't just Don Tyson who was looking for revenge. Much of the entire corporate establishment of Arkansas lined up behind Frank White, a Little Rock investment banker and political neophyte. The timber companies and the Stephens family, financiers who wielded immense political power, either supported White or sat on their wallets. Both A.P.&L. and Southwestern Bell openly endorsed White, contributing heavily. When financial disclosure reports were filed a few weeks before Election Day, Clinton, who had expected to far outraise his relatively unknown opponent, was shocked to learn that White had collected an impressive $400,000.

The fat cats' backing allowed White to run an aggressive, late-campaign series of television commercials attacking the arrogance and incompetence of the Clinton Administration. White won the election, and Clinton became the youngest ex-governor in the nation. White's first official act as Governor was a gift to A.P.&L.: he abolished the Energy Department and fired the whiz kids.

Clinton brooded about his first real political setback, potentially fatal to his long-term ambitions. Publicly, he blamed himself for losing touch with the people. In private conversations with friends, he attributed his failure at least equally to losing touch with the moneyed interests.

"During his lame-duck period, I went to his office to visit him," recalls Trotter. "He was in this real funk, and he told me that after the news got out about Grand Gulf, A.P.&L. went out and raised a lot of money for Frank White, and that this money had enabled White to run the negative TV ads late in the campaign that Clinton figured cost him the race. The message was: If we hadn't done this thing, he'd still be Governor."

Clinton's traumatic defeat took its place alongside the Vietnam draft as a watershed in his development. His first term as Governor had been a grand experiment in reform, motivated both by ideals and by political instincts that told him change was what the voters wanted. Where had all this got him? The voters had paid little attention to his successes, and had held his failures greatly against him. The angels, on the other hand, had paid close attention to what Clinton had done, and had punished him for it.



Witt and Jack Stephens, millionaire financiers, established the fundamental symbiosis between business and politics in modern Arkansas.

The lesson was clear: to be successful, a politician had to appear hugely concerned with bettering the lives of ordinary citizens but had to be careful to avoid acting on those concerns so aggressively that they threatened the interests of the business elite. Exiled to an office in the Little Rock law firm of Wright, Lindsey & Jennings, Clinton pondered how he could win votes as a populist reformer and still raise money as a businessman's Democrat. Arkansas political observers credit two people, Jim Blair and a tough political operative from Texas named Betsey Wright, with teaching the defeated Governor how to walk the line between the two competing demands. "It was Betsey who taught him — hammered it into his head, really — the idea that perception was reality," recalls Brownie Ledbetter, president of the reformist Arkansas Fairness Council. "That became the battle cry of the new Clinton approach."

Bill Clinton had never been much good at the old style of populism, the bellowing, wisecracking, denunciatory style practiced by Arkansas candidates since the days of Jeff Davis. But his own natural style — his intuitive desire to p e his chameleonesque habit of becoming whoeve he was with, his talent for losing himself in th moment — was ideally suited to the new style o perception-based populism, primarily defined b television. The small scree did something perverse. It di minished and distorted th traditional thunderer c politics, translating the grand oratorical sweeps an outsize physical gestures int cartoons. Clinton realize that the new medium permi ted a much more sophistica ed level of communicati with voters, by playing in mate scenes before the ca era as if the camera were there. He understood th the camera rewarded the ev cation of a different kind sincerity in politics. It tran mitted more than words; transmitted performance and the performances transmitted most effective were all about seduction.

The right words t right nonverbal signals — t way in which a p stood, sat, listened, laughed, smiled, frow combined to create a message that overrode content of the words alone. If a politician was gc at this, he could create not only a political rea out of perception, but also several conflict realities at the same time, subtly manip nuances of language, voice, expression b posture so that each member of his audience and heard what he wanted to see and It possible to speak even on a subject arou sharp division — abortion or affirmative actior welfare — and have people on opposing s perceive the speaker to be one of them.

Bill Clinton was beyond good at this political performance art. When he spoke, per tion was not only reality. It was a reality changed, quicksilver-quick, from eye to eye and to ear. "You and Clinton might disagree totall a subject and you'll never know it unless you li closely to every word," marveled Rober McCord, executive editor of The Arkansas De crat, in 1978. "Most people don't. They rel tone of voice and facial expressions, which



WHAT IS TELLING about the Lasater matter is Clinton's evident wi

Clinton, will never be harsh or unpleasant ... Liberals and conservatives alike go away from him thinking he's one bright fellow."

In the 1982 campaign to regain the Statehouse, Clinton appeared to run hard as a populist. He accused White of being the tool of the moneyed interests, telling a Democratic Women's Club audience: "He's got half a million dollars because the people who wanted decisions from the Governor's office paid for them." Diane Blair, an Arkan- political scientist (and the wife of Jim Blair) later wrote that Clinton's ads "portrayed White as an untrustworthy, interest-dominated plutocrat who might run with the good-old-boy hounds by day but slept with the utility foxes at night, while Clinton was just a caring and concerned, down-home Baptist family who wanted nothing more than another chance to fight the fat cats on behalf of the little guys."

Publicly and frequently, Clinton embraced his former energy whiz kids Trotter and Nixon, who were themselves campaigning for a 1982 ballot referendum to reform the state's regulation of the utilities. "Clinton made a big media deal out of signing our petition to put the reform on the ballot, and during the primary season, he exploited the hell out of the issue," Trotter says now. "We had a flat commitment from him that he would enact our reforms if he got back in."

But offstage, Clinton took pains to establish a cordial and lucrative relationship with the big-money interests whom he was railing. To that end, he appointed as his finance chair- a small-town banker named W. Maurice Smith, a second-generation political heavyweight and formidable fund raiser. "Smith's wealthy friends were numerous," the Arkansas columnist Oakley has written. "His selection as finance chair in the 1982 aign — and all subsequent Clinton re-election campaigns — was one of the smartest decisions Clinton made." With Smith's help, Clinton raised more than $1 million, then a record. When Clinton regained office, Smith came along as the resurrected Governor's executive assistant.

From 1983 until he resigned halfway through his fifth term to seek the Presidency, Governor Clinton achieved a number of moderate reforms. He opened up high-level government jobs to blacks and women. He helped win passage of the first ethics law for officials in Arkansas's history. He greatly increased spending on social services. He developed tax-credit and bond-issuing programs to create thousands of new jobs, although most of them were low-paying. He and his wife, who had established as a powerful figure in Arkansas political and legal circles, worked to fashion a settlement that ended a long-running lawsuit over Little Rock which had resegregated along residential lines. He established some regulatory controls on Arkansas's largest pollution problem, animal wastes. His showpiece act, the 1983 education reform, primarily designed and sold by Mrs. Clinton, won large increases in tax-generated financing for state schools and established a mandatory competency test for public-school teachers and standarized testing of students. He sponsored improvements in the prison system, the child-welfare system and the administration of juvenile justice.

But he would never again take on the angels with anything like the vigor of his first term. "A big intersection of interests — timber, farms, A.P.&L., the Stephenses — was aligned against Clinton when he took office again in the early 80's, and I think there was basically a conscious decision not to antagonize any of these guys anymore," says Ernest Dumas, a veteran Little Rock political writer and editor. "Clinton, in essence, said, 'Fellas, I'm going to concentrate all my energies on education reform.' Well, that was fine with the interests. They were *for* education reform. It would be nice to be able to hire people who could read and write, and it didn't hurt them any."



Virginia Kelley and her sons in 1990. Both inherited their need for adulation from their mother, a natural performer. Top: Clinton in 1992.

And Clinton's other reforms — many of which came about as a result of Federal court decisions forced by class-action and interest-group litigation — often turned out to be much grander in the selling than in their real effects. Clinton's 1983 education reform was a classic case in point. With the promise that teacher testing would rid the schools of incompetent educators, Governor Clinton had won broad public support for a tax increase to finance his education program. What was actually delivered struck many in Arkansas as a cynical exercise: a test that could be passed by teachers possessing only eighth-grade-level skills in language and math. Teachers were coached in special workshops, and those who failed were allowed to retake the test.

Perhaps the most striking example of the q ancy between what Clinton the populist Governc promised and what Clinton the businessman Democrat Governor delivered came in his handlir of issues involving Arkansas Power and Light.

Two of the original energy whiz kids, Sco Trotter and Walter Nixon, maintain that C won re-election in 1982, at least partly, on t strength of his opposition to the utilities. "B when he was re-elected, we did not go work," Nixon recalls. "He did not rec Energy Department, did not re-engage on t energy issues which he believed had helped get hi defeated in 1980, never followed through aga with any fervor on energy reform."

Publicly, Clinton remained commi ted to the fight. In his first month ba in office, the Governor introduc eight utility reform bills that encon passed many of his campaign pr But only three of the weakest bi passed, and the four that t centerpieces of his reforms kille Trotter charges that Clinton, wh officially urging passage of the bi never really fought for pushed and pulled and poked, was completely dilatory," Trotter sa "He and I argued about it in off before I quit, and he just that didn't need the utility issue anymo He was going into education."

Clinton's handling of Don Tys evolved similarly. During the 1980 Tyson Foods grew at an explosi rate, climbing to $4.2 billion in sales 1993. It became the largest processor in the world, controlli more than 20 percent of the American market a churning out more than 80 million chicken products every week. Critics among A kansas's environmental and labor groups fou much to object to in the way Tyson did One growing complaint was that the huge volu of animal waste — especially the euphemistica named "litter" from chicken houses, of generated by Tyson's ever-expanding empire was seriously polluting Arkansas's crystalline riv and streams. In one famous incident that to place shortly after Clinton was restored to office 1983, the sewage system in the town of Gre Forest, which had been for years overloaded Tyson-produced animal waste, dumped so raw sewage into Dry Creek that a giant sinkh formed, sending largely untreated sewage squifer that supplied much of the local drink water at a rate of one million gallons a day.

Clinton's response to the pollution typical of his new style. Seventeen months after Green Forest crisis, he declared a state of "disa emergency." That same year, the state environm tal agency, which had been given enforcem powers for the first time by Clinton, began enfo

TOP TOMAS MUSCIONICO/CONTACT. LEFT, MIKE STEWART/SYGMA. RIGHT: THE ARKANSAS DEMOCRAT-GAZETTE/SIPA PRE

: the reputation of his state and his Administration in order to benefit a powerful financial interest.

ing long-ignored directives to Tyson to prevent waste from its Green Forest processing plant. But the state failed to levy any fines against the company or to sue it for damages. That was left to a group of aged citizens, who eventually prevailed in a 1989 judgment that found Tyson Foods guilty of 43 vi ons of the Clean Water Act.

On the question of how poultry wastes should be handled in general, Clinton waited until 1990. He appointed a commission, the Animal Waste Task Force, which deliberated until November 1992 and then issued guidelines that called for state-enforced regulation of the liquid animal wastes produced by cattle and hog farmers, while allowing the poultry industry to comply with the guidelines voluntarily. "Thousands of Arkansas poultry producers should be pleased," declared Poultry Times, the industry newspaper.

Certainly, the people at Tyson Foods noticed a difference in the Governor. "I think the defeat of 1980 was a watershed in his political career," says Archie Schaffer, a Tyson public relations official. "He came back in '82 with a different attitude, much less confrontational with the business community and others in the so-called establishment, much more conciliatory. ... After he was re-elected, he pushed some mildly controversial, progressive things, but I don't remember him ever again pushing any big controversial thing that he was willing to die for."

CLINTON AND HIS SUPPORTers have long argued that these sorts of compromises were necessary in a chronically poor state like Arkansas, where the urgencies of economic growth necessitate concessions to business. The point is, to a degree, valid. But it is also true that early in his career Clinton began to garner a reputation in Arkansas that now besets him nationally, a reputation for slipperiness and waffling in excess of even the norm of politics. The nickname Slick Willie, originally made popular by the Arkansas columnist Paul Greenberg in 1982, passed into common usage among the Governor's critics on the right and the left and soon stuck with the public. Jokes about Clinton's honesty, about his predilection for saying whatever his listener of the moment wanted to hear, about his willingness to reverse himself, were common midway through his second term and grew steadily through his five terms as Governor.

One Clinton characteristic that attracted increasing critical attention was his readiness to do favors for current or potential financial supporters. There were two paradigmatic cases, both involving revenue bonds issued by the Arkansas Housing Development Agency and its 1985 successor, the Arkansas Development Finance Authority.

In 1989, the nation's largest nursing home company, Beverly Enterprises, was in deep financial trouble. The company, with more than 1,000 nursing homes in 40 states, had suffered crippling losses in 1988 and 1989, and had agreed to a restructuring requiring it to sell off some facilities to pay off its debt by 1991. The fate of Beverly was of intense interest to the Stephens family, whose brokerage house, Stephens Inc., held all of the company's preferred stock, worth approximately $100 million. Three Stephens appointees sat on Beverly's eight-member board, and the Stephenses also served as Beverly's well-paid financial advisers.

Beverly, guided by the Stephenses and the Rose Law Firm in Little Rock, where Hillary Rodham Clinton had become a partner, put together a $149 million plan to sell off all of Beverly's nursing homes in four states. A Rose lawyer, William H. Kennedy 3d, served as counsel to Beverly in the matter. (Kennedy, who had joined Mrs. Clinton, Vincent Foster and Webster Hubbell to form a powerful clique at the firm, is currently serving as an associate White House counsel.) The deal worked out by Beverly, with advice from Stephens and the Rose firm, was precisely the sort of arrangement the future First Lady would have called a health care rip-off. It was designed to take advantage of a loophole in the 1986 Tax Reform Act by which government-issued bonds to finance the sale of Beverly's nursing homes to nonprofit "shell" companies that were, in fact, fronting for for-profit companies.



Clinton declared his candidacy in 1991, a year after promising Arkansas voters that he was interested only in being Governor.

The first sale was completed in August 1989, when Beverly sold 45 nursing homes to a Texas investor named Bruce Whitehead. The deal, essentially a tax-exempt, leveraged buyout, was structured around a series of transactions that ended with Whitehead holding most of the homes in a nonprofit shell company called Care Initiatives. Whitehead put no money in the deal; the creation of Care Initiatives (then Mercy Health Initiatives) was capitalized almost entirely through the issuance and sale of $8 million in tax-exempt bonds by the Iowa Finance Authority. Iowa courts later ruled that the entire transaction had been designed to generate "millions of dollars of excessive profits" for the principals in the transaction — at the expense of Iowa taxpayers. All told, the courts found, the businessmen, lawyers and underwriters involved made in excess of $20 million, a profit that District Court Judge Carol Needles called "unconscionable."

The second deal put together by Beverly, the Stephenses and the Rose firm was a replication of the first, involving the same parties and structure. The only difference was that it was set up in Arkansas. Pride House Care Corporation of Dallas, another Whitehead operation, would buy Beverly's 32 nursing homes or lesser. The sale was to be financed by $81 million in revenue bonds issued by the Arkansas Development Finance Authority.

The Finance Authority's preliminary offering memorandum describing the proposed bond issue made it embarrassingly clear that the state agency knew Whitehead's companies were but shells. As the offering put it, Whitehead's Pride House Care "has no assets and has not acquired facilities, nor does it operate any" and "has no current operations and therefore has no employees." The state justified the sale on the grounds that Arkansas could not

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afford to see Beverly collapse and that the large institutional investors who would finance the deal through their bond purchases would, in any case, bear all the risks. As was the case in Iowa, the proposed deal would greatly enrich those who fashioned it. Whitehead was to make an immediate $1.9 million profit, and lawyers and underwriters would make off with $6.4 million. The Finance Authority, presided over by its Clinton-appointed president, Robert Nash, had already tentatively approved the transaction when news reports began to raise serious questions.

Clinton, who, as Governor, had the power to stop the Finance Authority bond issue, remained silent through weeks of mounting public outrage. It was not until the Arkansas Attorney General, Steve Clark, announced that "a Beverly-Stephens Inc. representative" had offered him $100,000 in campaign contributions if he would end his opposition to the deal that Clinton urged the agency under his control to kill the bond issue. (The lobbyist maintained that his offer did not constitute a bribe, and Stephens denied any connection with the incident.)

Afterward, Clinton claimed he had opposed the deal from the beginning. Writing in his Arkansas Gazette column, John Brummett declared: "The Governor's assertion that he was against this proposal all along is false. The fact is that Clinton sat by as Nash and the board approved this deal Sept. 21 — back when it contained those personal profits for Bruce Whitehead that the Governor now says are so obscene."

The second controversial Finance Authority-related affair centered on a well-known Little Rock figure named Dan Lasater. A flashy young millionaire — at the age of 22, he had founded the Ponderosa Steakhouse chain — Lasater, in 1980, opened a bond house that, within a year, was selling $1 billion worth of bonds a month. In the tradition of Witt Stephens, Lasater quickly made himself a prominent figure in local politics and society, contributing heavily to the campaigns of Governor Clinton and other politicians. In three consecutive Clinton gubernatorial campaigns, Lasater contributed thousands of dollars personally, and hosted fund-raising events that netted many thousands more. But the services did not stop there. Lasater provided Clinton use of his private jet and hired the Governor's famously unemployable brother, Roger, as his driver and stable hand. Once he even lent the Governor's brother $8,000 to pay off Roger's debt to his cocaine wholesalers.

In 1982, after strongly supporting the campaign that restored Clinton in the Governor's office, Lasater and his partners asked to be included in Arkansas state bond issues. Clinton agreed. "They wanted to do some business, and I said I thought they ought to be able to compete for it," Clinton told U.S. News & World Report in 1982. The name of Lasater and Company first appeared as an underwriter of an Arkansas Housing Development Agency bond issue in 1983, after Clinton was sworn in for his second term.

Over the next three years, until Lasater was convicted of distributing cocaine in the fall of 1986 and served six months in prison, the company won assignments to co-manage 13 bond issues from the Arkansas Development Finance Authority, handling a total of $664 million worth of bonds, and received brokerage fees of $1.6 million.

As in the case of Beverly nursing homes, what is telling about the Lasater affair is Clinton's evident willingness to risk the reputation of his state and his Administration in order to benefit a powerful financial supporter. Dan Lasater was, to put it mildly, a known quantity in Little Rock. In the 80's, he was the king of the city's "bond daddies," hustlers who used high-pressure, dishonest sales tactics to peddle wildly overpriced and risky bond deals on the telephone, and who became so famous that they gave Little Rock a new nickname in financial circles: "Slam City," a term derived from the daddies' word for a successful hustle — "slamming."

Lasater and Company was one of the most prominent of the bond daddy firms, with a downtown office where 72 salesmen worked the telephones from desks arranged in tiers around a central pit. There, Lasater hosted after-hours, high-rolling parties where cocaine was passed around on silver trays. "They were crooks pure and simple," said Vernon Giss, a longtime adviser to Witt Stephens at Stephens Inc. "They would sell bonds that had been defaulted, absolutely crooked stuff."

Warren Stephens, the president of Stephens Inc., is among the many in Little Rock who say Bill Clinton had full knowledge of Lasater's character but allowed him to win state business anyway. "You didn't even open the door to these places, 'cause of all

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the snakes down there," Stephens says. "These guys, [illegible] firms, smelled to high heaven."

Asked if he believes Lasater's campaign support and his helping Roger Clinton [illegible] anything to do with the Governor's failure to oppose Lasater, Stephens says dryly, "I would think they played a role in it, I would."

THE CRITICISMS Governor Clinton faced over the Beverly and Lasater affairs were part of a larger [illegible]tern. One of the great par[illegible]ac[illegible]s of Clinton's career is that during the years he was winning a national reputation as a courageous truth-teller — particularly about the problems of Democratic politics and policies — he was winning a reputation at home as someone who, as John Brummett writes in his forthcoming biography of Clinton, "Highwire," "seems to have an almost pathological inability to tell the whole truth."

Politics, in its own strange fashion, is an honest business. The rules of the game allow small lies of omission, waffling, fudging and any amount of hedging. But flat-out lying and acts of direct betrayal are much rarer than cynics believe, and greatly frowned upon. The survival of the system demands this. Every relationship in politics — whether between voter and candidate or between lobbyist and elected official — is based on the assumption that a bold statement of fact or an unhedged promise can be taken as true. And almost every statement or promise, from the back-room deal to the campaign pledge, is unwritten and therefore vulnerable. A politician who blatantly goes back on his word threatens the entire fragile structure, [illegible] is likely to be punished harshly. Consider the example of George Bush and his "read my lips" promise. Long-term successful politicians typically measure the consequences of their words, carefully couching the language of every pledge they make and deal they cut in the knowledge that no one ever forgets, and almost no one forgives, anything.

What became increasingly clear in Arkansas was that Clinton was different, blithely and flatly promising what he couldn't deliver, reversing himself on a position to which he had been, only moments before, firmly committed. It sometimes seemed he would say anything to win support, or even to get through a conversation without conflict, ignoring the consequences.

One famous evening in 1985, for example, the Governor vetoed a bill providing a tax credit for private contributions to Arkansas colleges and universities. After the bill, stamped "Disapproved," had been slipped under the door of the legislative clerk's office, Clinton called the state's university presidents to explain his decision. When they protested vehemently, the Governor sent a state trooper to retrieve the bill. With a coat hanger, the trooper fished the bill out from under the door and returned it to Clinton, who crossed out the prefix "Dis" and had the trooper return the bill to the clerk's office, now "approved." Later, after the bill caused the state unacceptable financial losses, as the Governor's advisers had warned, Clinton was forced to call a special session of the Legislature to amend it.

Of all the boods of politics, the handshake deal made to insure the passage of legislation matters the most. As Governor, Bill Clinton quickly earned a reputation as someone who didn't understand that these agreements between professionals were inviolate. During the legislative battles to pass the 1983 education reform, J. Bill Becker, president of the Arkansas A.F.L.-C.I.O., and Brownie Ledbetter of the Arkansas Fairness Council, led a successful effort in the Arkansas House to block the 1-cent sales tax increase Clinton needed to finance his program, complaining it would hurt the poor and working class. The Governor then proposed a deal in which he asked that Becker and Ledbetter agree to drop their opposition in exchange for his support of an amendment offering a rebate to poor people for the sales tax they paid on groceries. "Bill called Becker and me in," recalls Ledbetter. "And he said, 'If you let me get this through the House with the low-income rebate on it, I'll help you in the Senate so the tax bill will come out in the end with the rebate attached.' So we did, and he shafted us. When it came to the Senate, the Governor's man on the bill made no effort at all." Clinton, speaking to reporters, explained that his promise to Becker and Ledbetter had been nothing more than "a 24-hour commitment." (In retrospect, Ledbetter says, it is clear that Clinton never had the power to effect Senate passage of the amendment but should not have made a commitment he couldn't meet.)

In 1983, Clinton said that the tax increase he was seeking for education reform would be earmarked entirely for primary and secondary schools. But after personal lobbying by Jim Blair, then chairman of the University of Arkansas board of trustees, Clinton peeled off a third of the allocation for higher education.

In 1987, Clinton promised several journalistic organizations that he would kill a bill that had been proposed to deny public access to previously available tax records, including those of the state's corporations. He then turned around and supported passage of the measure. Carol Griffee, an Arkansas reporter who was then regional director of the Society of Professional Journalists' Freedom of Information Committee, spoke openly of the "betrayal by the Governor."

By 1990, when Clinton ran for his fifth and final term as governor, his honesty had become an open issue. It was in this race that the A.F.L.-C.I.O. president Becker memorably described Bill Clinton as a man "who will put you on the back" and micturate down your leg.

The candidate found himself dogged by a well-founded suspicion that he would not serve out his four-year term if re-elected Governor, but would instead use the job as a platform from which to run for President in 1992 — a move he had publicly considered in 1988 and for which he had been busy positioning himself with his work on the Democratic Leadership Council. In a televised debate, Craig Cannon, a reporter, asked Clinton a simple but encompassing question: "Will you guarantee to us that, if re-elected, there is absolutely, positively no way that you'll run for any other political office and that you'll serve out your term in full?"

This was exactly the sort of question that most politicians would have answered with an un-Shermanesque hedge: "I have no intentions of running for President. ... I certainly am not planning to run for President."

But Clinton responded with a stunning lack of equivocation. "You bet," he said. "I told you when I announced for Governor I intended to run, and that's what I'm gonna do. I'm gonna serve four years. I made that decision when I decided to run. I'm being considered as a candidate for Governor. That's the job I want. That's the job I'll do for the next four years."

When a year later Bill Clinton announced his candidacy for President, not many in his home state were surprised. "He has always wanted to be President — that was his whole idea in life, and Hillary's whole idea was to be Mrs. First Lady," says the veteran Little Rock liberal activist Edwin Dunaway. "He talked a good game and he had big ideas, but he never followed through. I fell out with Bill because he never followed through on anything. His word is no good."

THE NEWSWEEK writer Joe Klein recently quoted the President on the subject of character: "Character is a journey, not a destination." No, Klein responded, life is a journey; character is a destination reached by the actions of a life. What you are, by the time you are the Presi[illegible]dent's age, is the cum[illegible]ive result of all that you have done, all the thousands of decisions that build an adult. Clinton's problem isn't merely that his past haunts him. It is that his past has made him what he is today.

But Clinton's definition of character reveals an essential truth about him. The President does still seem to be on a journey to maturity; he is a brilliant young man who [illegible] not quite arrived at a [illegible]understanding of himself. It is [illegible]ff; [illegible] the hard, ambivalent business of getting to where he is, he has somehow put off the business of who he is, of what he stands for [illegible] of what he will not stand for.

A line of consequence runs from The Draft to 'I Didn't Inhale' to Whitewater to Hillary's Commodities to Dan Lasater to Lani Guinier to Somalia to Bosnia to Haiti: the episodes of rationalization and compromise from Clinton's Arkansas past are the progenitors of the indecision and betrayal that have done so much damage to the White House present. Bill Clinton is today, as he was 20 [illegible] ago clearly concerned with d[illegible] the right thing, and his Presidency still holds some of the promise that stirred so many Americans to such hope [illegible] 1992. But there is a hollowness to the Clinton P[illegible]cy, a sense that it lacks center because the [illegible] center lacks one of his own.

No one is surp[illegible]se more when the President [illegible] verses himself on a matter policy, or breaks a pro[illegible]ises an old friend. In bo[illegible] houses of Congress, co[illegible]ntrolled by Clinton's p[illegible]ty, there is a nearly collect assumption that the Pr[illegible]dent's stated intention or policy or a piece of legislat[illegible] is not to be taken as his f[illegible] word; the legislators all [illegible] member how the Wh[illegible] House whipped Democr[illegible] House members [illegible] vote for the unpopular B[illegible] energy tax in 1993, [illegible] dropped it when it enc[illegible]tered strong resistance in Senate Finance Co[illegible] After the Administrat[illegible] flip-flops on Haiti, Bo[illegible] Somalia and China, the

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ventional diplomatic wisdom is that the pledges of the President of the United States are to be regarded more as well-meaning sentiments than actual commitments.

The President is a ubiquitous electronic presence, always on the go and on the tube, in some vivid new tableau that is a masterwork of the campaigner's art. But the scenes that Clinton so brilliantly conjures seem more and more disconnected from the realities of his actions. The President evokes the memories of World War II to warn against the dangers of appeasement, isolationism and cowardice while his Administration declines to call the slaughter in Rwanda "genocide," for fear such honesty would force America to do something to stop it. The President denounces the influence of big-money special interests in politics while the Democratic National Committee, under his de facto control, raises $40 million in "soft money" contributions from the rich, corporations and unions.

Two contrasting events from the Clinton Presidency perfectly capture the disunity of the man's character:

On Nov. 13, the President delivered a passionate and, in part, extemporaneous address to a group of black ministers in Memphis. He asked them to imagine Martin Luther King Jr. suddenly appearing by his side on stage, to issue a report card on the progress of black America over the last 25 years.

King would tell the ministers, Clinton said, that they had done a good job in creating a large black middle class: "But he would say: 'I did not live and die to see the American family destroyed. I did not live and die to see 13-year-old boys get automatic weapons and gun down 9-year-olds just for the kick of it. I did not live and die to see young people destroy their own lives with drugs and then build fortunes destroying the lives of others. That is not what I came here to do. ... I fought for people to have the right to work, but not to have whole communities and people abandoned. This is not what I lived and died for.' "

Seven months later, Bill Clinton walked on Omaha Beach, in Normandy, with three veterans of the bloody D-Day battle that had been fought there. The walk had been planned by the President's media advisers as part of an overall attempt to reshape the President's image as Commander in Chief, a mantle that had never rested comfortably on his shoulders. The event, staged as carefully as a small movie, was duly noted in the White House press schedule of the day: "6:15 C.E.T. President Clinton visits Omaha Beach with the American veterans of that beach. Note: no remarks are planned during this walk."

The President and the three men who had fought on the beach walked slowly along, talking in hushed tones among themselves, as a dozen or so photographers and television cameramen walked backward in front of them, recording the scene. After a few minutes, White House aides pulled the veterans off to one side, so that the President could continue his beach walk in Kennedy-esque solitude. At a certain point, where some beach stones had been gathered into a small pile to form a marker, the President stopped, and the photographers took up their positions so that he was nicely framed by the hulks of the old warships in the sea behind him.

The President stood for a moment, staring silently out to sea. Then he knelt down, his knees not quite touching the ground, in a pose that suggested worship. He reached for the pile of stones in front of him and slowly began rearranging them into the shape of a cross. A journalist who was there watching the scene recalls "getting that sick feeling you get sometimes with him, thinking 'Oh God, please don't do this.' "

As the cameras clicked and rolled, the President bowed his head as if to pray. Later, White House aides said the moment of silence had been planned, but that the cross of stones had been entirely the President's own idea.

The problem with Bill Clinton is that the same man is capable of playing both of these scenes. He is capable of delivering, as he did to the ministers, a message of breathtaking clarity, candor and courage. And when he does, it is impossible to doubt that he believes utterly in what he is doing. He is equally capable of kneeling on a beach where 2,000 American men were slaughtered and acting out an intimate communion with God in front of a platoon of cameras. And when he does this, it is also impossible to doubt that he believes utterly in what he is doing.

A former friend says, bitterly, that Clinton has become "a performer of empathy." The President's face is a screen upon which plays a loop of expressions that have become insistently familiar: the open-mouthed grin of joyous wonder; the scowl of righteous but controlled anger; the lip-biting, eyes-lowered glance of pondering humility, the near-tears of a man who is not afraid to show that he feels. In an important sense, these expressions are entirely honest; Clinton's empathy is wholly real. But it exists only in the moment. The President's essential character flaw isn't dishonesty so much as a-honesty. It isn't that Clinton means to say things that are not true, or that he cannot make true, but that everything is true for him when he says it, because he says it. Clinton means what he says when he says it, but tomorrow he will mean what he says when he says the opposite. He is the existential President, living with absolute sincerity in the passing moment. ■

Journal

FRANK RICH

Boredom Without Tears

The four major television networks have already rendered their verdict on the entertainment value of the first round of Congressional Whitewater hearings: they didn't air a single minute of them. The New York Times and The Washington Post have delivered their verdict on the hearings' historical value: neither paper published any transcripts. "Rarely has mindless partisanship been more blatantly on display," concluded Ted Koppel after surveying a video replay of the moment in which the Democrat Maxine Waters yelled at a Republican antagonist to "shut up."

And that was one of the good parts. At one point Thursday the engineers at the public television station in Washington got so bored that they inadvertently broadcast a few seconds of "Mister Rogers' Neighborhood." Later, as the session entered its 10th hour, the hearings disappeared entirely from television view — even PBS, CNN and C-Span jumped ship. Which raises the knotty philosophical question: If a Congressman postures in a committee room where no one is listening, is he really there?

Still, if the whole world was *not* watching, I was, at least for the first two days' sessions in the House Banking Committee. A lonely exercise, yes, but not as difficult as you might think. If you prop open your eyes with alligator clips, like Malcolm McDowell in the torture sequence of "A Clockwork Orange," and freebase caffeine, Whitewater hearings are a snap.

For those who did not do their civic duty, here is a scrupulously nonpartisan digest of the major players and developments in the House thus far:

Gonzo vs. Leach. Henry Gonzalez, the Texas Democrat who runs the hearings with an iron gavel, has the facial creases, liver spots and sly down-home courtliness to be the next Sam Ervin, but all resemblances end there. Enforcing a strict five-minute limit on each questioner and ruling anything that might resemble a substantive inquiry out of order, he makes a kangaroo court look like a model of jurisprudence.

But Representative Jim Leach of Iowa, the insufferably pious Republican avenging angel of Whitewater, almost makes Mr. Gonzalez seem ingenuous. Forever advertising his erudition with gratuitous scholarly references (to Copernicus yet) and knitting his brow as if Washington's dastardly evils might dissolve him into tears, Mr. Leach is a Dickensian windbag in search of his own "Bleak House." His early disclaimer of any desire "to suggest or imply criminal conduct" was the Republicans' funniest display of hypocrisy.

The Cutler edge. The White House counsel matched Mr. Leach when he announced with a straight face, "I am not here as a special pleader for the President of the United States." Mr. Cutler also lurched into self-martyrdom when he likened himself to Joseph ("Have you no decency?") Welch, the counsel who heroically stood up to Joe McCarthy. The nonentity who prompted Mr. Cutler's outburst, Toby Roth, is no Joe McCarthy, even if he is a Wisconsin Republican.

Redactions, "heads up," criminal referrals, recusals. Whitewater lingo that might have launched a thousand late-night talk-show gags had anyone been listening.

Best witness. The previous White House counsel, the much-reviled Bernard Nussbaum, responded to hours of repetitive questioning with self-deprecating New Yorkese wit and passion, regurgitating the same few shreds of information in seemingly infinite linguistic variations until it was hard to tell the dead from the living on the committee.

Worst witness. The deputy chief of staff, Harold Ickes, though testifying only briefly as the least yuppie-ish member of a panel of 10 White House aides, evinced an insolence and Clintonesque penchant for suspiciously legalistic locutions that should make Republicans eager for his encore.

The Shaw factor. Not only did the hearings have to compete with bona fide Washington news breaks like the joint Congressional appearance of King Hussein and Yitzhak Rabin and the anti-crime bill but with the sonorous voice of Bernard Shaw of CNN. The one, lonely television news star covering the hearings, Mr. Shaw invariably talked over the questioning at any rare moment it threatened to become interesting.

By Friday, in what is likely to be a continuing pattern, CNN was desperately cutting away to the most arcane of preliminary O. J. hearings in Los Angeles, seizing any excuse to give Mr. Shaw and Congress the hook. □

Whitewater, no rapids.

THE NEW YORK TIMES, SUNDAY, JULY 31, 1994

Congress May Inquire To Its Heart's Desire

By DAVID E. ROSENBAUM

WASHINGTON

LIKE no-hitters and new pain-relief formulas, Congressional investigations like the Whitewater hearings that began last week in the House and Senate Banking Committees are rare enough to be noteworthy but sufficiently commonplace that no one is particularly surprised when another one is in the news.

As often as not over the years, the inquiries have passed like a summer shower. Who remembers, for instance, the 1980 hearings about President Jimmy Carter's brother, Billy, and his contacts with Libya?

But some moments of high drama have occurred. No one who watched the proceedings can forget the House Judiciary Committee's votes 20 summers ago to impeach Richard M. Nixon. One scene from the Army-McCarthy hearings 40 years ago is embedded in the public consciousness, having been replayed on television time and again. It was when Joseph Welch, the counsel for the Army, demanded of Senator Joseph R. McCarthy, "Have you no sense of decency, sir, at long last?"

Sometimes politicians of little prominence have made lasting names for themselves. Harry S. Truman was a relatively obscure Senator from Missouri in 1941, when he started an investigation into profiteering by military contractors. Mr. Nixon's first step onto the national stage came in 1948 during the House Un-American Activities Committee's investigation of Alger Hiss. Oliver L. North's defiant testimony in the Iran-contra hearings in 1987 made him an idol of the right wing and led to his nomination this year as the Republican candidate for the Senate in Virginia.

Sometimes Congress has been abusive. In "The Power to Probe," his authoritative 1976 study of Congressional investigations, James Hamilton described the investigations of Communism in American life and government, which began in 1938 and lasted well into the 1960's, as "memorable not for the number of subversives uncovered or the laws that resulted from their disclosures but for the disregard of individual rights and fundamental principles of fairness."

Sometimes great issues have been aired in a way that has changed the course of history. A House Banking Committee inquiry in 1912 into the concentration of money and credit in the country led directly to the creation of the Federal Reserve System and to the enactment of antitrust laws. Senator J. W. Fulbright's hearings on the Vietnam War in the late 1960's helped to generate widespread opposition to the war at home.

Some investigations fade from memory as quickly as the morning dew. And some go down in history.

Occasionally, serious crimes by high government officials have been exposed. That was the case in the 1873 Credit Mobilier investigation, which involved corruption in the government-subsidized construction of the Union Pacific Railroad; in the Teapot Dome investigation in 1923 and 1924, which involved bribes in the leases of government-owned oil fields, and, of course, in the Senate Watergate investigation in 1973, which uncovered evidence that led to Mr. Nixon's resignation as President and sent several of his top advisers to prison.

As matters stand now, the Whitewater case does not seem to involve the degree of constitutional abuse or widespread corruption plumbed by some other Congressional hearings. "On the landscape of political scandals, Whitewater may be a bump," Representative Jim Leach, Republican of Iowa, said last week. Nonetheless, he said, "Accountability is in order."

Congress's authority to demand accountability — to investigate, to issue subpoenas, to swear in witnesses — is not stated explicitly in the Constitution. But it has been exercised since the earliest days of the Republic, and it has repeatedly been upheld by the Supreme Court. Investigations by the legislature, the Court ruled in 1951, are "an established part of representative government."

Congressional investigations have been rife with partisan politics since the first one, in 1792, which involved the defeat of American troops commanded by Maj. Gen. Arthur St. Clair at the hands of Indians on the Ohio frontier. A special House committee exonerated General St. Clair. But Federalist Congressmen prevented publication of the findings because the committee intended to blame the Federalist Secretary of War, Henry Knox, and Treasury Secretary Alexander Hamilton for the disaster.

The rampant partisanship on display in the House and Senate Banking Committees last week threatens to turn the Whitewater hearings into a political sideshow. That has often been the case before. But when evidence of wrongdoing has been sufficiently compelling in the past, it has often outweighed the politics. Despite their best efforts, for example, Republicans were unable to untrack the Teapot Dome investigation.

The Whitewater investigation has broken the pattern of the past in one important respect: Lawmakers agreed this time not to pursue any issue until the special prosecutor, Robert B. Fiske, had completed his examination of the matter.

Will 'Whitewater' be a catch word, or the answer to a trivia question?

The issue of what should happen when Congress and a prosecutor want to investigate a matter simultaneously never arose until the Watergate hearings. Then and later, in the Iran-contra hearings, Congress decided that a timely public airing of the situation was more important than criminal prosecutions.

In Watergate, the criminal cases were not compromised, because the top officials agreed to testify without demanding immunity from prosecution.

But the lawyers for Mr. North and John M. Poindexter had learned a lesson. They exercised their Fifth Amendment right against self-incrimination and demanded immunity before they would testify in the Iran-contra hearings. Unwilling to delay the hearings perhaps for years, Congress granted them immunity. Ultimately, that caused their criminal convictions to be overturned on appeal.

In the Whitewater case, no one has asked for immunity and Congress has no intention of granting it even if requested. Nonetheless, Democrats used the Iran-contra experience as an excuse to limit the scope of Whitewater hearings to narrow areas in which Mr. Fiske has already concluded that no crime was committed.

If scandal junkies find this development disappointing, they may have something else to look forward to. Research by Congressional Quarterly shows that the most intricate periods of Congressional investigative activity came in the last years of Ulysses S. Grant's Administration and in the years immediately following World War I and World War II. Each of these was a period in which one party had just gained control of Congress after many years in the minority.

The prevailing view in political circles nowadays is that Republicans have an excellent chance to win control of the House and Senate in the next few years.

Send in the Marshals

The killing of a doctor and his security escort at an abortion clinic in Pensacola, Fla., on Friday was not just a coldblooded murder. It was an indictment of all those in the anti-abortion movement who have looked the other way as the violence escalated — and a call to arms for responsible government officials to crack down on what President Clinton aptly described as a "form of domestic terrorism."

The violence, reprehensible in itself, is also a political act aimed at depriving women of their constitutionally protected right to an abortion. It requires a strong Federal response, including deployment of Federal marshals to protect people at clinics in known trouble spots, like Pensacola, and vigorous Federal investigations to identify the perpetrators of all anti-abortion violence and determine whether there is an organized conspiracy.

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If Paul Hill, the man now charged with the double murder, is found guilty, leaders of the anti-abortion movement cannot readily dismiss him as a fringe figure whose views were not widely known. He is an activist who has led demonstrations regularly at the Pensacola clinic, founded his own protest group, repeatedly condoned violence and appeared on television shows like "Nightline" and "Donahue." Even if the police are somehow wrong, and Mr. Hill did not fire the shotgun, he was clearly at the scene of the crime; his extreme views set the tone there.

Although responsible anti-abortion groups have condemned his views, they have done too little to neutralize him. Three months ago Mr. Hill attended a conference of nearly 100 anti-abortion leaders in Chicago to plan the future of the movement. By all accounts, the use of violence became the most divisive issue. It is outrageous that anti-abortion leaders could hold such discussions without ruling out violence unequivocally. Yet, as Tamar Lewin reported in yesterday's Times, one activist who attended the meeting for the purpose of opposing violence ended up feeling in the minority.

It is sad enough that responsible anti-abortion leaders seem unable to head off mayhem that has escalated from blocking clinic doors to bombing clinics to shooting the doctors. But it is deplorable that, even after the murder, some leaders seem reluctant to denounce it.

True, some did speak out. The Rev. Pat Mahoney, a leader of the militant anti-abortion group Operation Rescue, had it just right in asserting: "The pro-life movement has no room for violence and vigilantism. There are no qualifiers."

But others sought to explain away the murders as a small matter compared with the huge number of fetuses being aborted, or as the fault of the media for giving Mr. Hill too much prominence, or as the fault of the Federal Government for enacting a law against blocking clinic entrances, thereby leaving determined protesters no option, apparently, but murder.

Such madness will continue unless the Federal Government steps in to protect the abortion rights of women as it did to protect the civil rights of black Americans who were beaten, bombed and murdered in the 1950's and 60's. If local police are unable or unwilling to protect abortion clinics, as appears to be the case in Pensacola, where another doctor was murdered last year, then Federal marshals ought to be sent in to insure that women can peacefully obtain, and doctors safely deliver, constitutionally protected abortions.

Some legislators are calling for Federal agents to mount full-scale surveillance of anti-abortion groups, using wiretaps, infiltrators and other techniques employed against the Ku Klux Klan. That seems premature, given the religious leadership of some groups and the danger of church-state confrontation. But there is no reason why the Federal Bureau of Investigation, the Bureau of Alcohol, Tobacco and Firearms and other Federal agencies should not mount vigorous investigations, using standard techniques, to identify those who commit violence or help plan it. Unbridled violence cannot be allowed to deprive women of their rights.

More White House Damage Control

Last week's Whitewater hearings before the House Banking Committee numbed the senses. That was the way committee Democrats and the White House planned it. Restricted by rules imposed by the chairman and frustrated by a well-drilled White House defense, Republicans gained very little traction with their charge that the White House and the Treasury Department had conspired to shape a Federal investigation into the collapse of an Arkansas savings and loan.

But the Administration's own self-portrait was an alarming one. Its main line of defense was to blame the media for all those meetings about what was supposed to be an arm's-length Federal investigation into whether funds from Madison Guaranty were illegally funneled into the Whitewater Development Corporation and Mr. Clinton's 1984 gubernatorial campaign.

"Almost everything that's involved here ... results from our efforts to respond to queries from the press," said Lloyd Cutler, the White House counsel. But this sudden solicitude for the press, echoed by other witnesses, rings hollow. From early in Mr. Clinton's campaign, inquiries about the Whitewater investment have been met with stonewalling and evasion. What was portrayed last week as an exercise in enlightenment was in fact yet another exercise in political damage control.

This is a terrible way to govern. What was driving the exercise was the question of the President's political health. The motive was not to inform the public but to restrict information and limit exposure. Deputy Treasury Secretary Roger Altman, who is expected to be the focus of Senate hearings this week, provided a telling glimpse of the White House attitude in a diary entry describing a discussion with Mrs. Clinton's chief of staff about the appointment of a special counsel. He quoted Margaret Williams as saying that "HRC 'doesn't want [the counsel] poking into 20 years of public life in Arkansas.' "

Last week, House Democrats cooperated with Mrs. Clinton's desire to draw the veil over the Arkansas years. But they could not prevent the public from getting a glimpse of this Administration's unhealthy approach to governance. Even Mr. Cutler conceded that there were too many meetings. No matter how innocuously it is portrayed, a process that brings departmental and regulatory officials together with the White House political team has historically been an arena for abuse and an invitation to trouble.

Powerful White House unknown emerges

In a city of flash, Margaret Williams, top aide to Hillary Clinton, quietly gets things done

By Mitchell Locin
TRIBUNE STAFF WRITER

WASHINGTON—It's not surprising that most Americans didn't recognize the full lineup of Clinton administration officials arrayed in front of the House Whitewater hearing last week.

But even status-obsessed, official Washington groped to identify the African-American woman sandwiched between top presidential aides George Stephanopoulos and Mack McLarty.

In a city where self-effacement is virtually unheard of, Margaret Ann Williams, the chief of staff for Hillary Rodham Clinton, has managed to do her job without ego-feeding TV appearances and without whispering secrets to reporters.

"She's the most significant unknown staffer in the White House," said one administration image-maker who talks "on background" to reporters. "She has not sought any visibility. I don't get the impression that she 'sources.'"

Given her job, her acumen and whom she works for, Williams has quietly become one of the most powerful figures in the administration and, possibly, the second most influential woman. She's pulled it off by mixing a low public profile with an assertive manner within the White House.

Early in the administration, she would arrive uninvited at presidential staff meetings, suggesting that her exclusion must have been an oversight.

In time, it became natural for her to be included in meetings—including those last winter that discussed ways of managing the Whitewater affair.

But the outside world has been largely ignorant of her role.

Some of that anonymity may now be lost with her appearances before congressional committees investigating Whitewater. I[t] her first, with the nine other offi[cials] before the House Banking Committee, inspired the m[ost] fireworks.

When Rep. Peter King (R-N.Y.) challenged her veracity at [one] point last Thursday, Williams shot back, "My honesty in this matter does not depend on, whe[ther] or not you believe me."

Rep. Maxine Waters (D-Calif.) leapt to Williams' defense, telling King, "You are out of order. Shut up." Waters' argument with Republicans resumed Friday in the House chamber, with Republicans trying to shout her down, Waters refusing to desist, and Speaker Thomas Foley (D-Wash.) scurrying

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Williams

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out of his office to calm things down.

With better-known figures available whom Republicans love to hate, such as Stephanopoulos, few expected the low-key Williams, 39, to spark such intense reactions.

In the White House, ask one aide after another what impact Williams has had on policy, on strategy, on social events, and everybody says it's substantial.

"Maggie is not only a wonderful, caring person, but she is a multitalented person who brings a combination of skills as well as professional talents to this White House and in particular to this office," said Lisa Caputo, the first lady's press secretary.

But ask Williams' colleagues to name a specific contribution, to give a concrete example where she made a difference, they may go blank. They'll then offer that she does such a good job integrating her efforts with the rest of the staff, and supporting the Clintons, that she has a seamless, understated ominipresence and influence. Smart, top-notch researcher, good writer and modest is the consensus.

Which apparently suits the poetry-writing Kansas City native, who declined to be interviewed, just fine.

As much as she appears to lack an ego, Williams, who delayed work on her doctorate to come to work for Hillary Clinton during the campaign, is no shrinking violet. She proudly, almost defiantly, emerged from her grand jury appearance last March after weeks of headlines about Whitewater, Vincent Foster's suicide and the White House's handling of both.

"I'm really encouraged to be participating in something where the finding of fact is important as opposed to innuendo, rumormongering, gossip and sensationalism," she said outside the federal courthouse, scolding the horde of reporters.

Such coolness under fire has been a hallmark for Williams, whom Hillary Clinton got to know when she was a board member at the Children's Defense Fund. Williams was the organization's highly effective media strategist.

"Maggie and Hillary are complementary," said Richard Mintz, who worked with them during the presidential campaign. "They both share a real and abiding commitment to trying to improve the lot of children. That's why she and Hillary have such an affection and trust for one another."

Colleagues credit Williams and the group's founder, Marian Wright Edelman, for raising the profile of children's issues during the Reagan years, when social policy in the capital took a decidedly conservative bent. She worked on media projects such as teen pregnancy prevention, fighting child abuse and seeking funding for poor children.

"For so long, Washington advocates always seemed to describe social problems in statistical ways or in policy ways," said Mintz, who at the time worked for another social policy group. "Maggie was able to humanize their issues. She took stories to '60 Minutes' and gave them exclusives, or let The New York Times do a special profile on somebody, giving the story legs."

The daughter of a government worker and a schoolteacher, Williams is a graduate of Catholic girls schools in Kansas City and Trinity College in Washington, D.C.

She returned to school in the late 1980s, earning a masters degree at the Annenberg School of Communications at the University of Pennsylvania and working on her doctorate when Hillary Clinton asked her to be her communications director for the 1992 presidential campaign.

At the campaign—and for that matter later in the White House—aides said she brought a calmness and self-discipline that has been envied by those working exclusively for the president.

"She's one of the most stable people I ever met. There's never a feather out of place in a crisis," said Catherine Moore, another campaign staffer.

Using what she had practiced at the Children's Defense Fund, Williams helped Hillary Clinton soften her image during the campaign, using selected interviews in women's magazines and public appearances to let all parts of her personality emerge, the mother as well as the lawyer and policy activist.

"At the time that Maggie came, there was a great deal of pressure on Hillary Clinton's staff to carve out for her an image that she was comfortable with," said Avis LaVelle, the former press secretary for Chicago Mayor Richard Daley who worked for the campaign. "She couldn't be Hillary Clinton the cookie baker because that's not all Hillary Clinton is. There's a lot more to her, too."

The strategy continued when they reached the White House, and Williams was installed as the first lady's chief of staff, forcing her to postpone her doctorate.

Williams helped Hillary Clinton shape a social side of White House activities that was less formal and more intimate than during recent Republican administrations.

LaVelle notes that Williams is the first chief of staff for a first lady also to carry the title of "assistant to the president," with others having been called deputy assistant. Her active involvement in the administration brought her running to Foster's office when word of his suicide arrived the night of July 20, 1993, and to now-disputed meetings that discussed Whitewater, the Clinton's failed Arkansas land deal.

In an entry to his journal, embattled Deputy Treasury Secretary Roger Altman wrote, "Maggie told me that Hillary was paralyzed by this." He also wrote, "Maggie's strong inference was that the White House was trying to negotiate the scope of the independent counsel with [Atty. Gen. Janet] Reno, and having enormous difficulty."

The journal entry was the sul[bject] that sparked the sharp e[x]change with Republicans durin[g] last week's Whitewater [hear]ing. "I don't recall ever saying that [to] Mr. Altman," Williams testifie[d]. To which Rep. Mike Huffingto[n] (R-Calif.) replied, "Either you a[re] telling the truth, or Mr. A[ltman] is telling the truth, but not both, a[nd] that's a problem."

Williams is scheduled to [return] Wednesday before the S[enate] Banking Committee's inquiry, [and] such times, according to LaVe[lle] Williams calls upon her "[strong] spiritual side" to carry [her] through. "She grew up in [a] church. She knows that there i[s a] God," LaVelle said.

"When things get pretty rough I think she feels like she [has a] sort of foundation to [fall back on]. These have been so [very] bumpy days."

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Top Treasury aides broke no ethics rules but had `troubling' contacts, report finds

By Richard Whittle Dallas Morning News

WASHINGTON Treasury Secretary Lloyd Bentsen released a report Sunday that said his top aides had some ''troubling" contacts with White House officials but breached no rules in telling them about an investigation of Madison Savings and Loan.

This is the third report on the conversations between Treasury Department and White House officials on Madison. The two previous reports also found no wrongdoing.

Citing the 27-page report by the Office of Government Ethics, Bentsen told reporters he had concluded that ''the people working here ... did not and I repeat: did not violate the standards of ethical conduct for executive branch employees."

The meetings and telephone calls in question, in which Treasury and White House aides discussed the federal Resolution Trust Corp.'s desire for a Justice Department investigation of Madison, are the focus of ongoing congressional hearings on the Whitewater affair.

Top administration officials have testified that the purpose of the contacts was simply to prepare the White House to respond to inquiries from reporters about the request for a criminal investigation. The investigation had been leaked to the New York Times and the Washington Post.

The report, based on a review of an inquiry by the Treasury Department's inspector general, said that while ''many of the contacts detailed in the report are troubling," none violated specific ethics regulations.

The report did criticize former Bentsen aide Jack DeVore, who as assistant Treasury secretary for public affairs attended an Oct. 14 meeting at the White House about the criminal referrals.

It said DeVore erred in giving information about how the referrals were being handled by the RTC to New York Times reporter Jeff Gerth.

''DeVore appears to have believed that the RTC was a bureau of the Department of the Treasury, rather than a separate agency," the report said. ''The policy of that separate agency was neither to confirm nor deny the existence of referrals to the Department of Justice."

It also said ''because of the lengths to which he went to obtain information for Gerth, it raises at least an appearance issue in our minds."

Reached at his Austin, Texas home Sunday, DeVore said, ''I did my job the way I felt it needed to be done, and I'd do it again."

(EDITORS: NEXT 9 GRAFS OPTIONAL)

The owner of Madison, which failed in 1989 at a cost of $60 million to taxpayers, was a partner in a real estate deal called Whitewater Development Corp. with President Clinton and first lady Hillary Rodham Clinton when Bill Clinton was governor of Arkansas.

RTC investigators suspected deposits from Madison went into Whitewater and one of Clinton's campaigns for governor.

The president's Republican critics have accused the Treasury and White House aides involved of improperly passing inside information about the RTC investigation and the requested Justice Department inquiry to Clinton.

Special Counsel Robert B Fiske Jr., who is investigating the allegations about Madison, concluded in a report earlier this year that none of the contacts was unlawful. White House Counsel Lloyd Cutler told Congress last week he found no ethical violations in the contacts.

On Sunday, Bentsen declined to answer questions about his own knowledge of the contacts, saying he would defer that until he testifies Wednesday before the Senate Banking Committee.

The former Texas senator said in a March 3 statement and subsequent testimony to congressional committees that he attended none of the meetings and was not aware of them until his deputy, Roger Altman, disclosed one of the meetings in Feb. 24 Senate testimony.

But Treasury Counsel Jean Hanson has given the House and Senate committees information suggesting that she briefed Bentsen on some of the contacts before they were made.

Asked Sunday about that contradiction, Bentsen said simply: ''That is not correct. We have a different recollection on that."

Bentsen also dismissed critics who have said he tainted the independence of the review by giving transcripts to Cutler for use in the White House counsel's separate review of the contacts.

(END OPTIONAL TRIM)

Bentsen released the report as the chief Whitewater critic in the Senate, Republican Alfonse D'Amato of New York, renewed an accusation he raised last week that Altman improperly gave inside information about the RTC investigation to the White House in a Feb. 2 meeting.

Altman, who went to college with Clinton and was acting chairman of the RTC when the Treasury-White House contacts occurred last fall and winter, said Friday that D'Amato was ''simply incorrect."

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copies of the original police reports in hopes of finding the mystery witnesses.

Distributed by the Los Angeles Times-Washington Post News Service

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Congress' Turn on Whitewater
(c) 1994, The Baltimore Sun=

The following editorial appeared in Monday's Baltimore Sun:

Congress gets into the Whitewater act this week, but just barely. The House and Senate Banking committees begin public hearings into what has been called "the Washington phase" of the controversial story. That is, did high-level White House or Treasury or Resolution Trust Corporation officials improperly try to influence RTC field investigators looking into Whitewater-related matters involving the Clintons and a failed savings and loan? Also, was White House Deputy Counsel Vincent W. Foster Jr.'s death a homicide or a suicide?

Originally Democratic and Republican leaders on Capitol Hill agreed that another subject would be investigated at this time: The handling of Foster's papers in his White House office by White House staff after his death. But Robert B. Fiske Jr., the special prosecutor in the Whitewater affair, has asked the committees to delay on that a little longer; his own investigation is taking more time than he anticipated.

Congress has an important "hound dog" function. It is supposed to look for and expose misconduct in the executive branch, even we would say especially conduct that does not rise to the level of criminality. Nothing in the Washington phase seems to be criminal. Fiske's conclusion in the RTC matter was that there was "insufficient evidence" to show that any officials "acted with the intent to corruptly influence" RTC investigations. The Banking committees have a responsibility to flesh that out, showing the public whatever evidence there is of unethical or improper behavior.

As to whether Foster killed himself or not, the Fiske investigation concluded that he did, and that there was no foul play. Why the Banking committees are looking into this, we don't know. There have been some lurid rumors about the death even since the Fiske report, but if there is enough substance for them to be probed and publicized, surely some committee with more expertise and interest in law enforcement and crimes of violence is a better choice to do that.

The Banking committees are the proper ones to look into what happened in Foster's office after his death. There have long been suspicions that some White House aides may have been involved in obstruction of justice by examining and removing some of Foster's papers that had some relevance to Whitewater. The fact that Fiske's investigation is running a month or two longer than he expected makes it even easier to be suspicious of the original official denials that anything improper occurred.

Maybe nothing did. Hearings now or later can resolve that. These things are often partisan, but that cuts both ways. For every Republican insinuation, there is going to be a Democratic exoneration. The public is smart enough to sort it out.

Distributed by the Los Angeles Times-Washington Post News Service=

July 26, 1994 151

WASHINGTON IN BRIEF

Gift shopping will never be the same

By Ernie Freda
STAFF WRITER

A change is coming to the House office supply and stationery store, which is used by lawmakers and their staffs — and perhaps to the use of frequent-flier coupons as well.


Dan Rostenkowski

Among the things Rep. **Dan Rostenkowski** (D-Ill.) is charged with in his misuse-of-public-funds indictment is using his public expense account to buy $40,000 worth of merchandise at the store, including chairs and sculptures, for use as gifts to friends. So the House Administration Committee is removing gift items, many carrying the congressional seal, from the stationery store.

Instead, it will operate a separate gift shop beginning Sept. 1, one that will be open to the public as well. Reps. **Charlie Rose** (D-N.C.) and **Bill Thomas** (R-Calif.), the committee's top members, said all gifts will have to be paid for personally, not through government accounts.

The House also is reviewing the practice of members and their staffs "using a little-known loophole in House rules to take family vacations and personal trips using frequent-flier coupons 'earned' though government travel." The Washington Times reported that some lawmakers "have used the perk ... also as gifts to friends."

CHRISTOPHER ON A LIMB: Bosnia, Somalia, North Korea, Haiti. Festering foreign policy crises have been sapping **President Clinton**'s political strength for some time now, and the polls are showing his popularity in decline because of it. Secretary of State **Warren Christopher** used to say that his duty as chief foreign policy adviser was to prevent problems from growing into crises. If that's so, someone has been falling down on the job. Now New York Newsday cites unnamed sources as saying that Vice President **Al Gore** and Gore's foreign policy assistant, **Leon Fuerth**, have Clinton's blessing to conduct a job search, and it's appearing more likely that Christopher will be given his walking papers after the November congressional elections. The newspaper reported that one name being entertained by Clinton for secretary of state is former Vice President **Walter Mondale**, now the ambassador to Japan.


Warren Christopher

SIGHT WORSE THAN SOUND? When **President Clinton** took his daughter and one of her friends to the Kennedy Center opening of "Miss Saigon" last month, his wasn't quite prepared for what Chelsea was to see. Clinton was upset that **Chelsea** was seeing a show set mostly in hooker bars with sexily dressed women. He felt that he hadn't been adequately warned. So upset was he that he didn't go backstage after the performance, as he usually does. This confused theater officials, Washingtonian magazine said, because Clinton had taken Chelsea and a dozen of her friends to "Grease" at the National Theatre for her 14th birthday in February and went backstage there. The language in that musical was much cruder.

SOMEWHERE WEST OF D.C.: A Senate Appropriations subcommittee was plowing through the $252.9 billion spending bill for fiscal 1995, and Sen. **Dianne Feinstein** (D-Calif.) tried to get the attention of Chairman **Tom Harkin** (D-Iowa) by referring to him as "the senator from Ohio." Not long after, Sen. **Ted Stevens** (R-Alaska) responded to a Harkin comment with, "The senator from — the senator from — where the hell are you from, Iowa?" The good-natured Harkin was gracious: "Once you get to the Midwest, you can't tell them apart."

A COUPLE OF GOOD LICKS: It's not just Sen. **Patrick** (D-Vt.), Congress's resident Deadhead, who loves that rock 'n' roll. Rolling Stone mag notes that when **Pearl Jam** was up on Capitol Hill testifying against Ticketmaster's policies, Rep. **Collin Peterson** (D-Minn.) told the band that he had tried to teach himself some of their songs on guitar.

ELSEWHERE

Any doubts as to whether House Speaker **Thomas S. Foley** (D-Wash.) would seek a 17th term were put to rest when he filed for re-election Monday, the first day he could do so. ... After the theft of credit cards mailed to customers of the Navy Federal Credit Union, the world's largest, Navy Federal has switched from the U.S. Postal Service to Federal Express to guarantee delivery. ... At **John F. Kennedy Jr.**'s suggestion, New York City reportedly will rename the 106-acre Central Park Reservoir after **Jacqueline Kennedy O** , who lived just blocks away. ... **Hillary Rodham Clinton** might have thought better of autographing a fly fisherman's T-shirt during her recent visit to Portland, Ore., if she had read the slogan — "The way to a man's heart is through his fly" — more closely. ... U.S. Trade Representative **Mickey Kantor** shifted gears somewhat unhappily when he moved to the capital from California, reports Washingtonian magazine, buying a Buick Regal and selling "something foreign." ... **Lowell Weicker**, the former senator from Connecticut (Republican) and governor of that state (Independent), will be returning to W ington next year to join the George Washington University faculty as a "professorial lecturer" and to work in the private sector.

IT'S A FACT

If **President Clinton** were to testify in person before Congress on Whitewater, he would be the first sitting president to do so since **Gerald Ford** appeared before the House Judiciary Committee 20 years ago to explain his pardon of **Richard Nixon**. The only other president thought to have done so was **Abraham Lincoln**, who appeared before the same committee in 1862 in connection with an investigation of a news leak to the New York Herald during the Civil War.

SAY IT AGAIN

"**Stephen Breyer** is not only a husband and father of three. He is a gourmet cook. He is a bird watcher, an avid reader, a student of philosophy and a speed typist." — Sen. **Barbara Boxer** (D-Calif.), during the confirmation hearings for the Supreme Court nominee.

— From staff, news services and published reports

Linder to quiz White House witnesses

GOP sharpening its questions as House grilling gets under way

By Jeanne Cummings
WASHINGTON BUREAU

Washington — Rep. John Linder of Georgia will take part in the House Banking Committee's Whitewater hearings that open today as a Republican questioner of three Clinton administration witnesses.


John Linder

To prepare for the nationally televised hearings, the suburban Atlanta freshman spent the weekend holed up in the committee's offices poring through a fraction of 4,300 documents, memos and notes on Whitewater.

Despite all the preparations and media hype, however, Linder said Monday, "I don't think much is going to come out of it."

With 51 members on the committee, lawmakers will be allocated about five minutes each for questioning. By Linder's estimate, that means about three questions for each panel of witnesses in five hearings that will be spread out over the next two weeks.

"There is a serious effort to make these hearings disjointed and boring," Linder said.

Republican members are expected to challenge the narrow scope that Chairman Henry Gonzalez (D-Texas) has set for the proceedings. But Gonzalez backed by a strong Democratic majority on the committee, should be able to prevail.

But the Republicans, still smarting over the flurry of congressional probes into Bush and Reagan administration controversies, will not pass up a chance to make a few Democratic White House aides sweat under the television lights.

To make the most of it, GOP committee members divided themselves into teams of four, with each team being assigned to do research and prepare questions for certain witnesses. Using this tactic, the Republicans hope to be able to sustain an hour of coherent questioning of key witnesses.

Linder is assigned to three teams and will question Treasury Secretary Lloyd Bentsen; Margaret Williams, Hillary Rodham Clinton's chief of staff; and Comptroller of the Currency Eugene Ludwig. Williams testifies Thursday; Bentsen and Ludwig are expected to testify next week.

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WHITEWATER CONTROVERSY

Leaks may have dulled hearings' shock valu

Soft opening: The White House counsel will lead off, but Middle East peace pageantry may steal the show.

By Julia Malone
WASHINGTON BUREAU

Washington — Striving to cushion the blow of new revelations about the Clinton administration, Democrats on Capitol Hill announced Monday that White House Counsel Lloyd Cutler would be the sole witness when the House Banking Committee opens its long-awaited Whitewater hearings today.

The Democrats have sought to limit the potential for shock from the first public grilling of administration officials about issues arising from the president's 15-year-old land investment in Arkansas.

House Democrats are asking that no witnesses be put under oath and that only lawmakers — not committee staff members — be allowed to question witnesses. Witnesses were invited to testify, not subpoenaed.

Some of the potentially explosive allegations, mostly about questionable contacts in which White House and Treasury officials discussed Whitewater, have been dribbled out beforehand to dilute their effect.

Even the timing of today's hearing is propitious for the administration. Only 90 minutes after it meets, the panel is slated to recess for the pageantry of a joint appearance by the leaders of Israel and Jordan in the House chamber.

Republicans complained that the first day would consist largely of soothing assurances from the white-haired, deep-voiced Cutler, who joined the Clinton team only last March and has no first-hand information.

White House spokesman David Dreyer said Cutler would set the tone for the hearings by announcing "what was good and what was bad and what should be changed."

But the hearings almost certainly will become bumpier next week, when Deputy Treasury Secretary Roger Altman and his boss, Treasury Secretary Lloyd Bentsen, are expected at the witness table.

With Altman coming under increasing heat from news leaks questioning his role in a federal Whitewater-related probe, Clinton on Monday issued a terse statement in defense of his longtime friend: "Secretary Bentsen and I believe that Roger Altman has been an excellent deputy Treasury secretary, and we want him to continue in that capacity."

AT A GLANCE


Lloyd Cutler


James Leach


Barney Frank

Action today

- House Banking Committee opens hearings today into the Whitewater affair, the Clintons' 1970s Arkansas real estate venture that has mushroomed into a political hot potato.

The issues

- Death of Deputy White House Counsel Vincent Foster. The committee is not expected to dwell on this issue; the July 20, 1993, shooting has been ruled a suicide.
- "Top-level administration contacts in what should have been an independent federal probe of Madison Guaranty, a failed S&L with ties to the Clintons.

Today's witness

- Lloyd Cutler: White House counsel has acknowledged "regrettable errors in judgment" in the S&L probe but has denied impropriety by senior officials.

Whom to watch

- Rep. Henry Gonzalez of Texas: Crusty committee chairman is expected to use his gavel to silence Republicans who seek to expand the panel's focus.
- Rep. Barney Frank of Massachusetts: Democrat is emerging as a prime Clinton defender.
- Rep. James Leach of Iowa: Senior Republican will lead the charge against the administration.

What's ahead

- House panel reconvenes Thursday and is expected to wind up hearings next week.
- Senate Banking Committee opens separate hearings Friday.

Television coverage

- CNN will provide live coverage today starting at 9:30 a.m. Future plans to be determined.
- C-SPAN will offer taped coverage when House and Senate are not in session.

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^Whitewater mini-drama to resume on Capitol Hill Tuesday<

By Mitchell Locin< Chicago Tribune<

WASHINGTON After months of news stories, cries of coverup and spirited defenses, the Whitewater controversy and its potentially embarrassing details re-emerge Tuesday as the Clinton administration faces its first televised investigation.<

Although the Whitewater inquiry has none of the overarching constitutional themes of the Iran-contra affair, it is the kind of mini-drama that keeps the nation's capital absorbed.<

``Washington loves this kind of an affair where high officials are called to testify, so it has that kind of attraction," said a congressional aide preparing for the hearings.<

In a crafted administration prelude to the coming performance, Deputy Treasury Secretary Roger Altman, one of the secondary players, told reporters Monday he would not resign over questions of his conduct during the government's investigation into Whitewater, the failed Arkansas land partnership once half-owned by President Clinton and Hillary Rodham Clinton.<

Using the ornate conference room of the Treasury Department as a setting, Altman took off his suit coat and rolled up his blue shirt sleeves as he conducted a polite discussion of his contacts with the White House during the investigation.<

(EDITORS: NEXT 2 GRAFS OPTIONAL)<

In order to blunt disclosures that might occur at the hearings, Altman, for example, confirmed that he kept a scrapbook that included his observations last winter about Hillary Clinton, when she was reported to be upset that her and her family's privacy was being invaded by the Whitewater questions.<

Altman said that he called the first lady a few days ago to apologize.<

(END OPTIONAL TRIM)<

Altman, a multimillionaire Wall Street investment banker before heading the Resolution Trust Corp., said his meeting with White House officials last February was not a reason to resign.<

Clinton and Treasury Secretary Lloyd Bentsen issued a one-line statement of confidence in Altman, saying they want him to remain the deputy treasury secretary.<

Indeed, the first days of the congressional probe could be among the most interesting, or macabre, with possible subjects of inquiry including contacts between White House aides and government regulators, the reaction of the Clintons to the government probe of their investment and the death last summer of White House lawyer Vincent Foster.<

The plot has a lot of potential: a mysterious suicide, power and money, backstabbing colleagues, the privacy of the First Family peeled away. And all of it carries a pronounced political overlay, with Republicans rubbing their hands at the chance of bruising Clinton further and Democrats contending there is no there, there.<

While Democrats will focus on specific incidents and downplay their importance, Republicans will try to broaden the dialogue into an indictment of ethical standards set by the president himself.<

``We'll have discussions of events that happened after Bill Clinton was inaugurated and ways in which people who worked with and for him manipulated and abused the machinery of government to do whatever it was that they thought was important," said Joseph Pinder, spokesman for Rep. Jim Leach of Iowa, the senior Republican on the Banking Committee.<

Pinder said what happened in the White House was ``not radically different from things that people saw about this time 20 years ago," referring to the Watergate scandals that brought down President Richard M. Nixon in 1974.<

Within the administration, officials are girded for the worst. ``We hope that Republicans don't turn this into a political spectacle, but I don't think we're at all optimistic that they won't," presidential press secretary Dee Dee Myers said. ``They've tried to do this throughout the process."<

The opening acts, in fact, will not delve into the investment itself or its role in the collapse of an Arkansas savings-and-loan association years before the Clintons took up residence in the White House. These subjects are off limits under the request of independent counsel Robert Fiske, whose grand jury investigation into those subjects is continuing.<

When House Bank Committee Chairman Henry B. Gonzalez (D-Texas) gavels his panel to order Tuesday morning, the first witness is scheduled to be White House counsel Lloyd Cutler, the gray eminence Washington lawyer brought in by Clinton last spring to stabilize an administration that seemed to have swirled out of control from daily Whitewater disclosures.<

Gonzalez resisted holding the hearings but was forced to by House Democratic leaders, who were under fire from Republicans who helped elevate Whitewater into major questions concerning the Clintons' ethics and how they applied them to the White House.<

The independent-minded Texan will try to limit his hearings to the contacts between the White House and the Treasury Department and the Resolution Trust Corp., the government agency that is exploring the collapse of Madison Guaranty Savings and Loan Association and its relationship to the Whitewater land deal.<

(EDITORS: NEXT 2 GRAFS OPTIONAL)<

Altman told reporters that he told White House officials about the process of the RTC probe into Madison but not its substance, about which he claimed to have no knowledge.<

Fiske already has concluded there was nothing illegal about the contacts. For his part, Cutler said that errors in judgment were made.<

(END OPTIONAL TRIM)<

The Senate Banking Committee kicks off its hearings Friday, and they promise to be more wide-ranging. They will include an examination of Foster's death, which has become the focal point of theories, largely spread by radio talk shows and conservative journals, that it was somehow part of a Whitewater-related conspiracy.<

The committee will not rely on Fiske's conclusion on June 30 that Foster, an associate of Hillary Clinton at the Rose Law Firm in Little Rock, Ark., committed suicide. Instead, the panel will call police and medical experts to hear for itself.<

Other administration officials are expected to tell conflicting stories about several contacts between the White House, the Treasury and the RTC regarding Whitewater. They may be asked to clarify Clinton's effort last winter to seek the advice of Comptroller of the Currency Eugene Ludwig about Whitewater. Ludwig, who revealed the president's request last week, said he declined.<

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From Boston Globe Page 3

Steiner up to his neck in Whitewater

By Bob Hohler
GLOBE STAFF

WASHINGTON – Joshua L. Steiner, the whiz kid from Cambridge, once was one of Washington's fastest-rising stars.

But after soaring from the anonymity of President Clinton's transition team to become Treasury Secretary Lloyd Bensten's chief of staff – the youngest chief of staff in the Cabinet – Steiner, 28, is on a collision course with Congress.

Steiner, whose father, Daniel, served as Harvard University's general counsel from 1971 to 1992, faces a legal quandary as House and Senate committees prepare to question him about his contacts with White House officials on the Whitewater affair and his personal notes on the saga.

In his diary, Steiner noted in late February that senior White House aides called Deputy Treasury Secretary Roger C. Altman, then acting head of the Resolution Trust Corp., to say President Clinton was "furious" that Altman had decided to recuse himself from the Whitewater case, The New York Times reported yesterday.

The diary entry may contradict Clinton's assertion on March 8 that he was unaware of any contacts between White House and Treasury Department officials about Whitewater.

Investigators for congressional committees examining Whitewater have obtained the diary. Steiner, a graduate of Phillips Academy and Yale University, and a veteran of Michael Dukakis' 1988 presidential campaign, also penned a potentially damaging observation about the Treasury department's handling of the Whitewater case.

"Every now and again you watch a disaster unfold," he wrote, "and seem powerless to stop it."

Steiner is expected to be called as a witness by the House Committee on Banking, Housing and Urban Affairs, whose Whitewater hearing opens today, and by the Senate Committee on Banking, Housing and Urban Affairs, which is scheduled to begin a hearing Friday.

Lawmakers are likely to ask him about a phone complaint he received from presidential adviser George Stephanopoulos about the Resolution Trust Corp.'s hiring of a Clinton foe, Jay Stephens, to head an investigation into Whitewater.

Stephanopoulos "wanted to find a way to get rid of him," Steiner wrote in his diary, according to the Times. Steiner also wrote that he "persuaded George that firing him would be incredibly stupid and improper."

Steiner could not be reached yesterday for comment, although The New York Times reported today that he plans to disavow parts of his diary. News accounts indicate he has gone from trying to humorously deflect criticism of his role in Whitewater matters to regretting it. Before he testified to a grand jury in March, Steiner was quoted in The Washington Post as joking, "I'm curled up, I'm in a fetal position, I'm cowering in a corner."

However, a recent article in the New Republic described him as wracked and humiliated "by his role in the controversy." The article said Steiner recently called a family friend, writer Roger Rosenblatt, and asked Rosenblatt to sing him a song that has helped comfort him since he was a child.

According to the story, Rosenblatt sang it: "Felix the cat, the wonderful, wonderful cat."

From Boston Globe Page 5

Health reform ads draw criticism

By Jill Zuckman
GLOBE STAFF

WASHINGTON – Most advertising on health care reform is unfair, misleading or false, according to a study released yesterday by the Annenberg Public Policy Center at the University of Pennsylvania.

The study, which analyzed 125 print and 73 broadcast ads, found the following:

- About 28 percent of the print ads and 59 percent of the broadcast ads were unfair, misleading or false.
- The ads reflect the claims made by their sponsors.
- A high percentage of the ads impugn the good will and integrity of those on the other side of the issue.

The study also said that ads opposing President Clinton's health care plan focuses on five fears: increased taxation, rationing, bureaucracy and government control, diminished choice of doctors and massive job loss.

Pro-Clinton plan ads tend to distort by magnifying the numbers of people hurt by current insurance practices and exaggerating the rate at which medical costs are growing. The ads also assert that Republican plans would do nothing to help people.

However, most of the demonstrably false statements regarding health care do not occur on television or in newspapers or magazines, the study said. Instead, they occur in direct mail sent to senior citizens.

The study was funded by the Robert Wood Johnson Foundation.

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Hussein, Rabin shake on pact

WASHINGTON — Israeli Prime Minister Yitzhak Rabin and Jordan's King Hussein grasped hands without prodding from President Clinton yesterday to signal that the holy River Jordan now flows through a valley of peace.

The White House ceremony, in which Hussein and Rabin signed a pact only to end the official state of belligerency that had existed between their nations, but they made clear there would be no turning back.

"We are on our way now, truly, to establish normal relations between our people and ourselves," Hussein said.

Secretary of State Christopher predicted there would be a "matter of months" before a formal peace treaty is signed to bring Jordan in line with Egypt as the only Arab nations to publicly recognize the Jewish state's right to exist.

While peace negotiations continue, Jordan and Israel also agreed to unify their electric grids and postal services, let tourists move freely between the two states, work out new boundaries and water rights, and begin work on a cross-border national park.

The Palestine Liberation Organization, Israel and Jordan have been meeting secretly since Sunday in Norway to discuss sharing scant Middle East water supplies as part of their peace accords, officials said yesterday.

Despite standing crisply at attention while others spoke at the White House signing ceremony, the monarch could not contain the unmilitary smile that creased his white-bearded face.

"Shalom (peace)," Rabin told the king. "Yet another night of war may be over."

And Rabin prayed that the two leaders could proudly tell their children and grandchildren that "your life will be different from ours."

Clinton basked in the praise of the two former enemies and returned it. He extolled the Mideast leaders for having "reached out to each other across the river to build a future where hatred gives way to hope."

The ceremony on the South Lawn of the White House lacked much of the drama, but also much of the tension, of the similar occasion in September when Clinton appeared to nudge a hesitant Rabin into shaking the hand of PLO Chairman Yasser Arafat.

FLOTILLA of Israeli boats, with both Israel's and Jordan's flags, celebrates peace bid by sailing toward Jordanian waters in the Gulf of Aqaba yesterday.

Treaty could herald breakthrough

By RICHARD Z. CHERNOFF
Special to The News

WASHINGTON — The historic White House accord yesterday between Israel's Prime Minister Yitzhak Rabin and Jordan's King Hussein is a full-fledged peace treaty in all but name.

Its broad-reaching terms establish the most meaningful Arab-Israeli relationship to date, one that just could provide that crucial burst of energy still needed to rocket the Mideast toward real peace.

It was Egyptian President Anwar Sadat who signed the first Arab peace accord with Israel, in 1979. The treaty led to Sadat's assassination and was followed by 15 years of "cold peace," with hardly any bi-lateral cooperation. As for the fledgling 11-month-old self-rule deal between Israel and the Palestine Liberation Organization, both sides are still nervously groping to find their way.

ANALYSIS

The Rabin-Hussein deal, however, immediately flings the doors wide open to active peace and cooperation between two once-warring neighbors, something King Hussein himself referred to in an interview with me last year as "normalization" — a hitherto unheard-of phrase in Arab-Israeli dealings.

Israel already has recognized Hussein's special relationship to Jerusalem's Muslim holy places. And a renewed religious role for Hussein in Jerusalem could provide a key to settling the thorny problem of the city's sovereignty.

In the short run, Hussein's deal with Israel is bound to enrage the PLO's Yasser Arafat and Syria's strongman, Hafez Assad.

But in the long run, the deal is likely to move the PLO leader to be more cooperative than ever in making self-rule agreements with Israel work. And even Syria — the most reluctant of Israel's enemy neighbors — as well as other Arab states could find themselves prodded toward peace by the realities of the economic and political cooperation Israel and Jordan are pioneering.

Whatever happens, Hussein, the world's longest reigning ruler, will continue to look over his shoulder. It was a similar plan to make peace with Israel that led to the assassination of Hussein's grandfather, King Abdullah, 48 years ago this month.

Richard Z. Chernoff is U.S. News & World Report's senior Mideast expert

Treasury big defiant on Whitewater

By KAREN DeYOUNG
Washington Bureau

WASHINGTON — Deputy Treasury Secretary Roger Altman tried yesterday to avoid becoming Whitewater's next sacrificial lamb — insisting that he never misled Congress about flagging the White House to an S&L probe linked to the Clintons.

Asked on the eve of the House Whitewater hearings about pressure to step down, Altman said: "As far as taking a fall, I don't expect to resign."

President Clinton put out a statement voicing his support for Altman yesterday — though that could be a Washington kiss of death.

Whitewater "special" prosecutor Robert Fiske has cleared Altman, a former New York investment banker who played a key role in the 1992 ballout, of any criminal wrongdoing.

But Altman is expected to face tough questioning today about the ethics of his "heads-up" to the White House — as acting head of the Resolution Trust Corp. — about a probe tied to the Clintons' Whitewater land deals.

And he will be asked to explain why his account of the timing of those conversations contradicts testimony from other officials.

Also in question is the truthfulness of Altman's testimony last February to the Senate about those contacts.

Staking out a no-excuses defense, Altman insisted that he had done nothing unethical and called his Senate testimony "wholly accurate."

Among the issues sure to come up at the hearing is whether the White House wanted to keep Altman — a political ally — in charge of the sensitive S&L probe.

Altman, who had been considering recusing himself from the investigation, denied yesterday that White House officials in a Feb. 3 meeting leaned on him to stay in charge.

Treasury Chief of Staff Josh Steiner's diary documents the pressure, but Altman noted Steiner was not there.

Steiner also wrote that the President was livid when Altman did recuse himself about three weeks later. Altman said Clinton was angry because the White House wasn't given advance notice.

Clinton's fury at Altman's recusal Feb. 26 seems to conflict with Clinton's statement March 7 that he didn't know about White House contacts.

A Clinton aide confirmed yesterday that deputy Chief of Staff Harold Ickes told Clinton and the First Lady about the recusal — sometime before Feb 25 — in conversations "lasting about a minute."

But this aide said that's not inconsistent with Clinton's comment that he had been unaware of the meetings on the substance of the RTC probe.

Dems health role spurs ill feeling

By SUSAN BELLIAN
News Washington Bureau

WASHINGTON — An anxious House leadership is warning squabbling Democrats that failing to pass health care reform could cost the party control of the House in November's elections.

In recent meetings with party members, Democratic leadership said voters may respond angrily and not re-elect incumbent Democrats if health care reform stalls, sources told the Daily News yesterday.

Particularly vulnerable are the party's 84 freshmen, many of whom campaigned on a promise of health care reform and who could be held accountable at the polls.

Democrats have held a majority in the House since 1954, and now have an 82 vote edge over the Republicans — making a GOP takeover a long shot.

Michael Meehan, a spokesman for the Democratic Congressional Campaign Committee, predicted a worst-case, 20-vote loss for the party.

Publicly, House Speaker Thomas Foley (D-Wash.) has been optimistic that health care will pass. But people who attended last week's meetings said Democratic leaders were more concerned.

The sources said they thought leadership was trying to shake up its members and convince them to back a compromise package before November. Since next year's Congress is expected to be more Republican, President Clinton would have a much harder time passing a health care reform package.

Health care reform appears in serious trouble on Capitol Hill, where competing constituencies are threatening to defeat any bill that does not contain a pet provision — be it abortion or universal coverage.

"I think it's iffy" even now, said Rep. Charles Schumer (D-Brooklyn).

Members of the New York City congressional delegation sent a letter to House Majority Leader Richard Gephardt (D-Mo.) yesterday spelling out their demands to make the measure New York-friendly.

The group is particularly concerned about Medicare funding, monies for the state's teaching hospitals and a change in the Medicaid reimbursement formula, which local officials now consider unfair to New York.

"We can't vote for a bill" that hurts New York, said Rep. Nita Lowey (D-Westchester-Queens).

A New York walk-out could defeat a health care bill, warned Rep. Jerold Nadler (D-Manhattan). And if the final package does not include universal coverage, "it's not going to fly," he said.

New York Daily News
July 26, 1994

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The sort-of hearings on some of Whitewater

Today, the House Banking Committee begins hearings into the concatenation of sleazy dealings, dissemblings and cover-ups that have come to be known as Whitewater.

Congressional Democrats — in both the House and the Senate, where hearings start Friday —have seen to it that the inquiries will be unprecedentedly narrow. Out of all the unquestionably unethical, obviously underhanded and probably illegal activities that culminated in the failure of Madison Guaranty Savings and Loan, and possibly contributed to the suicide of Vincent Foster, the House and Senate will cover only two subjects. They will look into contacts between Resolution Trust Corp. and Treasury Department officials and senior White House aides, and the U.S. Park Police investigation into Mr. Foster's death.

As to the Whitewater papers (and who knows what else) sneaked out of Mr. Foster's White House office during the hours after his death; and chiefly as to the possible involvement of the president and first lady in a possible check-kiting scheme, and possibly even illegal campaign contributions, involving Madison and their Whitewater real estate partnership, the Congress simply may not inquire. And even in those severely restricted areas where inquiry is permitted, strict limitations on questioning time by Republican Committee members are sure to work against effective questioning.

One person clearly slated for some serious congressional scrutiny is Deputy Treasury Secretary Roger Altman. By the end of last week, it was clear that the Clintons were ready to throw him to the wolves for his part in arranging briefings for their lawyers on a possible criminal investigation of the Whitewater/Madison quagmire. Rep. Barney Frank, unofficial administration spokesman for the hearings, revealed that Mr. Altman kept a diary which is now in the hands of the Banking Committee and allowed as how Mr. Altman may have lied to Congress last winter about briefings of White House officials when he was acting director of the RTC. (Is it just this page, or has anyone else been struck by the fact that out of 30 possible Democratic House Banking Committee spokespeople, Bill Clinton chose the one who'd gotten a congressional reprimand himself?) White House Counsel Lloyd Cutler revealed exactly how far Mr. Clinton is prepared to go to save his old friend's skin: not a fraction of an inch. The matter of misleading testimony, Mr. Cutler sniffed on Sunday's "Face the Nation" broadcast, is one "for Mr. Altman, I think, to work out with the Congress."

If poor old Roger Altman doesn't get anyone's maternal or paternal juices flowing, the same cannot be said of his buddy, the president. Mr. Clinton is not only basking in the protective glow emanating from congressional Democrats, last week a Little Rock judge threw him a shield that will keep him from having to answer, for now, to the substance of Paula Jones' sexual harassment suit. U.S. District Judge Susan W. Wright ruled on Thursday that the first issue to be settled in the lawsuit is whether the president is immune from such legal action while still in office — a novel theory propounded by his lawyers. That's an issue that could take years to settle — and clearly one of the things Robert Bennett is being paid more than $400 an hour to do is to see to it that it does drag on and on and on, until Mr. Clinton is safely past the 1996 election.

Lest getting a free ride in the Paula Jones case leads Mr. Clinton to believe — as he clearly has been used to thinking — that he really is above the law, now more than ever, it is imperative that Republicans in the House and Senate (along with any Democrats who can see beyond their pleasure in having one of their own in the White House) find a way to circumvent the Democratic leadership to get to the bottom of the Whitewater scandal.

Desperation and a seventh of the U.S. economy

Personal experience with a particular affliction is said to be a powerful factor in lawmakers' decisions about health care reform. If so, it can be guaranteed that whatever the makeup of the Democratic legislation to be tossed into the ring in the next weeks, the various bills will include coverage for panic attacks, which currently have the majority's leaders in their grip.

How else to explain the almost incomprehensible babble surrounding the yet-to-be-ginned-up proposals House majority leader Dick Gephardt and Senate majority leader George Mitchell are promising to pull out of their hats? On NBC's "Meet the Press" Sunday, neither politico could offer so much as a single detail about what would be in his bill. Panelist David Broder tried to nail down some specifics, or at the very least some basic principles, but was reduced to declaring, "I give up!" After pressing the two on whether their bills would include taxes on employers, the best he could get out of them was their agreement that it was important to "plant a flag" on health care reform.

"Plant a flag"? They now have little hope — oh, all right, no hope — of passing a bill that even vaguely resembles the president's blueprint. Indeed, they will be lucky to cobble together legislation that has much of anything in it. So instead they have set their sights on "planting a flag." In other words, they need to be able to say they passed health care reform, any health care reform, even if it is nothing more than a 200-page expression of fine sentiments. Thus does a seventh of the national economy go under the knife of surgeons drunk with political desperation.

This desperation is most apparent in the ill-advised promise made by Mr. Mitchell at the opening of the NBC show: "We're just going to stay in session for as long as it takes." There are reasons for this promise — or rather, threat. The most obvious is that as the balance of power shifts in the next Congress, the Democratic leadership will have less power to shove the Clinton plan down the nation's throat. But the proximate purpose of the threat has more to do with immediate political realities: Mr. Mitchell seems to think that the prospect of a cancelled August vacation is going to scare Republicans into waffling and ultimately caving.

Or maybe, just maybe, Mr. Mitchell thinks the prospect of a Washington August will be just the trick to scare his own troops into line. If so, he would seem to be engaged in a modern political version of the quaint Roman army practice of decimation — the execution of one in 10 soldiers of units that fail in their missions. It is Democrats who desperately need to go home this August and September to shore up their eroding political fortunes. Republican challengers, poised to make the most dramatic electoral advances in more than a generation, are plowing away in their districts. More than any year in decades, Democratic incumbents need a nice, big recess. Mr. Mitchell, it seems, is quite willing to sacrifice the political lives of his own troops to punish them for their disloyalty.

"We could care less about the recess," Sen. Bob Dole said wisely last week. "If it takes all of August and all of September and all of October to debate this issue, we ought to have that debate." Since then, he has also suggested that it would be appropriate to use the recess as an opportunity to examine and discuss the bills that are now little more than twinkles in the eyes of Mr. Mitchell and Mr. Gephardt. But if Democrats insist on tying the health care debate into a noose and putting it over their own necks, Mr. Dole should not intervene. Instead he should stick to forcing a real debate that indeed takes as long as it takes — even if that means arguing the matter all the way up to election day.

Mr. Gephardt's soldiers — who will bleed more than Mr. Mitchell's — clearly do not relish the prospect. "I really think we can finish this bill by the 12th or 13th of August," he said on "Meet the Press." The idea of tearing apart and tacking together, in the space of a week or two, an entire sector of the economy that is not only huge but critical to people's very lives is indefensible. Good luck to those who get stuck trying to defend it.

Pruden on Politics

By Wesley Pruden

Doing it unto others while there's still time

Bill, Hillary and the congressional Democrats owe one to tabloid TV. After O.J., the Whitewater hearings, which get under way this morning, could be pretty thin stuff.

You can expect the Democrats to be as dull and boring as they think they can get away with, phrasing their questions with as much tedium as they can think up, pushed along toward irrelevancy whenever possible by the most partisan chairman in the House, Henry B. Gonzalez of Texas.

First up will be Lloyd Cutler, the gray eminence of the administration and a superlawyer who has been around Washington so long he knows how to say nothing with such soporific specificity that strong coffee couldn't keep an audience awake. You don't need Prozac if you've got Lloyd Cutler on the job.

The good news for the Clintons is that a lot of people out here beyond the Beltway have given up trying to understand what Whitewater is really all about. The cottonmouth moccasins and the gators and bugs as big as bananas on the Suwannee River, here in this somnolent corner of North Florida, probably express the sentiment as correctly as their human counterparts, and what they're saying, loud and clear, is ZZZZzzzzzzz.

The Democrats have structured the hearings cleverly, expecting the Republicans to go along with the script to be the usual accommodating fall guys. The key figure on the Republican side, Jim Leach of Iowa, is full of righteous anger at the arrogance of corrupt Democratic power, but he is so determined to preserve his reputation as the Eagle Scout of the House Republicans that he may not be capable of the kind of knee-in-the-groin, thumb-in-the-eye, club-in-the-kneecap street fighting the occasion demands. Mr. Gonzalez is just two years younger than God (he looks like he might be the older brother), but he delights in keeping the cards marked and the deck stacked.

The good news for the president is that further revelations of his personal character no longer pack much wallop, and the bad news for the president is that the content of his character is so well established that further revelations make an impact much like a comet might make on Jupiter. Lots of flash and blight, but there's enough gas on Jupiter to appear to swallow the wallop.

"This stuff about Clinton," says an old man fishing a 7-Up out of an ice chest at a dilapidated old country store along U.S. 441 east of Branford, "is hard to measure. He's like the man backing his butt up against a buzz saw. How could anybody say which one of the teeth actually made the cut that got him?"

Nevertheless, the point of the hearings is to try to identify the teeth.

The two witnesses who could hurt, and the ones to watch, are Roger Altman, the deputy secretary of the Treasury who may be the administration's designated fall guy, and Jean Hanson, the general counsel to the Treasury who may tell a different version of Mr. Altman's contacts with the White House to answer questions about the progress of the "investigation" of Whitewater and its satellite scandals. (Has anyone else noticed that the stand-up guys in this administration led by the gallant Southerner are all female?)

The only juice — but nothing as juicy as O.J. could be in the answers to questions about the strange and still inexplicable death of Vince Foster, the deputy White House counsel whose real job was to keep the lid on the jar where the demons and worms that accompanied the Clintons to Washington were kept.



Bored alligator

This is the subject the Democrats want most to avoid talking about this week, and Robert Fiske's request that no questions be allowed about the raid on his office, by aides to Bill and Hillary on the day he died, was serendipity for the Democrats. At least serendipity. The special counsel investigating Whitewater demanded that these questions be delayed until he finishes his own investigation of the circumstances of Mr. Foster's death, but he noted, helpfully, that the Whitewater questions terrifying Bill and particularly Hillary didn't have anything to do with the reasons Mr. Foster took his life.

This is the unlikely scenario that would bring the hearings to life, and even Mr. Gonzalez gets the limberneck when he imagines what a crafty Republican congressman could, if he would, do with this. Mr. Gonzalez would have no recourse but to rule questions nibbling at the edges of this topic out of order, and he knows what the public would quickly make of a succession of such rulings. The odor of cover-up would be overpowering. He also knows that Eagle Scouts can't bring themselves to practice the Golden Rule of Washington: Do it unto others before others do it unto you.

The questions that beg for answers are the simple ones, the kind of questions that any district attorney (which Mr. D'Amato once was) knows to ask. Why did White House aides take the files, and what did they expect to find in them? Was this an obstruction of justice? And if, as Mr. Fiske insists, there was nothing about Whitewater to push Vince Foster toward eternity, what else could there have been so dark and evil that would have done it?

The Democrats have insisted that if there have been any breaches of what the lawyers (with straight faces) call "ethics," the breaches were in Washington, not Arkansas, before Mr. Clinton became president. But this begs the largest question hovering over the hearings: If there was nothing much to hide in Arkansas, why the rush and risk in Washington to draw the veil across Arkansas?

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Questions from Capitol Hill on the Clintons' legal fund

Editor's note: The following is the text of a July 21 letter to Attorney General Janet Reno from House Republican leaders Robert Michel, Newt Gingrich and Dick Armey

Dear General Reno:

Recent articles and editorials have alerted us to several potential legal obstacles to the creation of the President and Mrs. Clinton's so-called legal defense trust fund. Specifically, these sources question whether the trust fund violates any statutes or regulations. We are writing to receive your written assurances, in the form of answers to several enclosed questions, that these sources are mistaken.

Recent articles in The Wall Street Journal, The Washington Times, and The Washington Post have raised concerns about the legality of the trust fund as it has been created. There are three general areas in which the legal defense trust fund appears to violate laws or regulations. First, the fund appears to violate the statutory prohibition against the President's receipt of gifts codified at 5 U.S.C. §7353(a). Even if the exception to this statute, located at 5 CFR §2635.204(j), is read broadly, it would not authorize the *solicitation* of gifts, as distinguished from the mere acceptance of gifts.

Second, the exception to 5 U.S.C. §7353 is apparently intended to cover only gifts of "protocol and etiquette" traditionally given to a head of state, and not gifts of cash resulting from a targeted fundraising campaign. In addition, if the exception is read so broadly as to include these gifts of cash, it would negate the statutory prohibition on gifts as applied to the President.

Third, the trust fund appears to violate the regulations applicable to gifts received by employees of the Executive Office of the President, including the President himself, found at 3 CFR §100.735-14.

In order to facilitate our understanding of your position regarding the legality of the trust fund, assuming that you do believe it is legal, please provide answers to the attached questions as well as any legal opinion justifying the legality of the trust fund. We would greatly appreciate receiving your response as soon as possible. Thank you for your cooperation in this matter

Sincerely,

Robert H. Michel
Minority Leader

Newt Gingrich
Minority Whip

Dick Armey
Chairman, House Republican Conference

Questions on the Legal Defense Trust Fund

1) Has the Justice Department been asked to review the legality of the establishment of the trust fund? Is there a Justice Department written opinion supporting the legality of the trust fund? Is there an Office of Government Ethics written opinion?

2) It is clear from the trust documents that the President, Mrs. Clinton, and their chosen trustees and agents will actively solicit contributions to the fund. Does this written authorization violate statutory and regulatory bans on the solicitation of such gifts, especially 5 U.S.C. §7353, 5 CFR §2635.204(j), and 3 CFR §100.735-14?

3) If read so broadly as to carve out an exception from 5 U.S.C. §7353 for the President's trust fund, would the exception (5 CFR §2635.204(j) be "manifestly contrary to the statute" under the rule of *Chevron U.S.A. v. Natural Resources Defense Council*, 467 U.S. 837,844 (1984)?

4) Do the regulations governing the supplementation of salary and the receipt of gifts by employees of the Executive Office of the President (specifically, 3 CFR §100.735-13 and §100.735-14) prohibit the creation of the trust fund as established?

5) If while still in office the President or his wife were to have access to funds from the trust left over after payment of all legal fees, would this constitute an illegal augmentation of salary?

6) Why does the trust document abide by the statutory ban on acceptance of gifts from inferior government employees, in 5 U.S.C. §7351, but ignore the more general gift prohibition in 5 U.S.C. §7353?

7) The Office of Legal Counsel at the Department of Justice issued an opinion during the Carter Administration on August 27, 1980, stating that White House employees should not accept free or discounted legal services. The President has reportedly indicated that he will not accept free or discounted legal services. What is the ethical distinction between receiving free services from an attorney and receiving gifts of money from interested persons from which to pay an attorney?

8) Can other executive branch employees set up legal defense trust funds? Can they have access to the remainder of the funds once all legal bills have been paid?

9) According to the trust document, the President and his wife can remove the trustees "at any time." Does this give them day-to-day, operational control over the trust?

10) What legal assurances are there that the President and his wife will return, or donate to charity, whatever funds remain after all relevant legal bills are paid?

11) Are these issues within the scope of Mr. Fiske's investigation? Would you support, including forwarding a written request to the special division, placing these issues within the jurisdiction of the independent counsel investigating the Whitewater/Madison Guaranty matter if such a counsel is appointed?

12) Does the trust fund expose donors to criminal liability under 18 U.S.C. §209, which criminalizes giving and receiving salary supplementations? Have the trustees been advised of any potential criminal liability in regard to this, or any other, federal criminal statute?

13) Does the way in which the trust fund is set up implicate criminal statutes 18 U.S.C. §201 (the general anti-bribery statute) and 18 U.S.C. §208 (the criminal conflict of interest statute) in any way?

3 awmakers Blame Management for Postal Woes

By Bill McAllister
Washington Post Staff Writer

Three members of the House Post Office and Civil Service Committee blamed postal management yesterday for the Washington area's mail delivery problems but said the troubles are not unique to the nation's capital.

Speaking to reporters on the steps of the old main Post Office, Reps. Patricia Schroeder (D-Colo.) and I e L. Byrne (D-Va.) and Del. Eleanor Holmes Norton (D-D.C.) appealed to area postal workers to help management, in Norton's words, "untangle the mess it is in."

"We have heard from everybody about the post office. We've heard from accountants, auditors; we've heard any number of consultants and on and on," said Schroeder, who is in line to the post office committee next year. "But what do the real people think—the people who work in the post office?"

All three promised to protect any postal worker who comes forward from retaliation by management, but they stopped short of blaming Postr General Marvin T. Runyon for the local problems. "This is not about going after Mr. Runyon or anybody else," said Byrne, who was one of the first area legislators to clash with the postmaster general.

Frank Brennan, a postal spokesman, said the agency fully agreed that postal workers had to be involved in changing the agency. "That's something we've been saying all along," he said.

Angered by the results of a national audit that showed millions of letters stalled in area postal facilities, Runyon changed the agency's area management, Brennan noted. Henry Pankey, the new area vice president, "was brought in to resolve the problems and he will," Brennan said.

Norton cited three reasons why she believed management was responsible for the area's poor mail service. "It is a recurrent problem. . . . It is occurring all over the country, and the nature of the problem," she said. "No postal worker would have put mail in a trailer. That had to be somebody in management." Norton was referring to the disclosure that officials at a large mail facility in Capitol Heights routinely stashed mail in trailers to avoid counting it as delayed.

Between 300 and 400 postal workers were ordered to work overtime at area facilities last weekend. In addition, letter carriers delivered mail on 23 District routes on Sunday, officials said.

The overtime was designed to clear any backlog of mail at local post offices, after postal inspectors discovered massive amounts of delayed mail in mid-May. Earlier it was disclosed that an accounting firm ranked Washington worst in the nation for on-time mail delivery.

Norton said her staff mailed 2 letters from post offices in the ci Thursday in an effort to test the de livery rates. As of midday yesterday, she said, 11 had been delivered. Under the Postal Service's delivery standards, those letters should have arrived Friday.

The TV Column

By John Carmody
Washington Post Staff Writer

Neither CBS nor ABC plans coverage this morning of the appearance before a joint session of Congress of King Hussein of Jordan and Israeli Prime Minister Yitzhak Rabin . . .

As for the Whitewater hearings before the House Banking Committee this morning, neither ABC nor CBS plans to cover them live; NBC spokeswoman Beth Comstock said late yesterday that network "will monitor the hearings and break in as warranted" . . .

As previously announced, PBS will carry the hearings starting at 10 this morning. C-SPAN and CNN will start at 9:30 and then switch at 11 to cover the appearance of Rabin and Hussein before Congress . . . before returning to the House hearings . . .

And way down the road, NBC News said yesterday it will cover the Simpson hearing on Friday, starting at noon . . .

Network news divisions had a busy late morning yesterday, between White House ceremonies for the visiting leaders and the Simpson hearing in Los Angeles . . .

CBS began coverage of the ceremonies at 11:40 and switched to O.J. at 12:13, staying with the hearing until 2:47 . . .

ABC covered the Middle East ceremonies from 11:39 until switching to L.A. shortly after noon, leaving the Simpson hearing at 12:58 . . .

NBC covered the White House from 10:10 until 10:24 a.m. and again from 11:39 until switching to L.A. for coverage that lasted until 1:10. The network returned to L.A. for a final 26 minutes at 1:23 . . .

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Ames Stops Meeting With Media

After U.S. Request, Spy Halts Interviews

By Walter Pincus
Washington Post Staff Writer

At the request of the Justice Department, confessed-spy Aldrich H. Ames has stopped giving interviews and meeting with print and electronic reporters, according to his attorney, Plato Cacheris.

Ames was described last week by CIA Director R. James Woolsey as a greater traitor than Benedict Arnold who was "trying to reinvent himself and will doubtless soon step into the media spotlight . . . as an objective and veteran commentator on the intelligence game."

Ames, who with his wife Rosario pleaded guilty in April to espionage charges, has given interviews in the Alexandria jail to five newspaper reporters, met with a book writer, and held meetings with a handful of television personalities, according to sources.

Two weeks ago, after congressional aides protested to the Justice Department that they were not allowed to meet with Ames while reporters were, government lawyers considered filing a court motion to prevent Ames from giving media interviews, sources said. Last week they reached agreement with Cacheris that there will be no more sessions, at least until after Ames' wife's sentencing in late August.

Under his guilty plea agreement, Ames cannot disclose classified information he learned while a government employee. He is barred from profiting from any book or film "describing his work at the CIA, his espionage activities, or the facts and circumstances leading to his arrest and conviction."

"We can't stop him from talking to the press" one official said. "All we can do is be sure he complies with the agreement."

Until now, Cacheris has sat in on the interviews. In the future, one government lawyer said, "someone from the government may sit in or we'll have a pre-publication review of any interview Ames participates in to be sure no classified information being released."

KEY EVENTS IN WHITE HOUSE-TREASURY CONTACTS

Fall: The Resolution Trust Corp. sends to the Justice Department a 21-page referral that names the Clintons as "potential beneficiaries" of illegal activities at the failed Madison Guaranty Savings & Loan, formerly owned by **James B. McDougal**, their partner in the Whitewater real estate venture. The referral mentions possible diversion of funds to Clinton's 1984 gubernatorial campaign.

March: **William Roelle**, then RTC senior vice president, briefs Deputy Treasury Secretary **Roger C. Altman** about the RTC referral, according to an RTC official.


WILLIAM ROELLE

▶ FAXES TO WHITE HOUSE

March: Altman faxes year-old press clippings about Whitewater to then-White House counsel **Bernard Nussbaum**.

Sept. 27: Roelle informs Treasury of nine additional criminal referrals.

Sept. 29: Treasury general counsel **Jean Hanson** alerts Nussbaum that RTC criminal referrals mentioned the Clintons.

Sept. 30: Hanson writes a memo to Altman that refers to press inquiries to the RTC concerning the referrals and the Rose Law Firm of Little Rock, Ark. The firm, where **Hillary Clinton** was a partner, represented Madison and handled some RTC cases. Hanson says she has informed Secretary **Lloyd Bentsen** and Nussbaum.

Oct. 8: Second set of referrals is sent to the U.S. attorney in Little Rock.


ROGER ALTMAN

▶ MEETING AT WHITE HOUSE

Oct. 14: Nussbaum, Clinton adviser **Bruce Lindsey** and White House communications director **Mark Gearan** meet with Hanson, Treasury chief of staff **Joshua Steiner** and then-Treasury communications director **Jack DeVore** at the White House to discuss press inquiries.

Oct. 20: Lindsey writes memo for his file about the meeting. It shows that he knew that RTC investigators suspected that some Madison funds had been diverted to a Clinton campaign. He later denies knowing anything beyond what he has heard from the press.

Oct. 27: RTC's first criminal referral is rejected by **Paula Casey**, U.S. attorney in Little Rock and former law student of Bill Clinton. She later recuses herself from the case.


BERNARD NUSSBAUM

Oct. 31: The Washington Post reports that the RTC is investigating Madison and that the Clintons are mentioned in referrals.

Nov. 3: Then-Associate Attorney General **Webster L. Hubbell**, a former Rose Law Firm partner, recuses himself in the Whitewater case.

Dec. 24: Clinton instructs his personal lawyer to turn over to the Justice Department all Whitewater documents, amid calls for a special counsel.


JEAN HANSON

Jan. 20: **Robert B. Fiske Jr.** is appointed by Attorney General **Janet Reno** as special counsel to investigate Whitewater.

Feb. 2: Altman and Hanson give a briefing on civil case procedures to Nussbaum; **Margaret Williams**, chief of staff to Hillary Clinton; and **Harold Ickes**, White House deputy chief of staff.

Feb. 24: Altman testifies before the Senate Banking, Housing and Urban Affairs Committee and subsequently sends the committee four letters amending testimony on meetings with the White House.


LLOYD BENTSEN

Feb. 25: Altman recuses himself from further Madison-Whitewater investigation, announces he will step down as interim head of the RTC.

March 5: Nussbaum resigns.

June 30: Fiske announces that his grand jury probe of more than 20 contacts between White House and Treasury Department officials found insufficient evidence for criminal charges.


BRUCE LINDSEY

▶ HEARINGS BEGIN

Today: Hearings on the White House-Treasury contacts begin before the House Banking, Finance and Urban Affairs Committee.

Friday: The Senate Banking Committee will begin hearings.

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At Treasury, Looking Out for No. 2

Roger Altman Has Some Powerful Administration Backers Despite His Troubles

By Clay Chandler
Washington Post Staff Writer

When President Clinton's economic plan squeaked through Congress by a single vote last August, Deputy Treasury Secretary Roger C. Altman, the commander of the White House budget war room, basked in the glory of the moment.

Cabinet and White House staff members who crowded into the Roosevelt Room to celebrate the victory cheered his leadership, chanting "Ro-ger! Ro-ger!" as if he were a rock star.

"People were unbelievably loyal to him," recalls a senior Clinton aide who worked closely with Altman on the budget deal. "There was this feeling that you wanted to win one for Roger. It was as if he was the coach."

A year later, Altman, entangled in questions about the propriety of his conduct in the Whitewater affair, finds himself battling for his political survival.

Clinton praised Altman in an unusual official statement yesterday. But within the White House, sentiment seems divided between those who think the Treasury's No. 2 official should be given a chance to defend his actions, and those who feel Altman has become such a political liability that Clinton should simply throw him overboard.

Among senior members of the administration's economic team, however, Altman claims broad support. Officials in the administration's four main economic agencies—Treasury, the Office of Management and Budget, the Council of Economic Advisers and the National Economic Council—give Altman high marks for his contribution to Clinton's economic program across a range of issues, including budget policy, health care and international trade.

To hear them tell it, the administration will be deprived of an able player should the controversy surrounding Altman's role in Whitewater force him from office. Indeed, colleagues describe him as a pivotal member of the economic lineup, an all-around player who, though not a superstar at any one position, has demonstrated an ability to pitch as well as hit, field and run.

Altman has made some enemies, too. Some in the White House are said to have been peeved at what they think were Altman-inspired leaks about Whitewater that focused blame on others, including on White H se- nior adviser George Stephanopoulos. Some have also questioned whether Altman truly is a

See ALTMAN, D7, Col. 4

Altman Still Has Broad Support

ALTMAN, From D1

team player, or if he is working to enhance his own influence and reputation.

Prior to the Whitewater flap, Altman was widely viewed as a likely successor to Treasury Secretary Lloyd Bentsen—a prospect that seems far less likely now.

Among Altman's biggest talents, his supporters say, is an ability to get things done—no small contribution in an administration that is often criticized for sloppy management. Altman brings "an organizational drive," said one senior official. "He's methodical, he moves quickly and knows how to close a deal." Before joining the Clinton team, Altman was a senior partner at the Blackstone Group—a small but influential Wall Street investment bank.

Like his friend Robert E. Rubin, the former co-chairman of Goldman Sachs & Co. who now serves as assistant to the president for economic policy, Altman was a major fund-raiser for the White House bids of both Clinton and former Massachusetts governor Michael Dukakis.

In both those campaigns, Altman forged relationships with many members of the current Clinton economic team, including Dukakis running mate Bentsen, who now serves as Treasury secretary; Lawrence H. Summers, Treasury's undersecretary for international affairs; and Gene Sperling, Rubin's deputy at the NEC.

Altman's résumé has two other important entries: He served at Treasury during the Carter administration, and he was a classmate of Clinton's at Georgetown University.

In the Clinton White House, where formal titles are rarely an indication of who wields influence on a particular issue, Altman's personal contacts have served him well. On economic issues, he is one of the seven or eight top people at key meetings, according to an administration official.

In internal policy debates, he does not have the same heft as Bentsen or newly appointed chief of staff Leon E. Panetta, who can often turn the tide of a decision single-handedly.

Instead, he has focused more on implementing what others have decided. He often serves as an intermediary figure, officials say, bridging the gulf between the administration's junior policy wonks and its elder statesmen. "What Roger has going for him is that he is kind of policy wonk, he's very good at politics, and he has enough gray hair to have some stature."

On White vater, Questions Just Kept Growing

House Hearings Begin Today

By Susan Schmidt and Howard Schneider
Washington Post Staff Writers

When Republican senators asked in February whether Treasury aides had briefed the White House about the Whitewater investigation, Joshua Steiner believed his boss "gracefully ducked the question." At least that's what he jotted in his diary, now in the hands of congressional committees, one of which begins Whitewater hearings today.

But the questions did not go away. A few days later, Steiner, the Treasury Department chief of staff, fretted in a note to his girlfriend that the "fallout" was continuing from the one White House meeting Deputy Treasury Secretary Roger C. Altman did tell Congress about.

"The biggest danger is that this meeting will give the Republicans further ammunition in their call for congressional hearings," Steiner wrote. "These would be a real disaster for the administration. Yours truly might also be in some trouble. Who knows, I might be back in New York sooner than we think."

Steiner's predictions will be tested over the next few weeks as he and a host of White House and Treasury officials go before the House and Senate banking committees to answer questions about more than 20 discussions and contacts they had on the Resolution Trust Corp.'s investigation

WHITEWATER. From A1

of Madison Guaranty Savings & Loan and its connections to the Clintons. Madison's former owner, James B. McDougal, and his former wife, Susan, were the Clintons' partners in Whitewater Development Corp., which kept an account at Madison.

Dreaded by the administration, the hearings will subject top administration officials to intense questioning about behind-the-scenes conversations and meetings surrounding the RTC's Whitewater probe. The testimony—and the thousands of documents now in the hands of congressional committees—will offer a window on a part of Washington rarely seen while an administration is still in power.

Through the vivid recollections of aides such as Steiner, who kept a personal diary of the events, a picture emerges of a White House that for much of the past year has been preoccupied with Whitewater, sometimes consumed by it. And despite efforts to publicly play down the affair and the Clintons' role in it, the recollections show top Clinton officials privately scrambling to simultaneously monitor the RTC, stonewall the press and keep hungry Republican critics at bay.

Altman reflected some of this in a Jan. 4 entry in his own "scrapbook," recounting a conversation with Margaret Williams, Hillary Rodham Clinton's chief of staff, as the White House worried about Whitewater and pondered the imminent appointment of a special counsel.

"Maggie told me that HRC was 'paralyzed' by it. If we don't solve this 'within the next two days' you don't have to worry about her schedule on health care. . . . Maggie's strong inference was that the White House was trying to negotiate the scope of an independent counsel with [Attorney General Janet] Reno and having enormous difficulty. HRC 'doesn't want [the counsel] poking into 20 years of public life in Arkansas.' "

Today, the White House will attempt to put the best face on the contacts and the candid recollections of its officials as counsel Lloyd Cutler is called as the first witness before the House Banking, Finance and Urban Affairs Committee. He will present his own review of the White House-Treasury contacts, concluding that there were "regrettable lapses in judgment" but no violations of laws.

prosecute anyone for obstructing the criminal probe, although he said he would not rule on the ethics of the contacts. The meetings are still controversial because RTC investigations are supposed to be confidential and not influenced by politics.

"I think public candor will be on trial although individuals will not," Rep. Jim Leach (Iowa), the Banking Committee's ranking Republican, said yesterday.

Altman will be questioned about whether he misrepresented the contacts and his own knowledge of them in congressional testimony earlier this year. Yesterday, he defended his February testimony as "wholly accurate" and said it is "not unusual" that other officials have different recollections of events. Treasury Secretary Lloyd Bentsen also will be questioned about whether he knew about discussions with the White House. The hearings are likely to illustrate the downside of political damage control, particularly the aggressive approach the White House has used on issues from sexual harassment allegations against the president to the First Lady's commodity trading profits.

Though Whitewater began as a minor, quickly forgotten story during the 1992 campaign, administration efforts to suppress it backfired and eventually brought the conduct of White House and Treasury aides under scrutiny by Fiske and Congress.

Beginning with an initial report on the Whitewater investment commissioned by the 1992 Clinton campaign, Clinton aides repeatedly updated the official version to square with newly revealed facts.

The initial report, prepared by Denver attorney James Lyons, was presented as a definitive accounting of the Clintons' investment in the Arkansas land deal and managed to quickly deflect attention from the deal. Based on what it termed "forensic accounting," it showed the Clintons lost nearly $70,000 in the Ozarks resort venture.

After press reports last fall that the RTC had asked the Justice Department to investigate Madison further, the Lyons report received new scrutiny by the news media and was largely debunked. The president conceded this year that a loan for an unrelated land purchase had been wrongly included in the first estimate and said he and his wife actually lost about $47,000.

In December, White House officials conceded that they had removed a file on Whitewater from the office of White House deputy counsel Vincent Foster immediately after his suicide last July. The timing of the disclosure—just as public interest in Whitewater was growing—raised yet another round of questions about whether the administration was trying to cover up damaging details about the couple's finances and the circumstances of Foster's death.

This spring, attention shifted to the $99,000 profit Hillary Clinton made on her $1,000 investment in the commodities market in the late 1970s. The gains were initially characterized as a product of the First Lady's astute reading of the Wall Street Journal, but White House officials later disclosed that she depended heavily on the advice of James Blair, a family friend and lawyer for Tyson Foods, the Arkansas-based chicken-processing giant.

The most vexing questions so far for the Clintons concern the White House-Treasury contacts.

In February, Altman, who served as temporary chief of the RTC until March 31, revealed in a hearing before the Senate Banking Committee—the same panel that will question him again next week—that he had given the White House a Feb. 2 "heads up" on standard RTC procedures for civil lawsuits when statutory deadlines run, as they were about to in the Madison case.

More troubling for the White House, Treasury general counsel Jean Hanson has now told congressional investigators that Altman directed her to brief top White House aides about the Madison probe last fall—directly contradicting Altman's statements that he did not know about the earlier meetings. Altman yesterday said he did not believe he had instructed her to brief the White House.

Congress will examine allegations that the contacts may date back as far as March 1993 and include discussions about whether a Republican former U.S. attorney and outspoken Clinton critic could be stopped from working on the RTC's investigation of potential civil claims this spring.

The result of the shifting story has been a growing distrust among some congressional Republicans about the administration's candor and acknowledgment even by Cutler that some administration aides will have to work hard over the coming weeks to rebuild trust with Congress.

TUESDAY, JULY 26, 1994 THE WASHINGTON POST

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Altman: Testimony 'Wholly Accurate'

TUESDAY, JULY 26, 1994 THE WASHINGTON POST

By Ruth Marcus and Susan Schmidt
Washington Post Staff Writers

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Deputy Treasury Secretary Roger C. Altman summoned reporters to the Treasury Department yesterday to defend his reputation, and President Clinton voiced support for his college friend, whose conduct will be at the center of congressional hearings on Whitewater.

"I believe that Roger Altman has been an excellent deputy treasury secretary and we want him to continue in that capacity," Clinton said in a one-sentence statement joined by Treasury Secretary Lloyd Bentsen.

Before a room packed with reporters, Altman defended his previous congressional testimony as "wholly accurate" and said that neither he nor anyone at Treasury had done anything illegal or unethical. Altman said he has no plans to resign.

"As far as taking the fall is concerned, I don't expect to do that," he said.

Yesterday's events followed a flurry of news accounts suggesting that Altman had given misleading and inaccurate information to Congress about his knowledge of the government's investigation of the failed Madison Guaranty Savings &

President Releases Short Statement Supporting Longtime Friend Altman

ALTMAN, From A1

Loan and his discussions with White House officials about the probe.

At the time of his congressional testimony, Altman was acting head of the Resolution Trust Corp., which was investigating Madison and its former owner James B. McDougal, the Clintons' business partner in the Whitewater real estate venture.

Clinton's terse statement did not address whether Altman had been straightforward in his February testimony to Congress, when he said he could recall only one "substantive" contact with the White House on the Whitewater matter. In later revisions to his testimony, he recalled five conversations with White House officials.

A senior White House official said Clinton decided to defend Altman because he "wanted to make very clear what his view is" after seeing news reports suggesting that Altman was in trouble and accounts of a television appearance Sunday by White House counsel Lloyd N. Cutler.

Cutler offered a lukewarm defense of Altman when asked on CBS's "Face the Nation" about Altman's future.

"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," Cutler said. Cutler has been coordinating the administration's inquiry into the contacts between White House and Treasury officials, including Altman.



ROGER C. ALTMAN
. . . doesn't expect to take the fall

Some sources suggested yesterday that the divergence between the comments reflected a disagreement among senior administration officials about how best to handle the controversy over Altman, with some officials believing it would help the administration to stem the clamor by disassociating itself from Altman and others contending that would be playing into Republican hands.

Asked about the distinction between Cutler and Clinton's statements, one senior official said of Cutler, "The guy in the round office put out the statement today to be clear about what the White House's position is on Roger Altman. The president stands behind him. . . . I don't think Lloyd was operating on any official guidance."

Cutler said yesterday that he did not see "any gap at all" between his comments on Altman and Clinton's, saying his inquiry has focused on the role of the White House staff and has not included an assessment of Altman's behavior. Asked whether he believed Altman's testimony to Congress had been truthful, Cutler said, "It's not for me to comment about."

But Cutler said that rather than saying it was up to Altman to try to "reestablish" the confidence of the congressional committees that oversee the Treasury Department, "I think 'maintain' would have been a better word. Sometimes you don't say precisely the word you mean."

Altman's earlier testimony made no mention of Treasury General Counsel Jean Hanson's two fall meetings with White House aides to discuss the Whitewater criminal probe. Hanson has now told congressional investigators that Altman instructed her to inform the White House.

"My testimony was correct," Altman reiterated yesterday. "I have no recollection of asking Ms. Hanson to brief the White House. . . . I know that she has a different recollection. I just disagree," he said.

Whitewater Disinformation

As the President's lawyer, Lloyd Cutler has a right to divert attention from his client as the Whitewater hearings commence. But Congress and the public need to understand that Mr. Cutler was misrepresenting both the factual terrain and the importance of those hearings in his Sunday talk show appearance.

First, he argued that it was of incidental importance that President and Mrs. Clinton "happened to be" equal partners with James McDougal in the Whitewater Development Corporation. Mr. Cutler maintained that whatever the problems of Mr. McDougal and his failed savings and loan, they had nothing to do with the Clintons.

Wrong. One of the unanswered questions involving Whitewater arises from the imbalance between Mr. MacDougal's contribution and the Clintons'. As the public record now stands, the Clintons claim losses of $47,000; Mr. McDougal's losses were about twice that, even though they were equal partners. Was someone putting money into Whitewater on behalf of the Clintons and if so, did that person report it as income?

Mr. Cutler also glibly asserted that the Clintons' involvement with Madison Guaranty Savings and Loan was "peripheral" and added that the couple simply "wouldn't have known" whether Mr. McDougal was misusing Madison's funds to prop up Whitewater. It is possible that if Mr. McDougal engaged in such shenanigans, he did so without telling his partners. But at least one Resolution Trust Corporation investigator has said publicly that she finds it hard to believe that the Clintons never even tried to find out who was paying off their debts. Mr. Cutler seems also to have forgotten that Mrs. Clinton once represented Madison.

But the issue at today's hearings is not whether the Clintons have told the truth about their investments. That is now in the hands of the special prosecutor. The hearings will focus on whether White House and Treasury officials have told the truth about an apparent effort to block an R.T.C. investigation of Madison. Mr. Cutler said contacts between Treasury and the White House were "regrettable" but innocuous.

The changing stories of the participants show they were not innocuous. Deputy Treasury Secretary Roger Altman, for example, was serving as the acting head of the R.T.C., which is supposed to be politically independent, at the same time that he was talking with Mrs. Clinton about how to avoid further investigations. "This boil must be lanced," he wrote in his diary. Robert Fiske, the independent counsel, has concluded that Mr. Altman did nothing illegal, but there could hardly be a clearer example of unethical conflict of interest.

And contrary to earlier accounts, it appears that Treasury Secretary Lloyd Bentsen was briefed on his department's meetings with White House aides eager to stop the inquiry. Contrary to Mr. Clinton's earlier statements, it now seems that he too knew of these improper discussions.

The White House insists there is no cover-up. Why quibble over words? Call it a failed effort to thwart a legitimate investigation. Everyone involved is scared now, and no one missed the signal when Mr. Cutler pushed Mr. Altman to the end of the plank with a dismissive comment about his need to restore his credibility. Today's report about Mr. Altman's meddling in another R.T.C. investigation involving Navy Secretary John Dalton seals the case for his dismissal or resignation.

In coming days, other officials will struggle to save themselves. But is there anyone smart and calm enough to remind the Clintons and their claque that it is not too late to tell the whole truth?

THE NEW YORK TIMES, TUESDAY, JULY 26, 1994

Treasury Official Scolded Regulator on Navy Secretary's Case

By JEFF GERTH
Special to The New York Times

WASHINGTON, July 25 — Roger C. Altman, the Deputy Secretary of the Treasury, admonished a top savings and loan regulator for not informing him in advance about a bad-debt notice sent earlier this year to the Secretary of the Navy by the agency overseeing the savings and loan bailout, Administration officials said.

Last February the Government sought to collect $27,000 from the Navy Secretary, John H. Dalton, because he had defaulted on a condominium loan from a Texas savings and loan.

About the same time, Mr. Altman and an aide tried to set up a system so they could be informed in advance on politically sensitive matters at the [illegible]cy, the Resolution Trust Corporation, said the officials, who insisted on anonymity.

The effort to formalize in writing such an early warning system was rejected by Mr. Altman's subordinates at the R.T.C., who thought it was inappropriate, the officials said. The agency was created in 1989 to handle the saving and loan bailout and was meant to be independent of any Cabinet agency and of politics.

Under President George Bush, it was run by someone from outside the Treasury Department. But President Clinton appointed Mr. Altman, a close friend, to wear two hats — as Deputy Secretary of the Treasury, a policy position, and as acting head of the R.T.C., a quasi-regulatory position.

Mr. Altman stepped down from the second post in March amid criticism of his role in the Whitewater affair. Mr. Altman was criticized for briefing the White House about the agency's investigation into a failed Arkansas savings and loan that had been run by President Clinton's former business partner.

Congressional hearings into the Administration's handling of the Arkansas inquiry, which begin in the House of Representatives on Tuesday, are likely to delve into the independence of the R.T.C. under the Clinton Administration.

'I Thought I Should Be Alerted'

Mr. Altman, in a telephone interview today, said that he did not remember any admonishment, but that "your account may be true, and if I expressed unhappiness it's only because I thought I should be alerted" in cases that might attract inquiries by the press.

Mr. Altman said he had learned about the bad-debt letter to Mr. Dalton only after the fact and had no role in the handling of the Dalton case. Mr. Altman said that he had sought to set up an early warning system for matters of potential interest to the press and that he had thought people at the R.T.C. had agreed with that notion.

Stephen Katsanos, the spokesman for the R.T.C., said he could not discuss what went on in staff meetings, but he said, "Mr. Altman was interested in being consulted on major or politically sensitive matters."

On Feb. 2, an R.T.C. official in Texas sent a registered letter to Mr. Dalton in connection with a loan he defaulted on from Gill Savings Association, Administration officials said. Mr. Dalton worked from 1981 to 1984 at Gill, a Texas institution that was insolvent by 1986, Government officials said.

Officials of the agency promptly sent Mr. Altman a copy of their letter to Mr. Dalton, but only after the letter had been sent to Mr. Dalton, Administration officials said.

Admonished at Meeting

At the next senior staff meeting between Treasury officials and agency officials, Mr. Altman expressed displeasure that he had not been notified in advance about the letter, officials said. The object of his criticism the officials said, was Thomas P. Horton, an R.T.C. vice president who presides over the division responsible for sending the letter to Mr. Dalton.

Mr. Horton did not respond to a phone message left at his office today by a reporter. But officials who have talked to him said he was disturbed by Mr. Altman's comments and thought he was being criticized for simply doing his job.

Sometime after the staff meeting where the admonishment was said to have been delivered, an aide to Mr. Altman asked R.T.C. officials to put guidelines in writing to insure that there was an early warning system for politically sensitive cases, but the R.T.C. officials rejected the request as inappropriate, officials said.

Mr. Altman said that he thought such a system was a good idea. "I thought people agreed with that," he said.

No Evidence of a Link

The R.T.C. has the job of collecting from people who owed money to failed savings and loans. Mr. Dalton recently settled his debt with the R.T.C. by sending the agency a check for $17,783, a Navy spokesman said.

There is no evidence that Mr. Altman was involved in the agency's handling of Mr. Dalton's debt. The Deputy Treasury Secretary argued today that any agency head needs to be alerted in advance to high-profile cases like Mr. Dalton's.

Mr. Dalton's debt problem unnoticed by the press until last week, when it surfaced in the wake of disclosures that he had been firmed as Navy Secretary last without any public mention of his previous savings and loan entanglements.

Federal regulators had asserted that Mr. Dalton had been grossly negligent and violated various laws during his tenure as chief executive officer of Seguin Savings Associa another Texas savings and loan that failed in 1988.

Mr. Dalton denied any wrongdoing, but Seguin's insurance company paid a $3.8 million settlement to the government shortly after President Clinton took office.

THE NEW YORK TIMES, TUESDAY, JULY 26, 1994

Transit Workers Strike in Los Angeles

LOS ANGELES, July 25 (AP) — Bus and rail workers struck the nation's second-largest transit system today. Thousands of commuters were stranded, and the walkout threatened to clog already crowded freeways.

The Amalgamated Transit Union, which represents 2,000 bus mechanics, called the strike against the Metropolitan Transportation Authority after the two sides failed to reach an agreement late Sunday. No talks were scheduled for today.

Unions representing about 4,300 bus and train operators and 600 clerks reached tentative agreements on Sunday, but those workers walked out today in support of the mechanics. At dawn, bus stops were crowded with riders who did not know about the strike or thought that buses might arrive. The transportation authority operated 313 buses on the 30 busiest routes and planned to continue doing so from 6 A.M. to 6 P.M. Usually 1,900 buses work on 200 routes.

About 1.23 million riders a day use the buses and trains. The strike did not affect the five long-distance routes of the Metrolink rail system or municipal or private operators.

Ship Is Losing Name Of Black Navy Hero

PENSACOLA, Fla., July 25 (AP) — Pride will be tinged with disappointment on Wednesday when the Navy decommissions the frigate Jesse L. Brown, the first American vessel named for a black officer. The warship honors Ens. Jesse L. Brown, the Navy's first black aviator, who was killed in action during the Korean War.

The Navy is taking the frigate out of active service at the Pensacola Naval Air Station and selling it to Egypt.

The Navy's decision to retire the vessel, which was commissioned in 1973, has disappointed the family of Ensign Brown and his former wingman, Thomas Hudner, a retired Navy captain. Mr. Hudner won the Medal of Honor for landing his plane in enemy territory to try to rescue Ensign Brown.

"I can't believe the Navy would have done it," Mr. Hudner said in a telephone interview. "We need everything we can in race relations."

Argentines Suspect Iranian Hand in Bombing; Death Toll Hits 80

By JAMES BROOKE
[illegible]l to The New York Times

BUENOS AIRES, July 25 — As the death toll reached 80 today, Argentines asserted that Iran wielded a secret hand in the truck bomb that demolished the main community center here for Argentine Jews one week ago.

"Suspicions fall very heavily on Iran," Rubén Ezra Beraja, a Jewish group leader, said today after meeting with the Argentine President, Carlos Saúl Menem. Mr. Beraja is president of the Delegation of Argentine Jewish Associations, a federation of Jewish groups that was housed in the building destroyed by the bomb.

In addition to the confirmed dead, 24 people are listed as missing and 52 remain in hospitals.

Today, the Argentine judge investigating the bombing, Juan José Galeano, questioned a dissident Iranian diplomat in Caracas, Venezuela, about Iranian links to bombings in South America.

On July 14, the Venezuelan Government expelled four Iranian diplomats on the grounds that in early July they kidnapped at pistol point the dissident diplomat and five family members and held them against their will in a Caracas hotel.

After the expulsion order, the Iranian Ambassador to Venezuela described Venezuela's accusations against his subordinates as "totally fallacious." In reprisal, Venezuela on Wednesday expelled the Ambassador, Seyyed Reza Zargarbashi.

Venezuela Investigating

Venezuelan officials are investigating to see if there are any ties between Iranian diplomats and the truck bomb attack here.

Today, a newspaper here, Clarín, published excerpts of what it said was a Venezuelan intelligence agency report on links between Iranian diplomats in Caracas and underground cells in South America of the Party of God, the fundamentalist guerrilla group supported by Iran.

Iranian diplomats provided terrorists with "logistical support, arms and explosives, using the diplomatic pouch for such ends," the document read. "In some cases, the explosives were delivered to the terrorists through Shiite communities living in the south of Brazil or in Uruguay."

Iranian diplomats here have denied any involvement in the Buenos Aires bombing. In Teheran today, Iran's supreme leader, Ayatollah Ali Khamenei, accused the world's powers of fighting a propaganda war against his country with forged news.

Within hours of the bombing here, Argentina detained half a dozen people of Middle Eastern origin. But all have been released for lack of evidence.

With the stench of decomposing flesh hanging over Once, this city's traditionally Jewish neighborhood, civil defense workers recovered 22 more bodies today.

No one has been pulled alive from the ruins since Tuesday, when rescue workers brought out Jacobo Chemahuel, a 56-year-old building employee. On Friday, he died of kidney failure.

After a week of detective work, the police now believe that the Jewish Community Center was destroyed by a vehicle packed with explosives — the same technique used here in 1992 to destroy the Israeli Embassy, killing 30 people. Studying a twisted radiator shard, detectives believe that the terrorists packed about 350 pounds of explosives into a Renault utility van.

It is unclear if the van was driven by a suicide driver or exploded by remote control.

Investigators discovered the big toe of a right foot that did not belong to any of the known victims. Studying the calluses on the toe, experts concluded that it belonged to a brown-skinned man of medium height who often walked barefoot or who wore leather sandals.

THE NEW YORK TIMES
229 West 43d Street New York, N.Y. 1003[illegible]
Home Delivery Information: 1-800-631-2[illegible]

The New York Times (ISSN 0362-4331) is published daily. Second-class postage paid at New York, N.Y., and at additional mailing offices.
Postmaster: Send address changes to The New York Times, P.O. Box 3009, South Hackensack, N.J. 07606.

Mail Subscription Rates*	1 Yr	6 Mo.
Weekdays and Sundays	$401.10	$214.5[illegible]
Weekdays	234.[illegible]	124.5[illegible]
Sundays	208.00	110.[illegible]
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Treasury Official Is Disavowing Whitewater Details in His Diary

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By STEPHEN LABATON
Special to The New York Times

WASHINGTON, July 25 — A senior Treasury official whose diary casts a bad light on the Administration's handling of the Whitewater affair will testify in Congress that his writings do not accurately reflect what occurred, Administration officials and Congressional investigators said today.

In his diary, Joshua L. Steiner, the Treasury Secretary's chief of staff, wrote that White House officials had put "intense pressure" on Deputy Treasury Secretary Roger C. Altman to remain involved in overseeing the Federal handling of Whitewater. Then, when Mr. Altman told senior Clinton advisers in February of his decision to remove himself from the matter, they "told RA that it was unacceptable," the diary says.

At the time, Mr. Altman, a close friend of the President, was the acting head of the Resolution Trust Corporation, a Federal agency considering whether to sue a savings association and a law firm with ties to the Clintons.

Mr. Steiner wrote in the diary that senior advisers to Mr. Clinton wanted the agency to remain under the control of a political ally. He wrote that Mr. Clinton had become angry when he learned of Mr. Altman's recusal.

But Mr. Steiner has now told Congressional investigators that his diary was not meant to be a word-for-word rendition of events, officials said. They said Mr. Steiner would say that when he testified at the long-awaited Congressional hearings on Whitewater, which begin on Tuesday in the House Banking Committee.

Colleagues of Mr. Steiner say he was not pushed by Administration officials to change his story. But the prospect of the hearings has caused considerable concern at the White House and the Treasury Department.

Pressure on Mr. Altman has become strong enough that Mr. Clinton issued a statement today saying the Deputy Secretary still had his support.

Mr. Altman held a small news conference, partly to offer his version of events.

In another matter involving the banking agency, Administration officials said today that Mr. Altman had admonished a top savings and loan regulator for not informing him in advance about a bad debt notice that was sent earlier this year to the Secretary of the Navy by the trust corporation. [Article, page A13.]

Administration officials and Congressional investigators said today that when Mr. Steiner appeared before Congress next week, he would repeat what he had told investigators and would disavow significant passages in the diary. Mr. Steiner's lawyer, Reid H. Weingarten, said that his client "would not walk away from his diary" but that he would say that the diary did not accurately record what had occurred.

"It was never Josh's intention that the diary would be a complete and accurate recordation of historical events," Mr. Weingarten said. "The diaries are impressionistic efforts by Josh written, at some instances, weeks after the events and for reasons that have nothing to do with the recordation of history."

Account of a Meeting

Mr. Steiner's diary recalls the days leading up to Mr. Altman's decision Feb. 25 decision to remove himself from the Whitewater case. At a meeting in early February involving Mr. Altman and Bernard W. Nussbaum, then the White House Counsel; Deputy Chief of Staff Harold Ickes, and Hillary Rodham Clinton's Chief of Staff, Margaret Williams, Mr. Altman said he would recuse himself, Mr. Steiner said.

"The WH staff told RA that it was unacceptable," Mr. Steiner wrote. "They reacted very negatively to the recusal." At another point, Mr. Steiner writes of the White House advisers and Mr. Altman: "They were very concerned about him turning the RTC to people they didn't know so RA did not formally commit himself to stepping down."

Mr. Altman summoned reporters to the Treasury Secretary's conference room this afternoon and offered an hourlong preview of his testimony next week before Congress. He disputed both the account provided in Mr. Steiner's diary and those given to investigators by the Treasury's general counsel, Jean E. Hanson, who also served as the trust corporation's top lawyer. Ms. Hanson has told investigators that she talked to White House officials last fall about the Whitewater case at Mr. Altman's instruction.

Mr. Altman said he had no memory of talking to Ms. Hanson before she went to the White House. He said that Mr. Steiner had not participated in the February meeting with White House advisers and that there had never been any pressure or suggestion from the White House that Mr. Altman must stay at the Resolution Trust Corporation or on the Whitewater case.

"The recusal is a false issue," he said. "I have never known the substance of the case and don't know it today." Mr. Altman has said that he went to the White House only to provide a brief explanation of how the statutory deadline was nearing for a decision on whether to file a civil lawsuit in the case. After the meeting, Congress adopted legislation that extended the statute of limitations by two years.

Mr. Altman came to Washington from Wall Street, where he had raised a significant amount of money for the Clinton campaign. A longtime friend of Mr. Clinton, Mr. Altman had been seen as a potential successor to Treasury Secretary Lloyd Bentsen until his recent troubles began.

A Grand Spectacle

The hearings that begin on Tuesday will be a political spectacle of grand proportions, as virtually of the President's men and women make their way to the green-felt-covered tables of the committee rooms. Not since Watergate has there been a longer parade of senior Administration lawyers and political advisers lined up for an investigatory hearing on Capitol Hill.

But unlike those indelible proceedings that more than two decades ago defined the modern standard for scandal, the Whitewater hearings may fail to resolve significant questions of what occurred in the Oval Office.

Mindful of how the Iran-Contra hearings tainted prosecutions brought by that scandal's independent counsel, the lawmakers have bent over backward to accommodate the Whitewater independent counsel, Robert B. Fiske Jr., and put off the hearings until now. And the proceedings that begin this week will be quite narrow in focus. They are only supposed to cover the discussions last year and early this year between regulators and White House officials. They are not likely to explore the underlying deals in Arkansas in the 1980's that are at the heart of the Whitewater story.

Mr. Fiske concluded last month that no crimes had been committed during the discussions between White House and Treasury officials about the Whitewater investigation, but he pointedly declined to discuss their propriety.

The House Banking Committee will open its proceedings on Tuesday, and its counterpart in the Senate will start on Friday. The first witness on Tuesday will be the Acting White House Counsel, Lloyd N. Cutler, who is expected to use his cultivated reputation for probity to give the Administration his seal of approval. Mr. Cutler said over the weekend that he intended to tell the committee that while some meetings between regulators and the White House over the Whitewater investigations had involved "regrettable errors in judgment," no laws or ethics rules had been broken.

At a news conference in the Capitol this afternoon, Representative Jim Leach of Iowa, the top Republican on the Banking Committee and one of those who have been active in pursuing allegations of wrongdoing by Clinton Administration officials in the Whitewater case, said that the first phase of the hearings would involve "only 5 percent of the Whitewater matter" and that, as a consequence, "fireworks will be limited."

The focus, he said, will be on "a pattern of misleading the public" by officials of the Clinton Administration, including, but not limited to, Mr. Altman.

Mr. Leach said he was disturbed not only by the degree to which officials had changed their public accounts but also by the number of occasions in which they had told the committee's investigators they could not recall specific events.

The Administration and its closest allies in Congress have spent the days before the hearings minimizing their significance and pre-emptively leaking some of the embarrassing details that may emerge. Typical were Mr. Clinton's remarks on Saturday from Hot Springs, Ark., when he again trivialized the Congressional hearings as a waste of money.

"I feel quite comfortable that the hearings will just be a rehash of what's already been done," Mr. Clinton said. "The question, I think, the American people are going to wonder about is why the Congress is spending so much money at something that has already been looked into in so much detail, excruciating detail, at great cost to the taxpayers by the special counsel. But if they want to do that, that's fine."

THE NEW YORK TIMES, TUESDAY, JULY 26, 1994

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copies of the original police reports in hopes of finding the mystery witnesses.

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Congress' Turn on Whitewater
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The following editorial appeared in Monday's Baltimore Sun:

Congress gets into the Whitewater act this week, but just barely. The House and Senate Banking committees begin public hearings into what has been called ``the Washington phase" of the controversial story. That is, did high-level White House or Treasury or Resolution Trust Corporation officials improperly try to influence RTC field investigators looking into Whitewater-related matters involving the Clintons and a failed savings and loan? Also, was White House Deputy Counsel Vincent W. Foster Jr.'s death a homicide or a suicide?

Originally Democratic and Republican leaders on Capitol Hill agreed that another subject would be investigated at this time: The handling of Foster's papers in his White House office by White House staff after his death. But Robert B. Fiske Jr., the special prosecutor in the Whitewater affair, has asked the committees to delay on that a little longer; his own investigation is taking more time than he anticipated.

Congress has an important ``hound dog" function. It is supposed to look for and expose misconduct in the executive branch, even we would say especially conduct that does not rise to the level of criminality. Nothing in the Washington phase seems to be criminal. Fiske's conclusion in the RTC matter was that there was ``insufficient evidence" to show that any officials ``acted with the intent to corruptly influence" RTC investigations. The Banking committees have a responsibility to flesh that out, showing the public whatever evidence there is of unethical or improper behavior.

As to whether Foster killed himself or not, the Fiske investigation concluded that he did, and that there was no foul play. Why the Banking committees are looking into this, we don't know. There have been some lurid rumors about the death even since the Fiske report, but if there is enough substance for them to be probed and publicized, surely some committee with more expertise and interest in law enforcement and crimes of violence is a better choice to do that.

The Banking committees are the proper ones to look into what happened in Foster's office after his death. There have long been suspicions that some White House aides may have been involved in obstruction of justice by examining and removing some of Foster's papers that had some relevance to Whitewater. The fact that Fiske's investigation is running a month or two longer than he expected makes it even easier to be suspicious of the original official denials that anything improper occurred.

Maybe nothing did. Hearings now or later can resolve that. These things are often partisan, but that cuts both ways. For every Republican insinuation, there is going to be a Democratic exoneration. The public is smart enough to sort it out.

Distributed by the Los Angeles Times-Washington Post News Service=

WASHINGTON IN BRIEF

Gift shopping will never be the same

By Ernie Freda
STAFF WRITER

A change is coming to the House office supply and stationery store, which is used by lawmakers and their staffs — and perhaps to the use of frequent-flier coupons as well.



Dan Rostenkowski

Among the things Rep. **Dan Rostenkowski** (D-Ill.) is charged with in his misuse-of-public-funds indictment is using his public expense account to buy $40,000 worth of merchandise at the store, including chairs and sculptures, for use as gifts to friends. So the House Administration Committee is removing gift items, many carrying the congressional seal, from the stationery store.

Instead, it will operate a separate gift shop beginning Sept. 1, one that will be open to the public as well. Reps. **Charlie Rose** (D-N.C.) and **Bill Thomas** (R-Calif.), the committee's top members, said all gifts will have to be paid for personally, not through government accounts.

The House also is reviewing the practice of members and their staffs "using a little-known loophole in House rules to take family vacations and personal trips using frequent-flier coupons 'earned' though government travel." The Washington Times reported that some lawmakers "have used the perk ... also as gifts to friends."

CHRISTOPHER ON A LIMB: Bosnia, Somalia, North Korea, Haiti. Festering foreign policy crises have been sapping President **Clinton**'s political strength for some time now, and the polls are showing his popularity in decline because of it. Secretary of State Warren **Christopher** used to say that his duty as chief foreign policy adviser was to prevent problems from growing into crises. If that's so, someone has been falling down on the job. Now New York Newsday cites unnamed sources as saying that Vice President **Al Gore** and Gore's foreign policy assistant, **Leon Fuerth**, have Clinton's blessing to conduct a job search, and it's appearing more likely that Christopher will be given his walking papers after the November congressional elections. The newspaper reported that one name being entertained by Clinton for secretary of state is former Vice President **Walter Mondale**, now the ambassador to Japan.



Warren Christopher

SIGHT WORSE THAN SOUND? When President Clinton took his daughter and one of her friends to the Kennedy Center opening of "Miss Saigon" last month, his wasn't quite prepared for what Chelsea was to see. Clinton was upset that **Chelsea** was seeing a show set mostly in hooker bars with sexily dressed women. He felt that he hadn't been adequately warned. So upset was he that he didn't go backstage after the performance, as he usually does. This confused theater officials, Washingtonian magazine said, because Clinton had taken Chelsea and a dozen of her friends to "Grease" at the National Theatre for her 14th birthday in February and went backstage there. The language in that musical was much cruder.

SOMEWHERE WEST OF D.C.: A Senate Appropriations subcommittee was plowing through the $252.9 billion spending bill for fiscal 1995, and Sen. **Dianne Feinstein** (D-Calif.) tried to get the attention of Chairman **Tom Harkin** (D-Iowa) by referring to him as "the senator from Ohio." Not long after, Sen. **Ted Stevens** (R-Alaska) responded to a Harkin comment with, "The senator from — the senator from — where the hell are you from, Iowa?" The good-natured Harkin was gracious: "Once you get to the Midwest, you can't tell them apart."

A COUPLE OF GOOD LICKS: It's not just Sen. **Patrick Leahy** (D-Vt.), Congress's resident Deadhead, who loves that rock 'n' roll. Rolling Stone mag notes that when **Pearl Jam** was up on Capitol Hill testifying against Ticketmaster's policies, Rep. **Collin Peterson** (D-Minn.) told the band that he had tried to teach himself some of their songs on guitar.

ELSEWHERE

Any doubts as to whether House Speaker **Thomas S. Foley** (D-Wash.) would seek a 17th term were put to rest when he filed for reelection Monday, the first day he could do so. ... After the theft of credit cards mailed to customers of the Navy Federal Credit Union, the world's largest, Navy Federal has switched from the U.S. Postal Service to Federal Express to guarantee delivery. ... At **John F. Kennedy Jr.**'s suggestion, New York City reportedly will rename the 106-acre Central Park Reservoir after **Jacqueline Kennedy Onassis**, who lived just blocks away. ... **Hillary Rodham Clinton** might have thought better of autographing a fly fisherman's T-shirt during her recent visit to Portland, Ore., if she had read the slogan — "The way to a man's heart is through his fly" — more closely. ... U.S. Trade Representative **Mickey Kantor** shifted gears somewhat unhappily when he moved to the capital from California, reports Washingtonian magazine, buying a Buick Regal and selling "something foreign." ... **Lowell Weicker**, the former senator from Connecticut (Republican) and governor of that state (Independent), will be returning to Washington next year to join the George Washington University faculty as a "professorial lecturer" and to work in the private sector.

IT'S A FACT

If **President Clinton** were to testify in person before Congress on Whitewater, he would be the first sitting president to do so since **Gerald Ford** appeared before the House Judiciary Committee 20 years ago to explain his pardon of **Richard Nixon**. The only other president thought to have done so was **Abraham Lincoln**, who appeared before the same committee in 1862 in connection with an investigation of a news leak to the New York Herald during the Civil War.

SAY IT AGAIN

"Stephen Breyer is not only a husband and father of three. He is a gourmet cook. He is a bird watcher, an avid reader, a student of philosophy and a speed typist." — Sen. **Barbara Boxer** (D-Calif.), during the confirmation hearings for the Supreme Court nominee.

— From staff, news services and published reports

Linder to quiz White House witnesses

GOP sharpening its questions as House grilling gets under way

By Jeanne Cummings
WASHINGTON BUREAU

Washington — Rep. John Linder of Georgia will take part in the House Banking Committee's Whitewater hearings that open today as a Republican questioner of three Clinton administration witnesses.

To prepare for the nationally televised hearings, the suburban Atlanta freshman spent the weekend holed up in the committee's offices poring through a fraction of 4,300 documents, memos and notes on Whitewater.



John Linder

Despite all the preparations and media hype, however, Linder said Monday, "I don't think much is going to come out of it."

With 51 members on the committee, lawmakers will be allocated about five minutes each for questioning. By Linder's estimate, that means about three questions for each panel of witnesses in five hearings that will be spread out over the next two weeks.

"There is a serious effort to make these hearings disjointed and boring," Linder said.

Republican members are expected to challenge the narrow scope that Chairman Henry Gonzalez (D-Texas) has set for the proceedings. But Gonzalez backed by a strong Democratic majority on the committee, should be able to prevail.

But the Republicans, still smarting over the flurry of congressional probes into Bush and Reagan administration controversies, will not pass up a chance to make a few Democratic White House aides sweat under the television lights.

To make the most of it, GOP committee members divided themselves into teams of four, with each team being assigned to do research and prepare questions for certain witnesses. Using this tactic, the Republicans hope to be able to sustain an hour of coherent questioning of key witnesses.

Linder is assigned to three teams and will question Treasury Secretary Lloyd Bentsen; Margaret Williams, Hillary Rodham Clinton's chief of staff; and Comptroller of the Currency Eugene Ludwig. Williams testifies Thursday; Bentsen and Ludwig are expected to testify next week.

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WHITEWATER CONTROVERSY

Leaks may have dulled hearings' shock valu

Soft opening: The White House counsel will lead off, but Middle East peace pageantry may steal the show.

By Julia Malone
WASHINGTON BUREAU

Washington — Striving to cushion the blow of new revelations about the Clinton administration, Democrats on Capitol Hill announced Monday that White House Counsel Lloyd Cutler would be the sole witness when the House Banking Committee opens its long-awaited Whitewater hearings today.

The Democrats have sought to limit the potential for shock from the first public grilling of administration officials about issues arising from the president's 15-year-old land investment in Arkansas.

House Democrats are asking that no witnesses be put under oath and that only lawmakers — not committee staff members — be allowed to question witnesses. Witnesses were invited to testify, not subpoenaed.

Some of the potentially explosive allegations, mostly about questionable contacts in which White House and Treasury officials discussed Whitewater, have been dribbled out beforehand to dilute their effect.

Even the timing of today's hearing is propitious for the administration. Only 90 minutes after it meets, the panel is slated to recess for the pageantry of a joint appearance by the leaders of Israel and Jordan in the House chamber.

Republicans complained that the first day would consist largely of soothing assurances from the white-haired, deep-voiced Cutler, who joined the Clinton team only last March and has no first-hand information.

White House spokesman David Dreyer said Cutler would set the tone for the hearings by announcing "what was good and what was bad and what should be changed."

But the hearings almost certainly will become bumpier next week, when Deputy Treasury Secretary Roger Altman and his boss, Treasury Secretary Lloyd Bentsen, are expected at the witness table.

With Altman coming under increasing heat from news leaks questioning his role in a federal Whitewater-related probe, Clinton on Monday issued a terse statement in defense of his longtime friend: "Secretary Bentsen and I believe that Roger Altman has been an excellent deputy Treasury secretary, and we want him to continue in that capacity."

AT A GLANCE


Lloyd Cutler


James Leach


Barney Frank

Action today

- House Banking Committee opens hearings today into the Whitewater affair, the Clintons' 1970s Arkansas real estate venture that has mushroomed into a political horrorama.

The issues

- Death of Deputy White House Counsel Vincent Foster. The committee is not expected to dwell on this issue; the July 20, 1993, shooting has been ruled a suicide.
- Top-level administration contacts in what should have been an independent federal probe of Madison Guaranty, a failed S&L with ties to the Clintons.

Today's witness

- Lloyd Cutler: White House counsel has acknowledged "regrettable errors in judgment" in the S&L probe but has denied impropriety by senior officials.

Whom to watch

- Rep. Henry Gonzalez of Texas: Crusty committee chairman is expected to use his gavel to silence Republicans who seek to expand the panel's focus.
- Rep. Barney Frank of Massachusetts: Democrat is emerging as a prime Clinton defender.
- Rep. James Leach of Iowa: Senior Republican will lead the charge against the administration.

What's ahead

- House panel reconvenes Thursday and is expected to wind up hearings next week.
- Senate Banking Committee opens separate hearings Friday.

Television coverage

- CNN will provide live coverage today starting at 9:30 a.m. Future plans to be determined.
- C-SPAN will offer taped coverage when House and Senate are not in session.

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^Whitewater mini-drama to resume on Capitol Hill Tuesday<

By Mitchell Locin< Chicago Tribune<

WASHINGTON After months of news stories, cries of coverup and spirited defenses, the Whitewater controversy and its potentially embarrassing details re-emerge Tuesday as the Clinton administration faces its first televised investigation.<

Although the Whitewater inquiry has none of the overarching constitutional themes of the Iran-contra affair, it is the kind of mini-drama that keeps the nation's capital absorbed.<

``Washington loves this kind of an affair where high officials are called to testify, so it has that kind of attraction,'' said a congressional aide preparing for the hearings.<

In a crafted administration prelude to the coming performance, Deputy Treasury Secretary Roger Altman, one of the secondary players, told reporters Monday he would not resign over questions of his conduct during the government's investigation into Whitewater, the failed Arkansas land partnership once half-owned by President Clinton and Hillary Rodham Clinton.<

Using the ornate conference room of the Treasury Department as a setting, Altman took off his suit coat and rolled up his blue shirt sleeves as he conducted a polite discussion of his contacts with the White House during the investigation.<

(EDITORS: NEXT 2 GRAFS OPTIONAL)<

In order to blunt disclosures that might occur at the hearings, Altman, for example, confirmed that he kept a scrapbook that included his observations last winter about Hillary Clinton, when she was reported to be upset that her and her family's privacy was being invaded by the Whitewater questions.<

Altman said that he called the first lady a few days ago to apologize.<

(END OPTIONAL TRIM)<

Altman, a multimillionaire Wall Street investment banker before heading the Resolution Trust Corp., said his meeting with White House officials last February was not a reason to resign.<

Clinton and Treasury Secretary Lloyd Bentsen issued a one-line statement of confidence in Altman, saying they want him to remain the deputy treasury secretary.<

Indeed, the first days of the congressional probe could be among the most interesting, or macabre, with possible subjects of inquiry including contacts between White House aides and government regulators, the reaction of the Clintons to the government probe of their investment and the death last summer of White House lawyer Vincent Foster.<

The plot has a lot of potential: a mysterious suicide, power and money, backstabbing colleagues, the privacy of the First Family peeled away. And all of it carries a pronounced political overlay, with Republicans rubbing their hands at the chance of bruising Clinton further and Democrats contending there is no there, there.<

While Democrats will focus on specific incidents and downplay their importance, Republicans will try to broaden the dialogue into an indictment of ethical standards set by the president himself.<

``We'll have discussions of events that happened after Bill Clinton was inaugurated and ways in which people who worked with and for him manipulated and abused the machinery of government to do whatever it was that they thought was important,'' said Joseph Pinder, spokesman for Rep. Jim Leach of Iowa, the senior Republican on the Banking Committee.<

Pinder said what happened in the White House was ``not radically different from things that people saw about this time 20 years ago,'' referring to the Watergate scandals that brought down President Richard M. Nixon in 1974.<

Within the administration, officials are girded for the worst. ``We hope that Republicans don't turn this into a political spectacle, but I don't think we're at all optimistic that they won't,'' presidential press secretary Dee Dee Myers said. ``They've tried to do this throughout the process.''<

The opening acts, in fact, will not delve into the investment itself or its role in the collapse of an Arkansas savings-and-loan association years before the Clintons took up residence in the White House. These subjects are off limits under the request of independent counsel Robert Fiske, whose grand jury investigation into those subjects is continuing.<

When House Bank Committee Chairman Henry B. Gonzalez (D-Texas) gavels his panel to order Tuesday morning, the first witness is scheduled to be White House counsel Lloyd Cutler, the gray eminence Washington lawyer brought in by Clinton last spring to stabilize an administration that seemed to have swirled out of control from daily Whitewater disclosures.<

Gonzalez resisted holding the hearings but was forced to by House Democratic leaders, who were under fire from Republicans who helped elevate Whitewater into major questions concerning the Clintons' ethics and how they applied them to the White House.<

The independent-minded Texan will try to limit his hearings to the contacts between the White House and the Treasury Department and the Resolution Trust Corp., the government agency that is exploring the collapse of Madison Guaranty Savings and Loan Association and its relationship to the Whitewater land deal.<

(EDITORS: NEXT 2 GRAFS OPTIONAL)<

Altman told reporters that he told White House officials about the process of the RTC probe into Madison but not its substance, about which he claimed to have no knowledge.<

Fiske already has concluded there was nothing illegal about the contacts. For his part, Cutler said that errors in judgment were made.<

(END OPTIONAL TRIM)<

The Senate Banking Committee kicks off its hearings Friday, and they promise to be more wide-ranging. They will include an examination of Foster's death, which has become the focal point of theories, largely spread by radio talk shows and conservative journals, that it was somehow part of a Whitewater-related conspiracy.<

The committee will not rely on Fiske's conclusion on June 30 that Foster, an associate of Hillary Clinton at the Rose Law Firm in Little Rock, Ark., committed suicide. Instead, the panel will call police and medical experts to hear for itself.<

Other administration officials are expected to tell conflicting stories about several contacts between the White House, the Treasury and the RTC regarding Whitewater. They may be asked to clarify Clinton's effort last winter to seek the advice of Comptroller of the Currency Eugene Ludwig about Whitewater. Ludwig, who revealed the president's request last week, said he declined.<

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Arkansas Democrat Gazette

July 26, 1994

Cutler takes stand today in hearings

Whitewater query 'little embarrassing'

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — The firs day of congressional hearing into the Whitewater Develop ment Corp. affair will reveal more high-level contacts be tween federal regulators an members of the Clinton admi istration, Republicans said Mon day.

• Related article 7

Hearings begin at 8:30 a.m CDT today before the Hous Banking Committee.

Rep. Jim Leach, R-Iowa, sai revelations of additional Whit water-related contacts wi erode the administration's co tention that the discussion were accidental.

"The pattern of misleadi the public will develop," Lea said.

Rep. Barney Frank, D-Mas conceded that today's hearin will be a "little embarrassin for the Clinton administratio But he said Republican alleg tions make the situation sou more severe than it is.

"The accusations are a l worse than the reality," Fra said.

Frank will play a leading ro in defending the administrati on questions raised today Republicans on the Banki

(1A) See HEARINGS, Page

Hearings

• Continued from Page 1A

Committee.

The Senate Banking Committee is to begin hearings Friday.

A focal point of this week's hearings will be contacts between White House aides and federal regulators investigating the failure of Madison Guaranty Savings & Loan Association. Special counsel Robert Fiske Jr. said last month that more than 20 such discussions occurred.

Fiske, whom Attorney General Janet Reno appointed in January, said no criminal wrongdoing occurred in the meetings, but he took no position on the ethical propriety of discussions.

Lloyd Cutler, the White House counsel, is expected to be today's only witness. Cutler will present the results of his ethics inquiry into the contacts between White House and Treasury Department officials. Cutler has said the hearings will be an opportunity to show nothing improper occurred.

Roger Altman, a deputy treasury secretary, played a key role in the meetings. He revealed the meetings Feb. 24 in an appearance before the Senate Banking Committee.

Altman may appear before the House committee next week. Continuing questions about his role in the meetings added to speculation Monday that he may be forced to step aside.

President Clinton issued a terse statement supporting Altman.



Lindsey



McLarty

"I believe that Roger Altman has been an excellent deputy treasury secretary, and we want him to continue in that capacity," Clinton said.

Altman, meanwhile, insisted he did nothing wrong. He mounted his defense during an hourlong conference with two dozen journalists he invited to his office to hear his side.

Sources have said the vice president of the Resolution Trust Corp. told Altman in March 1993 about an impending Department of Justice investigation into Madison's failure. Altman said Monday that he has no memory of such a briefing.

"I firmly believe that he did not do so," Altman said. "That is my recollection."

Leach, the GOP's leading Whitewater critic, refused to call for Altman's resignation.

"I am not suggesting in advance of the hearings that anyone's job should be placed in jeopardy," Leach said.

In other Whitewater developments Monday:

• Two Arkansans are to appear at Thursday's second session of House hearings. Clinton advisers Bruce Lindsey and Thomas F. "Mack" McLarty are expected to testify, Banking Committee officials said.

Lindsey is a former Little Rock lawyer. McLarty is the former chairman of Arkla Inc. who resigned last month as White House chief of staff.

Nine other White House officials are to discuss the Whitewater-related contacts in testimony Thursday. One is a former White House counsel, Bernard Nussbaum, who resigned after questions about his role in the case.

• Treasury officials, including Altman, may appear before the House committee next week. Hearings are to run Aug. 2-4.

• Questions about Vincent Foster's death are unlikely in today's session, officials said. Foster, a Hope native and former partner in Little Rock's Rose Law Firm, committed suicide July 20, 1993. He was deputy White House counsel.

"Any decent Republican won't get into the Foster suicide," Frank said.

Leach said he doubts the subject will come up.

• The Senate Ethics Committee refused to investigate news leaks involving Whitewater. Several news stories last week prompted Senate Banking Committee Chairman Donald Riegle, D-Mich., and Sen. Alfonse D'Amato, R-N.Y., to call for an ethics investigation. The disclosures violated secrecy agreements.

The Ethics Committee refused to look into the leaks, saying the Senate Banking Committee initially must examine the issue.

"Almost always, questions about leaks should be addressed first by members of committees or (the) offices themselves," Sen. Mitch McConnell, R-Ky., and Sen. Barbara Mikulski, D-Md., said in a letter.

McConnell is the Ethics Committee's ranking Republican member. The chairman, Sen. Richard Bryan, D-Nev., recused himself from the case because he also serves on the Banking Committee.

Bill and Hillary Rodham Clinton were partners from 1978-92 with James and Susan McDougal in Whitewater, a failed 230-acre residential development along the White River in Marion County. James McDougal also owned Madison, which failed in 1989 at a cost to taxpayers of at least $47 million.

Clintons' legal fund creates ethical doubts

Acceptance of lobbyists' money angers some

By Rowan Scarborough
THE WASHINGTON TIMES

President Clinton's unprecedented move to establish his own legal defense fund is raising a flurry of criticism over the ethics and legality of the first couple accepting gifts expected to total millions of dollars.

Lawyers from previous administrations, Common Cause and the New York Times weighed in this week to rebuke the president.

Common Cause, the self-described citizens lobby, and the Times targeted White House statements that anyone may contribute, including lobbyists.

"Laundering their gifts through their personal checking accounts does not remove the taint from such contributions," the newspaper said yesterday in an editorial under the headline "The Tainted Defense Fund."

"They are intended to buy favor with a president who has shown himself all too willing to put his favor up for bids," the paper said, adding that "the Clintons once again have chosen dollars over the principles of ethical government."

Common Cause President Fred Wertheimer noted that the Senate recently voted 95-4 to pass legislation that would ban lobbyists from contributing money to the legal defense funds of lawmakers and executive branch officials. That measure is in conference with the House.

"President Clinton and his legal defense fund should not be accepting contributions from lobbyists and foreign agents in the interim," Mr. Wertheimer said.

The White House has said it will not accept money from lobbyists if the Senate bill becomes law.

On Tuesday, White House Counsel Lloyd Cutler announced the formation of the Presidential Legal Expense Trust Fund. He said the fund will accept contributions up to $1,000 a year from any person.

Mr. Clinton and first lady Hillary Rodham Clinton are expected to incur legal bills of $1 million to $2 million annually. The couple's activities are under scrutiny by special counsel Robert B. Fiske Jr. in the Whitewater-Madison affair. And the president is being sued by Paula Corbin Jones, who says he made unwanted sexual advances while he was governor of Arkansas.

Some lawyers have suggested that the fund violates federal regulations barring executive branch employees from accepting gifts.

"It seems to stretch logic for the overnment to contend that taking a civil servant out to lunch violates federal law, but the Clintons' taking hundreds of thousands of dollars in legal contributions does not," said Mark Levin, Washington director of the Landmark Legal Foundation.

"I attended meetings where senior officials would not even accept a corned beef sandwich," said Mr. Levin, a senior aide in President Reagan's Justice Department. "If they want to operate in this way, they should ask Congress to let them raise the money this way. Then you would have a public debate. To try to squeeze this out of existing law, I think it's inappropriate."

But Donald Campbell, deputy director of the Office of Government Ethics, said yesterday his agency researched the law and regulations on gift taking and decided the fund does not violate any rule.

"We've had discussions with the White House, and we do have an opinion," he said. "Because of the nature of the presidency, as far as a president setting one up, we see no impediment to doing one."

Mr. Campbell pointed to language in regulations governing gifts that says, "Because of considerations relating to the conduct of their offices, including those of protocol and etiquette, the president or the vice president may accept any gift on his own behalf or on behalf of any family member."

Some legal experts interviewed yesterday said this section can be interpreted to cover only gifts the president receives during the normal conduct of his office, such as from foreign heads of state, but Mr. Campbell said the wording is all-inclusive.

"The president is a little different than any other executive branch employee," he said. "But there is no reason, if it is set up properly, that any executive branch employee can't have a legal defense fund. The question is how it is set up."

The trust's attorneys say the proceeds will not be subject to federal income tax. An Internal Revenue Service spokesman yesterday declined to say whether the trust is tax-exempt, citing rules on confidentiality.

"I don't believe the Clintons are a charity," Mr. Levin said, "and I can't imagine they won't be required to pay taxes on the money contributed to their legal defense fund. I don't quite understand how they are going to avoid the laws that apply to everybody else."

One reason for the Clintons' mounting legal bills is that they have hired two high-priced Washington lawyers. David Kendall, a partner at Williams & Connolly who is handling the couple's Whitewater defense, reportedly charges about $400 per hour. Robert Bennett, who is defending the president against the sexual misconduct suit, reportedly charges about $500 per hour.

Independent Counsel Act is law again

THE WASHINGTON TIMES

President Clinton yesterday signed the Independent Counsel Act back into law to allow court-appointed special prosecutors to probe cases that might be a conflict of interest for a political Justice Department.

"It insures that no matter what party controls the Congress or the executive branch, an independent, nonpartisan process will be in place to guarantee the integrity of public officials and ensure that no one is above the law," Mr. Clinton said of the law. It allows the Justice Department to ask a three-judge panel to appoint a prosecutor in cases of possible wrongdoing that could pose a conflict of interest.

Originally passed in 1978, the law lapsed on Dec. 15, 1992, under threat of filibuster by Republicans dismayed over what they saw as abuses of process and expense by independent counsel Lawrence Walsh in investigating the Iran-Contra scandal.

Mr. Clinton seemed to be making a point by signing it on the day a non-court-appointed special counsel found insufficient evidence for criminal charges in secret consultations between White House aides and Treasury Department officials probing Whitewater-Madison.

— Frank J. Murray

Whitewater file buoys White House

Foster's death ruled suicide; aides clear in Treasury talks

BY RANDY LILLESTON
AND TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — There is insufficient evidence White House aides violated the law by having contacts with Treasury Department officials concerning Madison Guaranty Savings & Loan Association, the Whitewater special counsel, Robert Fiske Jr., said Thursday.

• Reaction to report 16A

Fiske was investigating those contacts for potential obstruction of justice charges. Madison Guaranty is a failed Arkansas S&L with links to Whitewater Development Corp.

In a lengthy report issued by his office Thursday morning, Fiske also found that the death of former White House Deputy Counsel Vincent Foster was a suicide. The death has been the cause of wild speculation for nearly a year.

"We are satisfied that all of the issues involved in these investigations have been fully and thoroughly investigated," Fiske said in a statement.

He had little to say in person, commenting only that "We've completed the investigation into the suicide of Mr. Foster and concluded it was a suicide," before entering his Washington office Thursday morning.

White House Counsel Lloyd Cutler said the administration was "gratified by the independent counsel's decision that the so-called Whitewater events were not involved in the depression that led to Mr. Foster's suicide, and we're also pleased by the independent counsel's conclusion" that no evidence existed to prosecute anyone for the White House-Treasury contacts.

Fiske did leave another narrow area open in the first phase of his Whitewater investigation. He said he hadn't finished an investigation into the handling of papers in Foster's office by White House aides after Foster's death.

But Fiske said the investigation "is in its final stages and should be completed shortly."

An administration official said Thursday that Fiske probably would make an announcement "within 10 days or so" on that aspect of the investigation. Despite the delay, administration officials appear confident that no charges will come from that branch of the investigation.

The report is based on interviews with 188 people, including both President Clinton and first lady Hillary Rodham Clinton.

It exhaustively examines potential reasons for Foster's July 20, 1993, suicide at a roadside park in the Washington suburbs of Virginia.

Using independent pathologists and investigators, Fiske concluded that Foster "committed suicide by firing a bullet from a .38-caliber revolver into his mouth."

"The evidence overwhelmingly supports this conclusion, and there is no evidence to the contrary," Fiske's report says.

It concludes that depression, possibly brought on by Foster's concerns over the White House travel office controversy and a series of critical editorials in *The Wall Street Journal*, probably led to Foster's death.

The report also carefully addresses a number of common conspiracy theories and questions about Foster's death, including whether Foster's body was moved and whether the death actually was a suicide.

White House officials used the findings to attack news reports and statements from some public officials over the past year about Foster's death.

"We hope these rumor mongers and the media that published their rumors will now leave the Foster family in peace," Cutler said.

Both the Foster investigation and the inquiry into the White House-Treasury contacts were conducted from Washington by Fiske and his staff. Fiske was given the responsibility of investigating Foster's death because of the Whitewater papers in Foster's office.

In the spring, a series of White House officials testified before a federal grand jury in Washington on the Treasury contacts, and the president and first lady were interviewed by Fiske in June.

In the statement released Thursday, Fiske said that "more than 20 different contacts, either face-to-face meetings or telephone conversations, were investigated." He concluded "that the evidence is insufficient to establish that anyone within the White House or the Department of the Treasury acted with the intent to corruptly influence an RTC investigation."

Because Fiske's investigation is complete, administration and Treasury officials can begin internal investigations of the contacts, to determine if any ethical standards were violated, Cutler said. Fiske had forbidden such investigations until he completed his own inquiry.

Cutler said that if any inappropriate actions were found to have been taken because of the inquiries, "we can take remedial measures." He said the White House would complete its internal investigation within a few weeks.

The completion also sets the stage for congressional hearings later this month on the contacts and Foster's death.

On Capitol Hill, Fiske's conclusions on Foster were met with general acceptance, but Republicans pointed out that Fiske didn't make any findings on whether the Treasury-White House contacts were ethically proper.

"That's what hearings should determine," Senate Minority Leader Bob Dole of Kansas said Thursday. "The American people deserve a full airing of the entire Whitewater matter.

"Notwithstanding what Mr. Fiske may or may not conclude, Republicans will continue to insist that Congress exercise its own oversight responsibilities," Dole said.

Rep. Jim Leach, R-Iowa and the leading Whitewater critic in the House, agreed that the report didn't clear up the ethical questions.

"The report issued today covers less than 5 percent of the Madison-Whitewater affair, and the conclusions it reaches are essentially those expected from this extremely narrow aspect of the probe," Leach said.

But Cutler said Fiske was acting properly as a special counsel by not commenting on the ethical concerns.

"I would characterize this as much more than moderately good news. I would characterize it as very good news," Cutler said.

Other Democrats were quick to note Fiske's comments on Foster.

"The Vincent Foster matter should serve as a constant reminder of the excesses of the rumor mill," Sen. David Pryor, D-Ark., said Thursday. Sen. Dale Bumpers, D-Ark., also criticized the speculation over Foster's death.

Arkansas Democrat Gazette 7/1/94

7/1/94

Whitewater investigation now to shift to Arkansas
By Thomas G. Watts
Dallas Morning News

LITTLE ROCK, Ark. The easy part may be over.

Now that special counsel Robert B. Fiske Jr. has reported on most of the Washington aspects of the Whitewater affair, his primary focus shifts again to Arkansas and the original concerns in the controversy.

The questions are fairly narrow.

Was money from the defunct Madison Guaranty Savings and Loan Association owned by President Clinton's Whitewater partner, James B. McDougal, and his former wife, Susan, illegally diverted to prop up the Whitewater investment?

And was money from the thrift illegally funneled into Clinton's gubernatorial campaign?

But even if the questions are narrow, they have led Fiske into a labyrinth of financial and personal relationships stretching from Arkansas to Washington, from Texas to Canada.

Fiske's team of lawyers, accountants and FBI agents and a special grand jury have been seeking answers since his appointment in January. Their inquiry is expected to take at least several more months.

The counsel's interim report Thursday made little reference to the broader Whitewater investigation other than saying that he ``found no evidence that matters relating to Whitewater, Madison Guaranty or CMS (Capital Management Services) played any role" in the suicide of former White House Deputy Counsel Vincent Foster Jr.

``We are satisfied that all of the issues involved in these investigations have been fully and thoroughly investigated," the statement said. ``In total, attorneys from this office and agents of the FBI questioned 188 persons and reviewed and analyzed thousands of documents."

After issuing the interim report Thursday, Fiske's office declined any comment on the overall investigation, as it has since the inquiry began.

It is known, however, that Fiske's team has gathered thousands of documents on Whitewater Development Corp., Madison Guaranty and other Arkansas firms, including the Rose Law Firm, where first lady Hillary Rodham Clinton was a partner before moving to the White House.

McDougal and Madison Guaranty are at the heart of the Fiske investigation.

Investigators are trying to determine whether any of the money from McDougal's numerous development deals were used to help keep the Whitewater project afloat and, ultimately, contributed to the estimated $47 million taxpayer bill to bail out the thrift.

There also are questions about whether any of the $35,000 in proceeds from a Clinton gubernatorial fund-raiser that McDougal held at Madison was diverted from depositor accounts.

None of those questions has yet been resolved by the Fiske inquiry, noted Rep. James Leach, R-Iowa, a leading House critic of the Clintons' Whitewater dealings. ``The report issued today covers less than 5 percent of the Madison-Whitewater affair," Leach said in a statement issued in Washington.

Because McDougal and his thrift had business ties with many prominent figures in Arkansas business and political circles, the Fiske inquiry has touched on some people with no known Whitewater connections at all.

These include Arkansas' Democratic governor, Jim Guy Tucker, and his Republican opponent, Sheffield Nelson, as well as Dallas Cowboys' owner Jerry Jones. Jones recently said that he has not been subpoenaed and had no reason to suspect that he would.

Fiske's prosecutors so far have gained the plea bargain convictions of three men for defrauding the U.S. Small Business Administration. They include David Hale, a former Little Rock municipal judge and owner of Capital Management Services, who last fall accused Clinton of pressuring him to make a $300,000 government-backed loan to Mrs. McDougal.

The plea bargains stopped the trials of the three men and effectively cloaked any evidence that might have linked Hale to the McDougals or Clinton under the secrecy of the grand jury, though Fiske denied that was his intent.

(EDITORS: STORY CAN TRIM HERE)

To review the Clinton-McDougal relationship, Fiske is being forced to reconstruct business deals from nearly 20 years ago, when the McDougals persuaded the Clintons to jointly buy 230 acres along the White River to develop as a vacation haven.

That was in 1978. While the Whitewater development went forward with limited success, McDougal bought a failing thrift that he renamed Madison Guaranty and launched dozens of other development deals.

He formed Madison Financial Services as a vehicle to invest the thrift's money. Then there came Madison Marketing, Madison Properties, Madison Real Estate, Masters Development, Masters Marketing and Designers Construction, among others, that were set up by the McDougals to handle nearly all the development details.

Most were residential or vacation developments with names like Castle Grande, Brittany Point, Maple Creek Farms and Lowrance Heights. Some were in the Little Rock area, others were scattered around Arkansas.

(EDITORS: STORY CAN TRIM HERE)

McDougal moved outside Arkansas, as well, with an $825,000 deal that bought more than 3,900 acres of Campobello Island in Canada the famed vacation home of President Franklin Delano Roosevelt. McDougal later brought Jones and Nelson in as partners.

As early as 1984, a year after McDougal bought Madison, federal regulators began warning that all these deals jeopardized the thrift's financial strength.

By 1986, the Federal Home Loan Bank Board had stripped the McDougals of their management authority at Madison, though they remained majority stockholders until the S&L finally was ordered closed in 1989.

McDougal was indicted that year with two of Mrs. McDougal's brothers on fraud charges in one of Madison's developments, but they were acquitted in 1990.

(EDITORS: STORY CAN TRIM HERE)

So, in short, Fiske's team will try to reconstruct several year's worth of financial dealings at a failed S&L over the next several months. And the vast majority of McDougal's developments have little to do with Whitewater, which was dwarfed in size and cost by the others.

The Whitewater checking account, however, was kept at Madison Guaranty, where overdrafts from many of the thrift's developments were commonplace.

While Fiske is focused on Whitewater, his grand jury is free to indict anyone if evidence of wrongdoing surfaces in other areas.

NORTH KOREA

Nuclear crisis not over until North comes clean

Agreeing to freeze its nuclear program, to participate in high-level talks with Clinton administration officials next week in Geneva, and actually setting a date for a summit meeting between the peninsula's two leaders are all encouraging signs that former President Jimmy Carter's controversial trip to North Korea may pay off. Or they could just as well be the latest ploy by Pyongyang to buy time.

Whether the peacemaking ex-president was premature or not in declaring that the nuclear crisis with communist North Korea was over will depend on that government's response to demands that will be made next week by the Clinton administration.

The set of demands being put together by the administration are designed to prevent any more diversion of plutonium for bomb-making, as well as make the North's nuclear program completely transparent. A critical demand is that Pyongyang agree to hand over the estimated 8,000 fuel rods that were removed from its reactor. The North Koreans had barred International Atomic Energy Agency inspectors from monitoring its fuel rod changing process. Now it should either give the rods to Russia or China — or bury them forever. The plutonium in those fuel rods is thought to be enough to build six or more nuclear bombs. Preventing the extraction of that plutonium is paramount.

Given the North's repeated defiant behavior, its recent about-face is less than credible. There is every reason to believe that president Kim Il Sung went out of his way to convince Mr. Carter of his desire to end the crisis so that he could buy time until the fuel rods, now being "cooled down," are safe for extracting the plutonium. Cooling the rods takes a couple of months.

The Clinton administration can't let the talks that begin next week drag on anywhere close to that amount of time. If the leopard has changed its spots, it won't have any difficulty agreeing up front to surrender the fuel rods or bury them. Nor should it have any difficulty agreeing to the kind of inspections that it has been refusing that can detail every aspect of its program. Until that happens, the U.S. should not put anything in the way of economic or political inducements on the table. Until that happens, the crisis won't be over.

LEGAL LIST

Here's how the Clintons could raise more funds

It was announced this week that a legal defense fund is being established to help President and Mrs. Clinton pay for their legal bills. Donations are being limited to $1,000 a person, but anyone can give — including lobbyists and persons doing business with the government.

Since the legal expenses related to the Whitewater investigation and the Paula Jones sexual harassment case could top a million dollars, the first couple may need even more help with their fund-raising. In the spirit of the tongue-in-cheek lists compiled by David Letterman, here are some other ways the Clintons could bring in legal defense funds:

1. Raffle off a power breakfast at McDonald's with the Chief Customer.

2. Sell a children's book authored by Socks the Cat.

3. Hold a celebrity chili cook-off.

4. Get First Friend Barbra Streisand to donate the proceeds from one of her concerts.

5. Since the president has not performed his famous Elvis imitation recently, he could sell tickets to a private performance.

6. ABC's Cokie Roberts and hubby Steven Roberts of *U.S. News and World Report* are now writing a syndicated newspaper column together — Mr. and Mrs Clinton could get the beat on the White House Press Corps with their own syndicated political column.

7. Gennifer Flowers is selling tapes of her alleged telephone conversations with then-Gov. Clinton through an 800 number. President Clinton could get a 900 number to sell his side of the story, earning money per call.

8. In tax returns filed before he became president, Mr. Clinton took a deduction for donating his used underwear to charity, then revealed on MTV he prefers briefs to boxers. Are there endorsement possibilities for Calvins or Fruit of the Loom? Or for El Camino trucks with Astroturf in the back, which the President recalled nostalgically in a speech to auto workers?

9. Are there any of those Whitewater lots left?

10. Come to think of it, why fool around with penny-ante stuff. Send Hillary back to play the futures markets.

The Dallas Morning News
Friday, July 1, 1994

Whitewater: Good news so far

Fiske report: First findings indicate no wrongdoing by Clinton administration officials.

By Julia Malone
WASHINGTON BUREAU

Washington -- Inside the White House, there was little time for jubilation Thursday as independent counsel Robert Fiske issued his first findings in the Whitewater investigation.

Although Fiske found "insufficient evidence" of criminal wrongdoing by Clinton administration officials in this phase of his probe, his report is only the first installment.

The Whitewater saga will pick up velocity in the coming weeks with internal probes, more reports and televised congressional hearings.

Still to come:

► Administration aides, cleared of illegal obstruction of justice, could be subject to discipline. White House counselor Lloyd Cutler has launched a review of their discussions about the Whitewater probe, which he said "may have been inadvisable."

► Treasury Secretary Lloyd Bentsen has ordered a review of his department, with findings to be issued by the Office of Government Ethics.

► Fiske has promised to release within about 10 days a second report, focusing on the removal of Whitewater documents from the office of late White House deputy counselor Vincent Foster. Several senior aides searched Foster's office on the day he shot himself almost exactly a year ago.

► White House officials will be called before the House Banking Committee for hearings into the Whitewater affair beginning July 26. The Senate Banking Committee will start its hearings July 29.

But the matter will not be resolved even after the congressional hearings, which the Democratic majority has restricted to the so-called Washington elements of the Whitewater affair.

Fiske will be spending months or perhaps two years on the Arkansas phase of his investigation, which is looking into the financial dealings of Bill and Hillary Rodham Clinton going back to the late 1970s.

Among the unanswered questions:

► Was money from a failed Arkansas savings and loan association, Madison Guaranty, funneled into the Clintons' Whitewater real estate project?

► Madison Guaranty's owner, James McDougal, was also the Clintons' partner in Whitewater. Did McDougal illegally divert money from the savings and loan to help retire a campaign debt for Clinton when he was governor?

► Did the Clinton administration in Arkansas give Madison Guaranty favorable treatment, even as the savings and loan was tottering toward insolvency?

AT A GLANCE

Washington -- Highlights from independent counsel Robert Fiske's report on the Vincent Foster suicide and the Whitewater investigation:

- **Found that** deputy White House counsel Vincent Foster committed suicide in July 1993 in a park across the Potomac River from Washington, as Park Police had concluded. Found no evidence that investigations into Madison Guaranty Savings and Loan Association or the Clintons' failed Whitewater Ozarks real estate venture were a factor. Cited testimony that Foster "was deeply disturbed" by the White House travel office fiasco. Found that Foster's clothing was "contaminated" with gunpowder from a weapon other than the one he used to kill himself, but Fiske theorized that the clothing was tainted in the laboratory following his death.
- **Found insufficient evidence** to conclude that White House and Treasury officials violated the law when they discussed the politically sensitive investigation into Madison Guaranty, the failed S&L once owned by the Clintons' Whitewater business partners, James and Susan McDougal. Fiske investigated more than 20 different contacts, either face-to-face meetings or telephone meetings, between Treasury and White House officials. That's more meetings than the White House has previously acknowledged. Fiske did not address possible ethical violations.

Panetta quickly learns who's boss

By Ernie Freda
STAFF WRITER

New White House **Chief of Staff Leon Panetta** may have demanded full hiring and **firing authority** when taking the job, but **President Clinton is still the boss. In no uncertain terms during a** late-night phone call, he told Panetta to dispel any notions about replacing press secretary **Dee Dee Myers.**



Leon Panetta



Dee Dee Myers

Panetta and the ousted chief of staff, **Mack McLarty**, had appeared on **"Larry King** Live" on CNN, and Panetta had been asked whether he intended to bring in his own press secretary. "Obviously, I'm going to bring in some of my own people to try to assist me in that effort, sure," he replied.

Then King asked McLarty whether Myers might be replaced. McLarty said it would be important to have "the right team for the White House at this time."

When the two did nothing to clarify the remarks, it "was enough to set alarm bells ringing" at an already shaken-up White House, The New York Times reported. Phone calls were relayed from the press office all the way up the chain to the president. Clinton then called Panetta, who had just wound up another TV appearance, this one on ABC's "Nightline."

No one will say what transpired except that Panetta then quickly phoned Myers at her home after midnight to assure her he m t no harm. The next day, at the advice of others in the White Ho , he phoned The Associated Press, telling the news vice, "I have full confidence in Dee Dee."

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The Atlanta Journal / The Atlanta Constitution
7/1/94

Whitewater Critic: Public Misled

This Latest Imbroglio Just a Wimpy Watergate

Washington — As Congress prepared yesterday to open hearings into the White House's clumsy efforts at coping with the Whitewater investigation, three veteran coverup experts sat around a lunch table and jawed.

"It's outrageous to compare this to Watergate," said Sam Dash, chief counsel for the 1973 Senate Watergate Committee. "The only thing they have in common is the 'water.'"

"It's not the same thing at all," agreed John Dean, the former White House counsel who blew the whistle on President Richard Nixon's coverup.

"Whitewater is a lot of garbage," said Watergate prosecutor Seymour Glanzer. "That's the really bad thing about Watergate; people have gotten so cynical that you can make a scandal out of almost any event, and Whitewater is really a nothing."

Dash, Dean and Glanzer were reunited yesterday with a host of other Watergate figures in connection with a five-hour series that will be broadcast on the Discovery cable channel starting Aug. 7. It is, even at this late date, a riveting show — and, amid all the accusations about Whitewater and its supposed coverup, it is a reminder of what a real abuse of presidential power looks like.



Lars-Erik Nelson

In the Nixonian world of Watergate, campaign aide Jeb Stuart Magruder muttered offhandedly that he wished someone would take care of columnist Jack Anderson — and security adviser G. Gordon Liddy promptly set off to assassinate him, as Liddy happily admits to the camera.

"Liddy had a gun; he regarded himself as the campaign hit man. He was stalking Anderson and he thought Anderson deserved to die," Dash marveled. Magruder realized Liddy was taking him seriously and called him off — to Liddy's great disgust. In Watergate — as recalled in the Discovery series and an accompanying book by British journalist Fred Emery (Times Books, $27.50) — Nixon campaign aides proposed firebombing the scholarly Brookings Institution so they could burglarize it for campaign documents about the Vietnam War. Nixon aides drew up plans to use organized crime to kidnap Democratic campaign leaders. The attorney general, John Mitchell, approved bugging the Democratic headquarters.

Please see NELSON on Page A16

By Charles V. Zehren
WASHINGTON BUREAU

Washington — Congressional hearings into Whitewater beginning today will reveal that President Bill Clinton and his top aides deliberately misled the American public about their role in trying to prevent federal regulators from investigating the matter, Rep. Jim Leach (R-Iowa) said last night.

Although the disclosures will be "more subtle than bombastic," Leach, the ranking Republican on the House Banking Committee and Clinton's primary Whitewater foe, said a "pattern of misleading the public will develop" this week as administration officials are questioned under oath.

"The issue that is of the most concern is the issue of public candor," Leach said. That's "whether or not this administration has very deliberately misled the public in a series of ways. That will become rather apparent," Leach said.

In particular, Leach told reporters he was troubled by the role Deputy Treasury Secretary Roger C. Altman played in contacting regulators who were probing Madison Guaranty Savings and Loan, an Arkansas thrift suspected of diverting funds to Whitewater, Clinton's controversial Ozarks real estate investment and gubernatorial campaign.

Altman, who will be a key witness in the hearings, has repeatedly amended his Feb. 25 congressional testimony that he first met with White House officials about Whitewater on Feb. 2. He has also said he learned about Whitewater last September. At the time, Altman, a political appointee, was acting head of the Resolution Trust Corp., the federal thrift cleanup agency. He has since quit that job.

But there have been reports that Altman met with administration officials about Whitewater as early as last September. And the Washington Post reported over the weekend that Altman was being briefed on Whitewater by RTC officials in March, 1993, when he was the agency's acting head, just weeks after Clinton took power.

Nevertheless, Altman insisted yesterday that he was "wholly accurate" when he testified in February that he did not learn until several weeks before then about Whitewater briefings given to senior White House aides last fall.

Amid rumors that Altman will resign, the president yesterday voiced his support for his friend.

But such a statement by the president "only underscores the difficulty Altman is in," Leach said, alluding to the fact that former White House Counsel Bernard Nussbaum and Associate Attorney General Webster Hubbell, who were linked to the controversy, already have been forced to resign.

Leach said yesterday that White House Counsel Lloyd Cutler will probably be the only administration official to testify today and that it is "not unreasonable" for administration officials to try to protect Clinton. But he said that preliminary interviews with officials slated to testify have left him believing that factual omissions by those close to the president are not "accidental."

Leach said he has not found any documents indicating that administration officials acted to squelch the Whitewater probe at the president's direction.

Senate Whitewater hearings are to begin Friday.

Special counsel Robert Fiske has reported more than 20 contacts between administration officials and Whitewater investigators. He has ruled out any criminal wrongdoing — but not ethical lapses. Leach said yesterday that the hearings will reveal even more contacts.

Trial on Secret Meetings

TWT ASSOCIATED PRESS

Washington — A federal judge yesterday ordered a trial on whether President Bill Clinton's 1993 health-care working group must make its records public.

Hillary Rodham Clinton and White House adviser Ira Magaziner are among those who could be called to testify, said attorney Kent Masterson Brown, who represents three organizations challenging the working group's secrecy.

Hillary Clinton and Magaziner led the 500-plus-member working group's deliberations that led to the president's health-care plan before Congress.

U.S. District Court Judge Royce C. Lamberth said that factual disputes over the working group's make-up must be resolved in a nonjury trial. He refused to decide the case without a full trial, as requested by the working group and the three organizations seeking to open its records.

The judge also deferred until after the trial a decision on the organizations' bid to have Magaziner held in contempt of court. The groups contend Magaziner lied in a March, 1993, affidavit when he said the members of the working group were either government employees or consultants.

"False swearing is the ultimate contempt," Brown said. "I think something has to be done."

Government lawyer Mark Stern said that Magaziner's statement was accurate at the time but that the working group's makeup frequently changed.

"Not only is there no absence of good faith, there's not a problem of any kind," Stern said.

The working group met from January through May, 1993, to make recommendations to Clinton on a health-care plan.

The Association of American Physicians and Surgeons, the American Council for Health Care Reform and the National Legal Policy Center are seeking hundreds of thousands of transcripts, drafts, minutes and other documents generated by the working group. The three organizations say the Federal Advisory Committee Act requires any such group to meet in public if it includes nongovernment members who may have their own private agendas.

Stern told Lamberth the panel was too loosely structured to be covered by the federal advisory panel law.

Brown argued that the working group included more than 350 nongovernment members and that it was organized with a rigid structure.

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Altman says he'll deny allegations he lied about Whitewater By Bob Hohler Boston Globe

WASHINGTON Roger C. Altman, vowing to survive Republican calls for his resignation as deputy secretary of the Treasury, said Monday on the eve of congressional hearings into the Whitewater affair that he expected to refute assertions that he misled or lied to the Senate.

Altman, one of members of the Clinton administration most vulnerable politically in the Whitewater saga, said any impression that he falsely testified to the Senate in February can be attributed to his Treasury colleagues' conflicting recollections.

"My testimony was correct," Altman said several hours after President Clinton issued a statement supporting him. "There is nothing unusual for recollections to differ."

Congressional committees are expected to focus on a recent statement by Jean E. Hanson, general counsel for the Treasury, that Altman advised her last year to brief the White House on Whitewater matters. Her assertion contradicts Altman's Senate testimony that his sole contact with White House officials about Whitewater occurred Feb. 2.

"I'm not calling Miss Hanson a liar," Altman said. "I wish she had the same recollection I did, but recollections differ. I can't do any better than that."

The House Committee on Banking, Housing and Urban Affairs is scheduled to open a nationally televised hearing on Whitewater on Tuesday, with White House counsel Lloyd Cutler as first witness.

Cable News Network said it would begin coverage at 9:30 a.m. but also would be covering King Hussein of Jordan's 11 a.m. address to Congress. PBS will offer gavel-to-gavel coverage.

A hearing before the Senate Committee on Banking, Housing and Urban Affairs is scheduled to begin Friday.

Clinton, a close friend of Altman, said Monday that Treasury Secretary Lloyd "Bentsen and I believe that Roger Altman has been an excellent deputy Treasury secretary and we want him to continue in that capacity."

Altman, acknowledging speculation he could become a Whitewater scapegoat, said: "I don't expect to resign. I'm just going to go to the House and Senate and describe the facts, and I'm confident that at the end of that, I'll have the confidence of" Congress.

Lawmakers also are expected to question Altman about entries in the diary of Joshua Steiner, Bentsen's chief of staff, that contradict Altman's assertions the White House did not pressure him when he was acting head of the Resolution Trust Corp. to remain involved in an investigation of Madison Guaranty Savings and Loan.

Authorities are investigating whether funds from the Arkansas thrift were illegally diverted to the Whitewater land investment, in which Clinton and his wife were partners, and to Clinton's 1984 gubernatorial campaign fund.

Altman recused himself from the investigation. "They reacted very negatively to the recusal and RA" Altman "backed down the next day," Steiner wrote in his diary, referring to White House officials, The New York Times reported Monday.

Altman said that Steiner was wrong, that White House officials were angry because he had not given them advance notice of his decision to recuse himself, not because he had recused himself.

Altman said he had not spoken to Steiner or Hanson about their conflicting recollections and impressions because Treasury Department policy prohibits employees who have been subpoenaed from discussing their testimony.

He also said his only conversations with the Clintons about Whitewater occurred when the president told him at a state dinner, "Don't worry about it," and when Hillary Rodham Clinton later offered the same advice.

However, moments after the news conference, Altman said his lawyers had refreshed his memory. He said he called Hillary Clinton a week to 10 days ago to apologize for writing in his journal that she was angered by her husband's appointing a special counsel to investigate Whitewater.

Asked why he called her, Altman said, "Because it was embarrassing, and it was probably dumb to keep a scrapbook."

The sort-of hearings on some of Whitewater

Today, the House Banking Committee begins hearings into the concatenation of sleazy dealings, dissemblings and cover-ups that have come to be known as Whitewater.

Congressional Democrats — in both the House and the Senate, where hearings start Friday —have seen to it that the inquiries will be unprecedentedly narrow. Out of all the unquestionably unethical, obviously underhanded and probably illegal activities that culminated in the failure of Madison Guaranty Savings and Loan, and possibly contributed to the suicide of Vincent Foster, the House and Senate will cover only two subjects. They will look into contacts between Resolution Trust Corp. and Treasury Department officials and senior White House aides, and the U.S. Park Police investigation into Mr. Foster's death.

As to the Whitewater papers (and who knows what else) sneaked out of Mr. Foster's White House office during the hours after his death; and chiefly as to the possible involvement of the president and first lady in a possible check-kiting scheme, and possibly even illegal campaign contributions, involving Madison and their Whitewater real estate partnership, the Congress simply may not inquire. And even in those severely restricted areas where inquiry is permitted, strict limitations on questioning time by Republican Committee members are sure to work against effective questioning.

One person clearly slated for some serious congressional scrutiny is Deputy Treasury Secretary Roger Altman. By the end of last week, it was clear that the Clintons were ready to throw him to the wolves for his part in arranging briefings for their lawyers on a possible criminal investigation of the Whitewater/Madison quagmire. Rep. Barney Frank, unofficial administration spokesman for the hearings, revealed that Mr. Altman kept a diary which is now in the hands of the Banking Committee and allowed as how Mr. Altman may have lied to Congress last winter about briefings of White House officials when he was acting director of the RTC. (Is it just this page, or has anyone else been struck by the fact that out of 30 possible Democratic House Banking Committee spokespeople, Bill Clinton chose the one who'd gotten a congressional reprimand himself?) White House Counsel Lloyd Cutler revealed exactly how far Mr. Clinton is prepared to go to save his old friend's skin: not a fraction of an inch. The matter of misleading testimony, Mr. Cutler sniffed on Sunday's "Face the Nation" broadcast, is one "for Mr. Altman, I think, to work out with the Congress."

If poor old Roger Altman doesn't get anyone's maternal or paternal juices flowing, the same cannot be said of his buddy, the president. Mr. Clinton is not only basking in the protective glow emanating from congressional Democrats, last week a Little Rock judge threw him a shield that will keep him from having to answer, for now, to the substance of Paula Jones' sexual harassment suit. U.S. District Judge Susan W. Wright ruled on Thursday that the first issue to be settled in the lawsuit is whether the president is immune from such legal action while still in office — a novel theory propounded by his lawyers. That's an issue that could take years to settle — and clearly one of the things Robert Bennett is being paid more than $400 an hour to do is to see to it that it does drag on and on and on, until Mr. Clinton is safely past the 1996 election.

Lest getting a free ride in the Paula Jones case leads Mr. Clinton to believe — as he clearly has been used to thinking — that he really is above the law, now more than ever, it is imperative that Republicans in the House and Senate (along with any Democrats who can see beyond their pleasure in having one of their own in the White House) find a way to circumvent the Democratic leadership to get to the bottom of the Whitewater scandal.

Desperation and a seventh of the U.S. economy

Personal experience with a particular affliction is said to be a powerful factor in lawmakers' decisions about health care reform. If so, it can be guaranteed that whatever the makeup of the Democratic legislation to be tossed into the ring in the next weeks, the various bills will include coverage for panic attacks, which currently have the majority's leaders in their grip.

How else to explain the almost incomprehensible babble surrounding the yet-to-be-ginned-up proposals House majority leader Dick Gephardt and Senate majority leader George Mitchell are promising to pull out of their hats? On NBC's "Meet the Press" Sunday, neither politico could offer so much as a single detail about what would be in his bill. Panelist David Broder tried to nail down some specifics, or at the very least some basic principles, but was reduced to declaring, "I give up!" After pressing the two on whether their bills would include taxes on employers, the best he could get out of them was their agreement that it was important to "plant a flag" on health care reform.

"Plant a flag"? They now have little hope — oh, all right, no hope — of passing a bill that even vaguely resembles the president's blueprint. Indeed, they will be lucky to cobble together legislation that has much of anything in it. So instead they have set their sights on "planting a flag." In other words, they need to be able to say they passed health care reform, any health care reform, even if it is nothing more than a 200-page expression of fine sentiments. Thus does a seventh of the national economy go under the knife of surgeons drunk with political desperation.

This desperation is most apparent in the ill-advised promise made by Mr. Mitchell at the opening of the NBC show: "We're just going to stay in session for as long as it takes." There are reasons for this promise — or rather, threat. The most obvious is that as the balance of power shifts in the next Congress, the Democratic leadership will have less power to shove the Clinton plan down the nation's throat. But the proximate purpose of the threat has more to do with immediate political realities: Mr. Mitchell seems to think that the prospect of a cancelled August vacation is going to scare Republicans into waffling and ultimately caving.

Or maybe, just maybe, Mr. Mitchell thinks the prospect of a Washington August will be just the trick to scare his own troops into line. If so, he would seem to be engaged in a modern political version of the quaint Roman army practice of decimation — the execution of one in 10 soldiers of units that fail in their missions. It is Democrats who desperately need to go home this August and September to shore up their eroding political fortunes. Republican challengers, poised to make the most dramatic electoral advances in more than a generation, are plowing away in their districts. More than any year in decades, Democratic incumbents need a nice, big recess. Mr. Mitchell, it seems, is quite willing to sacrifice the political lives of his own troops to punish them for their disloyalty.

"We could care less about the recess," Sen. Bob Dole said wisely last week. "If it takes all of August and all of September and all of October to debate this issue, we ought to have that debate." Since then, he has also suggested that it would be appropriate to use the recess as an opportunity to examine and discuss the bills that are now little more than twinkles in the eyes of Mr. Mitchell and Mr. Gephardt. But if Democrats insist on tying the health care debate into a noose and putting it over their own necks, Mr. Dole should not intervene. Instead he should stick to forcing a real debate that indeed takes as long as it takes — even if that means arguing the matter all the way up to election day.

Mr. Gephardt's soldiers — who will bleed more than Mr. Mitchell's — clearly do not relish the prospect. "I really think we can finish this bill by the 12th or 13th of August," he said on "Meet the Press." The idea of tearing apart and tacking together, in the space of a week or two, an entire sector of the economy that is not only huge but critical to people's very lives is indefensible. Good luck to those who get stuck trying to defend it.

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Pruden on Politics

By Wesley Pruden

Doing it unto others while there's still time

Bill, Hillary and the congressional Democrats owe one to tabloid TV. After O.J., the Whitewater hearings, which get under way this morning, could be pretty thin stuff.

You can expect the Democrats to be as dull and boring as they think they can get away with, phrasing their questions with as much tedium as they can think up, pushed along toward irrelevancy whenever possible by the most partisan chairman in the House, Henry B. Gonzalez of Texas.

First up will be Lloyd Cutler, the gray eminence of the administration and a superlawyer who has been around Washington so long he knows how to say nothing with such soporific specificity that strong coffee couldn't keep an audience awake. You don't need Prozac if you've got Lloyd Cutler on the job.

The good news for the Clintons is that a lot of people out here beyond the Beltway have given up trying to understand what Whitewater is really all about. The cottonmouth moccasins and the gators and bugs as big as bananas on the Suwannee River, here in this somnolent corner of North Florida, probably express the sentiment as correctly as their human counterparts, and what they're saying, loud and clear, is ZZZZzzzzzzz.

The Democrats have structured the hearings cleverly, expecting the Republicans to go along with the script to be the usual accommodating fall guys. The key figure on the Republican side, Jim Leach of Iowa, is full of righteous anger at the arrogance of corrupt Democratic power, but he is so determined to preserve his reputation as the Eagle Scout of the House Republicans that he may not be capable of the kind of knee-in-the-groin, thumb-in-the-eye, club-in-the-kneecap street fighting the occasion demands. Mr. Gonzalez is just two years younger than God (he looks like he might be the older brother), but he delights in keeping the cards marked and the deck stacked.

The good news for the president is that further revelations of his personal character no longer pack much wallop, and the bad news for the president is that the content of his character is so well established that further revelations make an impact much like a comet might make on Jupiter. Lots of flash and blight, but there's enough gas on Jupiter to appear to swallow the wallop.

"This stuff about Clinton," says an old man fishing a 7-Up out of an ice chest at a dilapidated old country store along U.S. 441 east of Branford, "is hard to measure. He's like the man backing his butt up against a buzz saw. How could anybody say which one of the teeth actually made the cut that got him?"

Nevertheless, the point of the hearings is to try to identify the teeth.

The two witnesses who could hurt, and the ones to watch, are Roger Altman, the deputy secretary of the Treasury who may be the administration's designated fall guy, and Jean Hanson, the general counsel to the Treasury who may tell a different version of Mr. Altman's contacts with the White House to answer questions about the progress of the "investigation" of Whitewater and its satellite scandals. (Has anyone else noticed that the stand-up guys in this administration led by the gallant Southerner are all female?)

The only juice — but nothing as juicy as O.J. could be in the answers to questions about the strange and still inexplicable death of Vince Foster, the deputy White House counsel whose real job was to keep the lid on the jar where the demons and worms that accompanied the Clintons to Washington were kept.



Bored alligator

This is the subject the Democrats want most to avoid talking about this week, and Robert Fiske's request that no questions be allowed about the raid on his office, by aides to Bill and Hillary on the day he died, was serendipity for the Democrats. At least serendipity. The special counsel investigating Whitewater demanded that these questions be delayed until he finishes his own investigation of the circumstances of Mr. Foster's death, but he noted, helpfully, that the Whitewater questions terrifying Bill and particularly Hillary didn't have anything to do with the reasons Mr. Foster took his life.

This is the unlikely scenario that would bring the hearings to life, and even Mr. Gonzalez gets the limberneck when he imagines what a crafty Republican congressman could, if he would, do with this. Mr. Gonzalez would have no recourse but to rule questions nibbling at the edges of this topic out of order, and he knows what the public would quickly make of a succession of such rulings. The odor of cover-up would be overpowering. He also knows that Eagle Scouts can't bring themselves to practice the Golden Rule of Washington: Do it unto others before others do it unto you.

The questions that beg for answers are the simple ones, the kind of questions that any district attorney (which Mr. D'Amato once was) knows to ask. Why did White House aides take the files, and what did they expect to find in them? Was this an obstruction of justice? And if, as Mr. Fiske insists, there was nothing about Whitewater to push Vince Foster toward eternity, what else could there have been so dark and evil that would have done it?

The Democrats have insisted that if there have been any breaches of what the lawyers (with straight faces) call "ethics," the breaches were in Washington, not Arkansas, before Mr. Clinton became president. But this begs the largest question hovering over the hearings: If there was nothing much to hide in Arkansas, why the rush and risk in Washington to draw the veil across Arkansas?

120

Questions from Capitol Hill on the Clintons' legal fund

Editor's note: The following is the text of a July 21 letter to Attorney General Janet Reno from House Republican leaders Robert Michel, Newt Gingrich and Dick Armey

Dear General Reno:

Recent articles and editorials have alerted us to several potential legal obstacles to the creation of the President and Mrs. Clinton's so-called legal defense trust fund. Specifically, these sources question whether the trust fund violates any statutes or regulations. We are writing to receive your written assurances, in the form of answers to several enclosed questions, that these sources are mistaken.

Recent articles in The Wall Street Journal, The Washington Times, and The Washington Post have raised concerns about the legality of the trust fund as it has been created. There are three general areas in which the legal defense trust fund appears to violate laws or regulations. First, the fund appears to violate the statutory prohibition against the President's rece pt of gifts codified at 5 U.S.C. §7353(a). Even if the exception to this statute, located at 5 CFR §2635.204(j), is read broadly, it would not authorize the *solicitation* of gifts, as distinguished from the mere acceptance of gifts.

Second, the exception to 5 U.S.C. §7353 is apparently intended to cover only gifts of "protocol and etiquette" traditionally given to a head of state, and not gifts of cash resulting from a targeted fundraising campaign. In addition, if the exception is read so broadly as to include these gifts of cash, it would negate the statutory prohibition on gifts as applied to the President.

Third, the trust fund appears to violate the regulations applicable to gifts received by employees of the Executive Office of the President, including the President himself, found at 3 CFR §100.735-14.

In order to facilitate our understanding of your position regarding the legality of the trust fund, assuming that you do believe it is legal, please provide answers to the attached questions as well as any legal opinion justifying the legality of the trust fund. We would greatly appreciate receiving your response as soon as possible. Thank you for your cooperation in this matter

Sincerely,

Robert H. Michel
Minority Leader

Newt Gingrich
Minority Whip

Dick Armey
Chairman, House Republican Conference

Questions on the Legal Defense Trust Fund

1) Has the Justice Department been asked to review the legality of the establishment of the trust fund? Is there a Justice Department written opinion supporting the legality of the trust fund? Is there an Office of Government Ethics written opinion?

2) It is clear from the trust documents that the President, Mrs. Clinton, and their chosen trustees and agents will actively solicit contributions to the fund. Does this written authorization violate statutory and regulatory bans on the solicitation of such gifts, especially 5 U.S.C. §7353, 5 CFR §2635.204(j), and 3 CFR §100.735-14?

3) If read so broadly as to carve out an exception from 5 U.S.C. §7353 for the President's trust fund, would the exception (5 CFR §2635.204(j) be "manifestly contrary to the statute" under the rule of *Chevron U.S.A. v. Natural Resources Defense Council*, 467 U.S. 837,844 (1984)?

4) Do the regulations governing the supplementation of salary and the receipt of gifts by employees of the Executive Office of the President (specifically, 3 CFR §100.735-13 and §100.735-14) prohibit the creation of the trust fund as established?

5) If while still in office the President or his wife were to have access to funds from the trust left over after payment of all legal fees, would this constitute an illegal augmentation of salary?

6) Why does the trust document abide by the statutory ban on acceptance of gifts from inferior government employees, in 5 U.S.C. §7351, but ignore the more general gift prohibition in 5 U.S.C. §7353?

7) The Office of Legal Counsel at the Department of Justice issued an opinion during the Carter Administration on August 27, 1980, stating that White House employees should not accept free or discounted legal services. The President has reportedly indicated that he will not accept free or discounted legal services. What is the ethical distinction between receiving free services from an attorney and receiving gifts of money from interested persons from which to pay an attorney?

8) Can other executive branch employees set up legal defense trust funds? Can they have access to the remainder of the funds once all legal bills have been paid?

9) According to the trust document, the President and his wife can remove the trustees "at any time." Does this give them day-to-day, operational control over the trust?

10) What legal assurances are there that the President and his wife will return, or donate to charity, whatever funds remain after all relevant legal bills are paid?

11) Are these issues within the scope of Mr. Fiske's investigation? Would you support, including forwarding a written request to the special division, placing these issues within the jurisdiction of the independent counsel investigating the Whitewater/Madison Guaranty matter if such a counsel is appointed?

12) Does the trust fund expose donors to criminal liability under 18 U.S.C. §209, which criminalizes giving and receiving salary supplementations? Have the trustees been advised of any potential criminal liability in regard to this, or any other, federal criminal statute?

13) Does the way in which the trust fund is set up implicate criminal statutes 18 U.S.C. §201 (the general anti-bribery statute) and 18 U.S.C. §208 (the criminal conflict of interest statute) in any way?

BC-HEARINGS national editors:TB
Whitewater mini-drama to resume on Capitol Hill Tuesday
(HAS TRIMS)
By Mitchell Locin
Chicago Tribune

WASHINGTON After months of news stories, cries of coverup and spirited defenses, the Whitewater controversy and its potentially embarrassing details re-emerge Tuesday as the Clinton administration faces its first televised investigation.

Although the Whitewater inquiry has none of the overarching constitutional themes of the Iran-contra affair, it is the kind of mini-drama that keeps the nation's capital absorbed.

``Washington loves this kind of an affair where high officials are called to testify, so it has that kind of attraction,'' said a congressional aide preparing for the hearings.

In a crafted administration prelude to the coming performance, Deputy Treasury Secretary Roger Altman, one of the secondary players, told reporters Monday he would not resign over questions of his conduct during the government's investigation into Whitewater, the failed Arkansas land partnership once half-owned by President Clinton and Hillary Rodham Clinton.

Using the ornate conference room of the Treasury Department as a setting, Altman took off his suit coat and rolled up his blue shirt sleeves as he conducted a polite discussion of his contacts with the White House during the investigation.

(EDITORS: NEXT 2 GRAFS OPTIONAL)

In order to blunt disclosures that might occur at the hearings, Altman, for example, confirmed that he kept a scrapbook that included his observations last winter about Hillary Clinton, when she was reported to be upset that her and her family's privacy was being invaded by the Whitewater questions.

Altman said that he called the first lady a few days ago to apologize.

(END OPTIONAL TRIM)

Altman, a multimillionaire Wall Street investment banker before heading the Resolution Trust Corp., said his meeting with White House officials last February was not a reason to resign.

Clinton and Treasury Secretary Lloyd Bentsen issued a one-line statement of confidence in Altman, saying they want him to remain the deputy treasury secretary.

Indeed, the first days of the congressional probe could be among the most interesting, or macabre, with possible subjects of inquiry including contacts between White House aides and government regulators, the reaction of the Clintons to the government probe of their investment and the death last summer of White House lawyer Vincent Foster.

The plot has a lot of potential: a mysterious suicide, power and money, backstabbing colleagues, the privacy of the First Family peeled away. And all of it carries a pronounced political overlay, with Republicans rubbing their hands at the chance of bruising Clinton further and Democrats contending there is no there, there.

While Democrats will focus on specific incidents and downplay their importance, Republicans will try to broaden the dialogue into an indictment of ethical standards set by the president himself.

``We'll have discussions of events that happened after Bill Clinton was inaugurated and ways in which people who worked with and for him manipulated and abused the machinery of government to do whatever it was that they thought was important,'' said Joseph Pinder, spokesman for Rep. Jim Leach of Iowa, the senior Republican on the Banking Committee.

Pinder said what happened in the White House was ``not radically different from things that people saw about this time 20 years ago,'' referring to the Watergate scandals that brought down President Richard M. Nixon in 1974.

Within the administration, officials are girded for the worst. ``We hope that Republicans don't turn this into a political spectacle, but

I don't think we're at all optimistic that they won't,'' presidential press secretary Dee Dee Myers said. ``They've tried to do this throughout the process.''

The opening acts, in fact, will not delve into the investment itself or its role in the collapse of an Arkansas savings-and-loan association years before the Clintons took up residence in the White House. These subjects are off limits under the request of independent counsel Robert Fiske, whose grand jury investigation into those subjects is continuing.

When House Bank Committee Chairman Henry B. Gonzalez (D-Texas) gavels his panel to order Tuesday morning, the first witness is scheduled to be White House counsel Lloyd Cutler, the gray eminence Washington lawyer brought in by Clinton last spring to stabilize an administration that seemed to have swirled out of control from daily Whitewater disclosures.

Gonzalez resisted holding the hearings but was forced to by House Democratic leaders, who were under fire from Republicans who helped elevate Whitewater into major questions concerning the Clintons' ethics and how they applied them to the White House.

The independent-minded Texan will try to limit his hearings to the contacts between the White House and the Treasury Department and the Resolution Trust Corp., the government agency that is exploring the collapse of Madison Guaranty Savings and Loan Association and its relationship to the Whitewater land deal.

(EDITORS: NEXT 2 GRAFS OPTIONAL)

Altman told reporters that he told White House officials about the process of the RTC probe into Madison but not its substance, about which he claimed to have no knowledge.

Fiske already has concluded there was nothing illegal about the contacts. For his part, Cutler said that errors in judgment were made.

(END OPTIONAL TRIM)

The Senate Banking Committee kicks off its hearings Friday, and they promise to be more wide-ranging. They will include an examination of Foster's death, which has become the focal point of theories, largely spread by radio talk shows and conservative journals, that it was somehow part of a Whitewater-related conspiracy.

The committee will not rely on Fiske's conclusion on June 30 that Foster, an associate of Hillary Clinton at the Rose Law Firm in Little Rock, Ark., committed suicide. Instead, the panel will call police and medical experts to hear for itself.

Other administration officials are expected to tell conflicting stories about several contacts between the White House, the Treasury and the RTC regarding Whitewater. They may be asked to clarify Clinton's effort last winter to seek the advice of Comptroller of the Currency Eugene Ludwig about Whitewater. Ludwig, who revealed the president's request last week, said he declined.

**** filed by:KR-F(--) on 07/25/94 at 22:44EDT ****
**** printed by:WHPR(JEL) on 07/26/94 at 09:06EDT ****

How Whitewater unraveled
By United Press International= =

June 1978: Arkansas gubernatorial candidate Bill Clinton and James McDougal borrow $20,000 from Union Bank of Little Rock, make down payment on 230 acres in the Ozarks. The $202,611 land purchase will be used to build Whitewater Development Corp., a vacation home development.

Nov. 1978: Bill Clinton elected governor of Arkansas.

1980: McDougal, a former aid to Gov. Clinton, leaves government and buys Madison Bank and Trust in Kingston, Ark. The bank lends Hillary Clinton $30,000 at 20 percent interest to build model home on Whitewater property.

1982: James McDougal purchases Madison Guaranty Savings & Loan.

1983: Bill Clinton borrows $20,800 from Security Bank of Paragould to pay off his wife's loan; Clinton told by state banking commissioner that McDougal was in trouble with regulators.

1984-1985: Whitewater makes payments on a $20,000 loan that Bill Clinton took out at another Arkansas bank; Clintons claim the payments as tax deduction. They say accountants made the mistake.

Spring 1985: McDougal sponsors a fund-raiser to retire Clinton's $50, 000 campaign debt. McDougal puts $35,000, which investigators suspect came from Madison Guaranty, into Clinton's campaign account.

Early 1986: David Hale, a former municipal judge and SBA administrator, says Clinton and McDougal pressured him to make an $300, 000 SBA loan to Susan McDougal to clean up the S&L's books.

1986: Federal regulators force McDougal to resign from Madison Guaranty; federal bail-out costs taxpayers $68 million.

Summer-Fall 1986: A report finds Whitewater bought a $550,000 parcel of land from International Paper Co., using some of the $300,000 lent to Susan McDougal.

1990: McDougal is tried and acquitted on bank fraud charges.

March 1992: Whitewater becomes a campaign issue. The Clintons ask attorney James M. Lyons to review their dealings in the property. His report, which is not made public, shows the Clintons lost $68,900.

Fall 1992: The Resolution Trust Corp. asks the Justice Department to re-open the Madison case.

July 20, 1993: White House deputy counsel Vincent Foster commits suicide in a park outside Washington. A list of Arkansas land transations relating from the 1980s are found at the scene. White House counsel Bernard Nussbaum removes Whitewater documents from Foster's office.

Fall 1993: RTC broadens inquiry of Madison Guaranty, mentioning the Clintons and tracing cash flow from Madison to Clinton's 1985 campaign.

Dec. 1993: The Clintons sell their half-share of Whitewater.

Jan. 20, 1994: Janet Reno appoints Robert Fiske Jr. of Davis, Polk and Wardell as independent counsel to investigate the Whitewater-Madison affair.

Feb. 4, 1994: U.S. Park Police issue a report saying Bernard Nussbaum impeded their investigation of Vince Foster's suicide and that Nussbaum sat in on police interviews with White House staffers.

Feb. 9, 1994: The Washington Times reports Little Rock's Rose Law firm, where Hillary Clinton and Vince Foster were partners, shredded Whitewater documents.

Feb. 25, 1994: Records subpoenaed as part of the investigation of Madison Guaranty Savings & Loan found $283,411 in personal loans from four Arkansas banks to then-Gov. Bill Clinton.

Deputy Treasury Secretary Roger Altman, who had been acting head of the Resolution Trust Corp., is criticized for briefing White House aides on Whitewater developments.

March 5, 1994: White House counsel Bernard Nussbaum resigns under fire that he and other staffers were briefed on the status of the Whitewater investigation.

March 8, 1994: Clinton names Washington veteran Lloyd Cutler as chief White House counsel to replace Nussbaum.

March 15, 1994: Associate Attorney General Webster Hubbell, a former law partner with Hillary at Rose Law Firm in Little Rock, abruptly resigns from the Justice Deparment after he's accused of overcharging clients and billing the firm for personal expenses.

March 18, 1994: The Senate agrees to hold Whitewater hearings. The House follows suit four days later.

March 22, 1994: Former Little Rock municipal Judge David Hale pleads guilty to making fraudulent loans, says Clinton pushed him make subsidized federal loans to Whitewater.

March 24, 1994: Rep. Jim Leach, R-Iowa, charges the Clintons received more than $150,000 in income from Whitewater and from Madison Guaranty and its subsidiaries.

March 24, 1994: President Clinton tells reporters he has ``absolutely no knowledge'' of misuse of Madison Guaranty S&L funds.

March 25, 1994: President Clinton plans to release and he does later his tax forms from 1977 to 1979, showing he owes no back taxes. White House spokeswoman says the returns show he lost money on his investments in Whitewater, but the first lady made $100,000 in commodity trading.

March 29, 1994: First lady Hillary Rodham Clinton releases a summary of her commodity investments from 16 years ago showing she made a profit of $99,537 off an original investment of $1,000.

June 1994: Fiske issues a partial report concluding Vincent Foster's suicide was not connected to the Whitewater affair and that no criminal behavior occurred in contacts between Treasury and White House officials regarding Whitewater and Madison.

Fiske, who has refused to testify at congressional hearings, is expected to release next month his findings on the removal of documents form Foster's office after his death. The larger part of his investigation whether funds were improperly channeled from Madison to Whitewater and to then-Gov. Bill Clinton's gubernatorial campaign is still underway.

Rep. Leach/Altman -2-: Sees Pattern Of Misrepresentations

WASHINGTON -DJ- Rep. Jim Leach, R-Iowa, said Treasury Deputy Secretary Roger Altman is not the only senior Clinton administration official to mislead the public about his role in the Whitewater controversy.

Leach said he expects the Whitewater hearings will show a pattern of misrepresentations that taken together raise questions about the administration's credibility.

''We have concerns with several witnesses, including Mr. Altman,'' Leach told reporters. ''This is not a single individual.'

Altman today insited that he did not mislead the public, suggesting he has ''no recollection'' of questionable conversations and meetings that have been identified by the Treasury general counsel, Jean Hanson.

Altman has been at the center of the Whitewater controversy since he disclosed in February to the Senate Banking Committee that he gave the White House a heads up about a criminal investigation into Madison Guaranty Savings & Loan and its ties to the Whitewater Development Co.

President Clinton and first lady Hillary Rodham Clinton were investors in Whitewater, along with the owner of the failed Arkansas thrift.

Leach said he expects the hearings to reveal that there was more contact between the White House and Treasury about Madison than has previously been disclosed. And while he didn't call for Altman to resign, Leach said a review of the documents in the banking committee's possession and interviews conducted by committee staff suggest that the official has been less than candid about his activities.

''I am not out for anybody's head,'' Leach said, who contended Altman has ''imperfectly'' handled himself.

(MORE) DOW JONES NEWS 07-25-94

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**** printed by:WHPR(JEL) on 07/26/94 at 09:10EDT ****

AM-Whitewater Witnesses,125

With AM-Whitewater

WASHINGTON (AP) White House Counsel Lloyd Cutler is the first and only witness scheduled to testify Tuesday when the House Banking Committee opens its Whitewater hearings.

On Thursday, when those sessions resume, the list of scheduled witnesses includes former White House Counsel Bernard Nussbaum, followed by a host of current White House officials.

They include George Stephanopoulos and Bruce Lindsay, top advisors to President Clinton; deputy White House counsel Harold Ickes; White House communications director Mark Gearan; White House Secretary John Podesta; Margaret Williams, Hillary Rodham Clinton's chief of staff, and Lisa Caputo, her press secretary.

The hearings center on contacts between Treasury Department and White House officials about the Whitewater affair.

REVIEW & OUTLOOK (Editorial): The Fiske Hangout

We don't recall offhand whether it was H.R. Haldeman or John Erlichman who suggested dealing with Watergate by a "limited, modified hangout." But the wonderful phrase captures the essence of the Whitewater hearings about to begin today -- an exercise intended to create the illusion of openness while revealing as little as possible.

Provided essential political cover by independent counsel Robert Fiske's grandiose view of his own prerogatives, Congressional Democrats have officially limited the hearings to preclude such interesting areas of inquiry as Bill Clinton's Arkansas slush fund for legislative initiatives, Hillary Clinton's commodity trades, Dan Lasater's drug convictions and whatever happened at Mena airport. Questions will be allowed only on matters Mr. Fiske has already certified as non-indictable. Rep. Jim Leach estimated this at 5% of Whitewater. He lowered the number to 2% to 3% when Mr. Fiske declined to bless Congressional nosiness about the handling of Vincent Foster's office papers after his suicide.

The sliver of the case remaining, to be sure, is pregnant with embarrassment for the Administration. It concerns Washington contacts on the regulation of Madison Guaranty Savings & Loan, and press leaks over the past week depict an Administration with a progressive case of mutual recrimination. Will Deputy Treasury Secretary Roger Altman take the fall? Which of various high officials is lying? What did the President know and when did he know it? Amid the often contradictory denials by Washington officials, one thing should be kept in mind.

To wit, that investigators in the field clearly feel they were sat upon to suppress the Madison investigation. A proper investigation would start with RTC Kansas City attorney L. Jean Lewis, and work its way back up the chain of command. It would certainly include the handling of Madison by Paula Casey, the Friend-of-Bill implant as U.S. Attorney in Little Rock, and the circumstances of her appointment. Instead, the hearings will start with denials at the top and work down, maybe. As of yesterday, House Banking Chairman Henry Gonzalez had formally scheduled only one witness: White House 130-day counsel Lloyd Cutler.

To get a sense of the coverup being conducted, consider that Rep. Leach has felt it necessary to bring suit in federal court in an attempt to get documents on Madison from the Resolution Trust Corp. and Office of Thrift Supervision. Such documents were routinely provided to the minority banking staff in previous S&L scandals -- Lincoln, Silverado, Centrust, Columbia and others. But when it comes to Arkansas, the supposedly independent regulatory agencies have gone into a protective crouch.

The ranking minority member of the House Banking Committee is entitled only, John E. Ryan of the RTC wrote Mr. Leach, to those documents "otherwise available to the public pursuant to the Freedom of Information Act." Mr. Ryan is the deputy in charge of the RTC after Mr. Altman recused himself. Jonathan Fiechter, longtime acting director of the OTS, took the same position. When Mr. Leach requested the documents for oversight hearings mandated by statute, Chairman Gonzalez wrote the regulators instructing them not to comply. Mr. Leach brought suit for the documents, and Judge Charles Richey is to decide whether the agencies can ignore the law if a chairman tells them to. Lawyers for the agencies now urge the court not to interfere in a dispute within the Congress.

What you have here, it could scarcely be clearer, is a Democratic Congressional majority protecting a scandal-ridden Democratic executive branch, and bending banking regulators to this purpose (assuming they need to be bent). The Congressional majority has a monopoly on Congress's right to learn the truth, lest the minority inform the voters. Judge Richey plainly understands the danger of this doctrine, but in oral arguments said he was troubled by an appellate precedent, even though "I thought it was dead wrong then. I'll go to my grave thinking it's dead wrong."

Judge Richey also, wrote Glenn Simpson in the July 18 issue of Roll Call,

"denounced Whitewater independent counsel Robert Fiske for his efforts to limit the scope of the Whitewater hearings that will be held by the Banking Committee later this month, saying Fiske was infringing on constitutionally guaranteed Congressional rights and obligations." The Judge said directly, "I don't believe the independent counsel has the power to tell Congress what they have the power to look into, and when."

It is too much to hope, we suppose, that Judge Richey's view is held by the panel actually overseeing the independent prosecutor law -- headed by Judge David B. Sentelle of the D.C. Circuit and including Senior Judges John D. Butzner Jr. of the Fourth Circuit and Joseph T. Sneed of the Ninth Circuit. Interestingly, however, they have not acted on Attorney General Reno's nomination of Mr. Fiske, forwarded July 1, a day after the signing of the new Independent Counsel Act.

That afternoon Senator Lauch Faircloth took the Senate floor to urge "a new, truly independent counsel," who might of course retain Mr. Fiske in some capacity. Senator Faircloth cited Mr. Fiske's involvement in defending Clark Clifford and Robert Altman in the BCCI case, in collaboration with Robert Bennett, the President's lawyer in the Paula Jones case. Also Mr. Fiske's firm representation of International Paper Co., which had land dealings with Whitewater Development. And Mr. Fiske's role in the appointment of Louis Freeh as FBI chief and his private legal work with former White House counsel Bernard Nussbaum. This is not a trivial list; in our own view no one with any role in BCCI should be appointed to anything until we know the full story.

Yet Judge Sentelle's panel should think even harder about whether it agrees with Judge Richey on the balance between prosecutorial and Congressional prerogatives, or whether it wants to endorse Mr. Fiske's view by reappointing him. Does the Judicial Branch really want to take responsibility for the farce about to unfold in Congressional hearing rooms and the nation's TV screens?

**** filed by:WSJ-(--) on 07/26/94 at 02:21EDT ****
**** printed by:WHPR(JEL) on 07/26/94 at 08:55EDT ****

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**** printed by:WHPR(JEL) on 07/26/94 at 08:55EDT ****

AM-Whitewater, 4th Ld-Writethru, a0684,820
Altman Acknowledges Differing Recollections With Hanson
Eds: To INCLUDE Leach, Stephanopolous remarks, INSERTS new grafs 7-8 after 6th graf pvs: The first ...; deletes last 3 grafs to tighten.
By LARRY MARGASAK= Associated Press Writer=

WASHINGTON (AP) On the eve of the House Whitewater hearings, a top Clinton administration official on Monday defended his earlier congressional testimony as ``wholly accurate'' but acknowledged that a government lawyer disputes part of his story.

Deputy Treasury Secretary Roger Altman also disclosed that he had one conversation each with President Clinton and Hillary Rodham Clinton about the Whitewater affair.

He described those contacts as incidental a conversation with the president during an event with Ukraine's president and a telephone call with Mrs. Clinton. In both cases, he said, the Clintons told him ``Don't worry about it.''

``I never had any discussions on the substance of the case, on the facts of the case, on the merits of the case, on the outlook for the case, with the president or the first lady or anyone else,'' Altman told a news conference he called to counter mounting criticism.

Altman has emerged as a key figure in the administration's handling of Whitewater because he served in a dual capacity. He is the No. 2 Treasury official, but until last March he also was acting chief of the Resolution Trust Corp. That was the agency investigating the Whitewater land venture and its ties to a failed savings and loan.

The first hearings, which open Tuesday in the House Banking Committee, will be limited in scope to contacts between White House and Treasury officials about the status of that investigation.

The hearings will demonstrate that the Clinton administration engaged in ``a pattern of misleading the public'' about Whitewater, said Rep. Jim Leach, the committee's ranking Republican. ``Public candor will be on trial,'' Leach added at a news conference.

Presidential adviser George Stephanopoulos countered that the Whitewater controversy has been ``overblown in a lot of instances'' and predicted the hearings will show that there was ``a lot less to this than met the eye.'' Stephanopoulos spoke on CNN's ``Larry King Live.''

The leadoff witness will be White House counsel Lloyd Cutler, who is expected to tell lawmakers his review of the contacts concluded none broke government ethics rules.

The special counsel named to investigate Whitewater, Robert Fiske, has already concluded the contacts were not criminal.

Altman wasn't only the administration official on the offensive on the eve of the hearings. The lawyer for Treasury official Joshua Steiner tried to downplay inflammatory entries his client made about the Whitewater contacts in a personal diary.

The Steiner entries included a reference to Altman being under intense pressure from the White House to remain involved in the Whitewater investigation earlier this year, The New York Times reported.

Reid Weingarten, Steiner's lawyer, said such references were ``off-hand, impressionistic'' and sometimes recorded weeks after the fact. They were not based on any direct conversations, he said, adding his client has tried to give a more accurate, complete picture since being questioned by investigators.

``He never purported to quote Altman. He is not purporting that Altman told him this,'' Weingarten said.

It was Altman's Senate testimony on Feb. 24 that first revealed the contacts. Since then, he has altered his account several times to disclose more contacts. And most recently at least two news accounts have alleged continued discrepancies in his story.

Altman said Monday he believes he was ``wholly accurate'' when he told

Congress he did not learn until this year about Whitewater briefings given to senior White House aides last fall.

He acknowledged, however, that his recollection differs from that of the Treasury Department's general counsel, Jean Hanson.

Altman said he learned recently that Hanson was telling congressional investigators she'd been asked by him to brief the White House last fall about an Arkansas savings and loan tied to the Whitewater affair.

Last fall, the Treasury Department was investigating the S&L, Madison Guaranty of Little Rock, Ark., that had been owned by James McDougal, the Clintons' partner in the Whitewater real estate venture.

``I have no recollection of asking Ms. Hanson to brief the White House,'' Altman told reporters in an hour-long question-and-answer session.

``I know that she (Hanson) has a different recollection. I just disagree,'' he said. Word of Hanson's statements surfaced in news reports over the weekend. Altman said he has not discussed the differing recollections with Hanson.

Republicans contend that Altman has been less than candid with Congress. President Clinton, however, stood by him on Monday.

Clinton said Treasury Secretary Lloyd Bentsen ``and I believe that Roger Altman has been an excellent deputy treasury secretary and we want him to continue in that capacity.''

Rep. Rod Grams, R-Minn., a member of the House Banking Committee, said Altman has been ``less than fully candid'' and should resign.

``I do not have any plans to resign,'' Altman said at the news conference.

**** filed by:APE-(--) on 07/25/94 at 22:19EDT ****
**** printed by:WHPR(JEL) on 07/26/94 at 09:07EDT ****

(ED: hearing begins 9:30 a.m. EDT)
Whitewater hearings begin
By MARY ANN AKERS=

WASHINGTON, July 26 (UPI) Lloyd Cutler, the Washington veteran who serves as President Clinton's White House counsel, goes forth Tuesday to soothe some troubled political waters as the lead-off witness in congressional hearings looking into the Whitewater affair.

With Clinton's key legislative goal universal health care coverage for all Americans undergoing pivotal challenges in other rooms on Capitol Hill, Chairman Henry Gonzalez, D-Texas, calls the House Banking Committee into session to hear Cutler generally defend the administration.

He will not say everyone is without fault.

The committee is initially investigating whether White House and Treasury Department officials acted improperly in discussing a federal investigation of a failed Arkansas thrift run by a former business partner of Bill and Hillary Clinton.

The Resolution Trust Corp., the regulatory agency overseeing the bailout of the nation's failed thrifts, was headed until early this year by Roger Altman, the deputy Treasury secretary and an old friend of Clinton's.

Altman apparently held several meetings with White House officials, including Cutler's predecessor, Bernard Nussbaum, about the investigation of Madison Guaranty Savings & Loan, owned by James McDougal, the Clintons' former business partner in Whitewater, a land development corporation.

Republicans have challenged the propriety of those ``heads-up'' briefings, saying they smack of efforts to control the thrift investigation and steer it away from the Clintons.

Cutler has said his review of the matter has shown White House officials broke no rules in the discussions, but he was not 1,000 percent behind Altman.

The white-haired Cutler, 76, served as counsel to President Carter, giving another ``outsider'' president advice on the ways of Washington. He was brought into the White House on a temporary basis after Nussbaum was eased out over his political mishandling of Whitewater, and will soon return to his private, and lucrative, law practice.

There were ``regrettable errors in judgment'' by the regulators bringing the issue to the White House, said Cutler, and Altman will have to ``work out'' with investigators whether he spoke properly in previous testimony before Congress on the briefings.

Last February, Altman told the Senate Banking Committee that he recalled only a briefing meeting regarding Madison between White House and Treasury officials. But he has since expanded his recollection of those meetings.

On Monday, Altman was on the defensive, disputing reports that Treasury General Counsel Jean Hanson had said Altman directed her to inform the White House about the possible investigation of Madison.

``I have no recollections of asking Ms. Hanson to brief the White House,'' Altman said.

Republicans question if Altman is covering up a White House role to influence regulators in the Madison investigation.

Special counsel Robert Fiske has been investigating the whole affair, and congressional Democrats resisted holding any hearings until he completed the phase involving Altman and the White House.

The investigation also involves whether funds may have been improperly channeled from Madison, of Little Rock, Ark., to Whitewater and then-Gov. Clinton's 1985 gubernatorial campaign.

Rep. Jim Leach, R-Iowa, ranking Republican on the Banking Committee, said he expected the hearing would prove to be ``a very constrained, information-retarded hearing'' that does not explore Whitewater per se but ``how this administration has handled criminal referrals related to Whitewater.''

Democrats say they expect little of consequence from the hearings, other than possibly some embarrassment for the president about his financial dealings in his home state.

Hillary Clinton initially resisted the investigation, saying the matter was the family's private affair. But when that defense collapsed, the Clintons said they had nothing to hide because they had done nothing wrong.

The Senate Banking Committee opens its hearings on Whitewater on Friday.

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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=

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Fiske Wants All Files on Search of Foster's Office
Eds: SUBS 7th graf pvs, bgng: `It is ...' to CORRECT to Foster was survived sted Hamilton was survived
By TERENCE HUNT= AP White House Correspondent=

WASHINGTON (AP) A special counsel investigating President Clinton's ties to a failed Arkansas S&L is requesting the White House to turn over all files relating to a search of Vincent Foster's files after his suicide a year ago, the White House said Wednesday.

Special Counsel Robert Fiske wants any documents that explain what was done with the files from Foster's office and from the safe of Bernard Nussbaum, the White House said.

Nussbaum at the time was White House counsel. Foster, a former partner with Hillary Clinton in a Little Rock law firm, was deputy counsel.

The White House disclosed Fiske's request in a memo to all staffers from Joel Klein, who is now the deputy White House counsel.

In the days following Foster's death, White House aides segregated some Whitewater-related documents from Foster's files and turned them over to the Clintons' personal attorney, David Kendall.

Meanwhile, Foster's family on Wednesday apealled or an end to what it called the ``mean-spirited partisanship'' in the questioning by some GOP lawmakers of Fiske's conclusion that Foster committed suicide.

``It is so unfair for the family's privacy and emotions to be pawns in a partisan struggle,'' the family said in a statement issued by their attorney, James Hamilton. Foster was survived by his wife, Lisa, and three children.

Fiske issued a report three weeks ago reaffirming the conclusion of U.S. Park Police that Foster shot himself on July 20, 1993, at the Fort March Park in suburban Virginia.

While Fiske tries to complete this phase of his criminal investigation, Clinton's advisers are interviewing witnesses, reviewing documents and consulting public relations specialists to get ready for Congress' Whitewater hearings.

Ten or so White House officials are expected to be on the witness list when the televised hearings start next week, first in the House and then in the Senate. 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 President and Mrs. Clinton's investment in the Whitewater land development in Arkansas, and the suicide of White House deputy counsel Vincent Foster.

Hearings on other issues in the many-sided story, including whether the Clintons' Whitewater investment caused taxpayer losses when an Arkansas savings and loan failed, will be delayed until special counsel Robert Fiske completes his separate investigation.

Given the politically charged atmosphere leading up to the hearings, White House officials expect the sessions will be as much
a partisan attack on Clinton's presidency as an examination of the ethical conduct of the administration.

Republicans say the hearings will provide the most-detailed, behind-the-scenes look at the complicated Whitewater story.

``It is clear that the number of unanswered questions is enormous,'' said Sen. Alfonse D'Amato, R-N.Y. ``The American public has a right to know the whole truth pertaining to Whitewater.''

The White House has assigned a starring role in the hearings to Lloyd Cutler, the silver-haired attorney and pillar of Washington's legal establishment who took over as Clinton's counsel when the office was in turmoil earlier this year.

Cutler has been conducting his own Whitewater inquiry. His job will be to give the committees a big-picture overview of what happened and defend the White House against allegations of impropriety.

``I am interviewing the White House people whose conduct has been called into question,'' Cutler said. ``The Treasury is doing a similar thing'' through its inspector general and Office of Government Ethics.

``In some ways, the preparation is akin to the preparation for a trial,'' he said. ``It's a very substantial part of my time.'' To beef up Clinton's legal team, Cutler brought in Sheila Cheston, the Air Force deputy counsel, and Jane Sherburne from his own law firm.

``Am I confident that no significant ethical impropriety occurred? Yes, I am,'' Cutler said in an interview. ``I think we'll be able to establish that. No actions of the Resolution Trust Corp. (a key investigatory agency of the Whitewater affair) or the others were changed.''

Cutler expects partisans on both sides.

``I assume there will be attackers, defenders,'' he said. ``I'm confident we're going to get a fair hearing and everyone will act responsibly.''

Administration witnesses are expected to follow Clinton's lead in saying there was no wrongdoing but that it would have been better if the contacts had not occurred.

A handful of outside Democratic public relations experts has pitched in to help the White House anticipate the committees' questions and help refine answers. White House communications specialist David Dreyer is coordinating that effort and working with Cutler.

``We certainly have a team inside the White House which includes people who are specialists in the press and in dealing with congressional committees,'' Cutler said.

In most cases, likely White House witnesses are consulting with the outside attorneys they hired before their grand jury appearances. It's a dry run for the hearings to hear how the client sounds and to make sure recollections are clear.

One facet of the administration's strategy will be to try to put Republicans on the defensive by questioning why Congress is spending so much time on Whitewater when health reform and crime legislation are still pending.

``The Republicans are going to have to explain why they want to take Congress' time and taxpayers' money to investigate the only people in the whole government who we know for a fact have been cleared by a federal grand jury, a special prosecutor and 100 FBI agents,'' said Paul Begala, a political consultant for Clinton.

A grand jury empaneled by special counsel Fiske investigated White House discussions about the Whitewater affair. It found no criminal wrongdoing but made no finding on the propriety of their conduct.

``No reasonable person reads the Fiske report to say they've been cleared of any ethical violation or transgression,'' said Joe Pinder, spokesman for Rep. Jim Leach of Iowa, a leader of Republican Whitewater critics.

**** filed by:APE-(--) on 07/21/94 at 01:06EDT ****
**** printed by:WHPR(JEL) on 07/21/94 at 07:51EDT ****

Mr. Clinton's Whitewater Contact

The viral disregard for the independence of Federal regulatory agencies that has gripped President Clinton's associates seems to have infected the President himself. According to a leaked memorandum to Congress, Mr. Clinton asked the nation's top banking regulator last Jan. 1 to provide legal advice on how to deal with the increasingly nettlesome story of Mr. Clinton's Arkansas land investments and their ties to a failed savings and loan. The conversation marks the first time the President himself is known to have discussed the Whitewater affair with an independent regulator.

Eugene A. Ludwig, who as Comptroller of the Currency regulates banks, quickly concluded that it would be "impermissible" to offer such advice. He thus showed greater respect for the protocols of government than other Treasury Department officials who capitulated to requests to keep White House aides abreast of the Whitewater inquiry.

The special counsel investigating Whitewater, Robert Fiske, concluded that there was insufficient evidence to show that the Treasury contacts, however fishy on the surface, were intended to obstruct efforts by independent regulators to find out why the savings and loan had failed. Nor is there any proof that Bill Clinton was asking Mr. Ludwig, a friend from Oxford and Yale, to do anything improper. The request came just when Whitewater was gathering steam, and Mr. Clinton may simply have been thrashing about for ways to defuse the story, not the investigation.

Nevertheless, his overture springs from the same insensitivity that allowed his subordinates to order up the White House-Treasury debriefings and, earlier, to misuse the powers of the Federal Bureau of Investigation to build a case against the White House travel department. The governing assumption seems to be that regulatory and law enforcement agencies exist mainly for the convenience of the President and his staff.

It is embarrassing to find the President himself contributing to what has been a disturbing pattern of indifference to bureaucratic protocol and regulatory independence. This is not complicated stuff. As a lawyer who has spent his life in politics, Mr. Clinton cannot claim ignorance of the commonsense rules that apply to conflict of interest at all levels of government. This is sloppy behavior and a dangerous example in an Administration that wants to throw away the rule book.

Destructive Entitlement Caps

The House votes today on a defective proposal by Representative Charles Stenholm of Texas to place a cap on overall entitlement spending — programs like Medicare, food stamps and Social Security. Mr. Stenholm's bill would limit annual increases to an amount that would offset inflation and increases in the number of eligible recipients. That may seem reasonable, but it fails to account for many other reasons spending rises — such as health-care prices that drive up the cost of Medicaid faster than inflation, or import surges that drive up the cost of agriculture subsidies.

A Congressional committee estimates that the Stenholm cap would require cutting entitlements by a whopping $150 billion over five years. Under the bill, Congress could close the gap by cutting entitlement programs or raising the cap. If it did neither, programs would be cut across the board.

The cap, contrary to Mr. Stenholm's representations, would victimize health-care reform. To make $150 billion in cuts, Congress would be forced to go after the only two programs that are huge and growing: Medicaid and Medicare. But Congress already plans to cut these programs to pay for health-care reform. The cuts cannot do double duty.

The cap would also victimize the poor. Mr. Stenholm would allow Congress to cut spending, but not raise taxes to meet his cap. That preserves "entitlements" doled out through the tax system — like unlimited tax deductions for medical insurance provided to high-paid employees. But it leaves welfare and other poor people's programs at risk.

The House will also vote today on a bill by John Kasich of Ohio to control entitlements by having Congress set an overall limit and limits on individual programs each year. If the limits are breached, individual programs would be cut back. Mr. Kasich's bill would also punish the poor. He, too, would not allow Congress to meet entitlement limits by raising taxes; to make matters worse, he would exempt Social Security from cutbacks — thereby directing cuts to programs targeted on the needy.

The only acceptable bill the House will consider is by John Spratt of South Carolina. Mr. Spratt would require the President to propose a solution to Congress if total entitlement spending were to rise above target; Congress would then have to vote on the President's proposal — which could be to do nothing. The Spratt bill would force Congress to face up to the problem. But unlike the other plans, it would allow Congress a full menu of responses — including tax hikes and cuts in discretionary spending. Mr. Spratt does not believe Congress should single out the needy.

A Fair Settlement on Microsoft

Friends of Microsoft feared that Anne Bingaman, head of the antitrust division of the Justice Department, would recklessly attack the company to showcase her desire to replace 12 years of Reagan-Bush indifference with a much tougher antitrust policy. She did not. The weekend settlement with Microsoft — whose MS-DOS and Windows programs dominate the market for operating systems that run personal computers — provides a useful fix to some anticompetitive practices. But it does not take unnecessary whacks at America's premier high-tech company.

The settlement would require Microsoft to abandon several anticompetitive practices. For example, Microsoft would not be allowed to enter contracts with computer manufacturers that prevent them from doing business with Microsoft's competitors. And Microsoft could no longer charge manufacturers of personal computers according to the number of computers they manufactured — whether or not they were loaded with Microsoft's operating system. This pricing system forced manufacturers who installed a competing operating system to pay, in effect, a second royalty. Justice correctly called for an end to these practices.

The settlement leaves untouched most of the practices that, critics say, allow Microsoft to use insider knowledge about upcoming changes in its operating systems to give it a head start over competing software companies in designing application programs — like word-processing and spreadsheets. But Justice did not have clear evidence that the critics were right. Microsoft accounts for a much lower share of sales in markets for applications than for operating systems; nor is its market share consistently rising.

The settlement reflects good judgment. It does not threaten Microsoft's stellar record of investment, innovation and competitiveness (its foreign sales exceed $2 billion a year). But it requires Microsoft to stop practices that needlessly hinder competitors, giving consumers modest relief.

THE NEW YORK TIMES, THURSDAY, JULY 21, 1994

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Epicenter of Conspiracy

Mena, Ark., Is a Quiet Little Place. So Why Can't Some People Stop Talking About It

By Howard Schneider
Washington Post Staff Writer

Mention the CIA around Mena, Ark., and the response is likely to be an exasperated sigh and a pep talk about the local economy.

It's not that the 5,475 residents of this mountain village have anything against spying per se. But after a decade of being placed at the center of a purported CIA-backed gun, drug and money-laundering conspiracy, they'd like to forget the 1980s and get back to the important things. Like last month's Lum 'n' Abner festival honoring two hometown radio stars.

Conspiracies, says Mayor Jerry Montgomery, are bad for business, and the residents of Mena are weary of hearing their home talked about like the root of all evil. They've seen their town on "Geraldo." It has been featured on Pat Robertson's "700 Club." And now it finds itself at the center of a new book that's become something of an underground classic. If all the stories are true, it's as if the town were founded by the CIA, funded by BCCI and maintained for the amusement of investigators and journalists.

"It's absurd," Montgomery said of the publicity Mena has received over the last 10 years as an alleged center of covert operations. "It's all going on strictly because of politics."

Though he is not sure whose politics.

"First it was the Reagan administration. Then the Bush administration. And now we're into the Clinton administration. I don't know whether it's Democrats versus Republicans or Republicans versus Democrats. . . . It is utterly absurd."

Most recently, alleged dark deeds at Mena have helped foster the cult of conspiracy that has taken root among some of Clinton's more virulent opponents. From ugly speculation about the "real story" behind White House aide Vincent Foster's death to menacing videotapes being marketed by the Rev. Jerry Falwell linking Clinton to a series of deaths in Arkansas, the result has been a steady undercurrent of gossip in talk show, televangelist and other circles about supposed Faustian deals Clinton cut on his way to the top.

Is the president a murderer? A dope fiend? A

See MENA, C2, Col. 1

Under Suspicion

MENA, From C1

stooge of the CIA? Were his campaigns enriched by money funneled through some secret BCCI pipeline to Arkansas?

It's all out there, and more, and in most cases the goings-on at the Mena airport figure at least peripherally into the equation.

Like any good conspiracy theory, the one surrounding Mena is a potent blend of fact and hypothesis, with enough of one to keep some people credulous, and enough of the other to render the big picture mostly unverifiable. Key people die. Others disappear. What is left in the end are fragments that mean everything to the believers and little to anyone else.

In the case of Mena, there are more than a few who have kept the faith.

The small town in western Arkansas has been the source of big-time speculation since the early 1980s, and not without some reason. According to investigative records compiled by the Arkansas State Police and other agencies, the Mena Intermountain Municipal Airport served as a second home for Barry Seal, a drug-smuggler-turned-undercover-agent.

Seal's presence at the airport beginning in the early 1980s led some local, state and federal investigators to try to figure out what he was doing there. The effort left several of those involved frustrated and convinced that someone higher in the government was running interference.

At the very least, according to court and investigative records, Seal's work for the Drug Enforcement Administration entailed his presenting to the outside world the image of a rambunctious high-tech pirate, while transferring cocaine and cash between Colombian cartel members and his government "handlers" in the United States. He helped the DEA penetrate the Colombian cocaine network and testified in high-level cases in Nevada and Miami—until he was assassinated in 1986, a crime for which three Colombian nationals were convicted.

End of story?

Not according to Terry Reed, a former Little Rock businessman who claims it is only the beginning. In "Compromised: Clinton, Bush and the CIA," Reed writes that he was an intimate of Seal's, and says they were both at the center of an extensive, Arkansas-based CIA effort to train pilots for the Nicaraguan contra forces, manufacture and ship thousands of illegal weapons and parts to the contras, and help launder hundreds of millions of dollars in agency funds.

Co-written with John Cummings and published by a small New York firm that specializes in intelligence and conspiracy stories, it's a tale in which duffel bags of cash are dumped into the Arkansas night and funneled into the local bond market, businessmen conspire and feud to make thousands of M-16 automatic-weapons parts, and Oliver North and other Washington officials lurk in the background.

Then-Gov. Bill Clinton even has a cameo role or two, as do many of the people in his circle, including the Rose firm and former associate attorney general Webster Hubbell. In one memorable scene in the book, the future president pops into a meeting in an abandoned Army ammunition bunker to complain to North and future U.S. attorney general William P. Barr that he had taken great risks to accommodate the CIA's covert trade and didn't want it to end. According to the book, the state collected a 10 percent "commission" on all of the CIA's "black money," some of which allegedly was laundered through close Clinton ally and once prominent bond broker Daniel Lasater.

Far-fetched?

From Barr and North to Reed's social and business contacts in Little Rock, the people mentioned in the book have labeled it a work primarily of Reed's fancy.

"It's Oliver North meets Oliver Stone," said White House spokesman John Podesta. "It's 8:30 on a Friday night and I'm sitting in the White House and you're asking me if he [Clinton] was in a bunker with Oliver North. It's a bad joke."

Calling the various stated conspiracies "a cumulative distraction," Podesta added, "You can only state over and over again the outrage that it is."

Several others mentioned in the book have contacted lawyers about possible libel suits. One, J.V. Brotherton, has filed suit on behalf of himself and his manufacturing firm, which the book says was involved in the illegal weapons scheme.

Reed, a pilot who in the book and in follow-up interviews insists he trained contra fliers at a makeshift airfield and helped Seal drop cash onto a farm near Little Rock, says the truth will come out in court. His publisher also asserted the truth of the tale in its response to Brotherton's lawsuit.

"There was something going on there that the government desperately wanted to hide," said Reed's co-author, John Cummings. He noted that a trial has been slated for September in a civil action Reed brought against law enforcement officials who charged him with insurance fraud several years ago. A judge tossed out that case and Cummings predicted the new trial will show "who's lying and who isn't."

According to others around Arkansas, it is possible Reed may have been up to something during his days in Little Rock. The owner of one Arkansas machine tool company, for example, remembers Reed asking questions

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BY JERRY WARD AND BARBARA J. SAFFIR FOR THE WASHINGTON POST

The airport at Mena, Ark., is the focal point of conspiracy theories.

about how to manufacture an M-16 part. But at this point it is hardly clear what he was actually doing.

The book "is totally false, and crackpot," said Barr, who was described in it as using the code name "Robert Johnson" to conduct CIA business while in private practice. "I never have been in Arkansas. I have never met Clinton. I have never even met [former CIA director William] Casey, much less had a relationship" to represent him in meetings, as the book describes.

"The only thing that's wrong is it should be labeled fiction," said Lasater, a once-prominent bond broker whose cocaine indictment—he pleaded guilty to conspiracy to possess cocaine for distribution—is woven into the book as part of a CIA effort to damage Clinton. In nonpartisan style, the book contends President Bush was also deeply involved in the Arkansas program.

"The guy has got a real problem with the truth," said Wally Hall, sports editor of the Arkansas Democrat-Gazette, and a social acquaintance of Reed's. According to the book, he and his wife were dining with Hall and his wife at a Mexican restaurant in Little Rock one night when a Clinton aide summoned Reed to a van outside. There, according to the book, Clinton sat in a swivel chair smoking a marijuana cigarette and discussing CIA business. Hall said he never dined with Reed at that restaurant, or anywhere else where Clinton was present.

The Seal Connection

Whatever the ratio of fact to theory, the book has struck a minor nerve, playing off the sort of anything's-possible-in-Arkansas sentiments that have fueled some of the wilder notions about Clinton's Whitewater land deal and his rise to power. The 550-pager hit the bestseller list briefly in California, and has been one of the biggest hits, with 50,000 copies in print, for publisher SPI Inc. Reed says he has done more than 100 hours of local radio interviews and is negotiating for a book tour of the Wal-Mart chain.

One of the reasons for the interest, perhaps, is that the book combines enough verifiable facts with Reed's theorizing to keep the story rolling. Reed did work for several years in Little Rock, part of the time in a business with Hubbell's father-in-law. Some of the key relationships described in the book did exist in some form, though the individuals involved say the book's interpretation of them is wildly inaccurate.

Barr, for example, once worked for the CIA as a lobbyist, but says he did no work for the agency after a stint on Capitol Hill in the 1970s.

The Iver Johnson arms company near Little Rock, which the book portrays as being at the center of the gun-manufacturing effort, did ship a load of weapons to Nicaragua through a Mexican distributor, according to former plant engineer J.A. Matejko. But Matejko, described in the book as part of the CIA plan, says the rifles were M-1s, not M-16s, and that the incident led the company to at least temporarily lose its export privileges.

Russellville, Ark.-based Park-O-Meter Inc., owned by Webb Hubbell's brother-in-law Seth "Skeeter" Ward Jr., did make some gun parts for Iver Johnson, another relationship characterized in the book as part of the CIA weapons scheme. But Ward said the parts were firing pins, not M-16 bolts as the book contends, and that it was casual business arranged by a company salesman, not, as the book describes, CIA work strong-armed out of the agency by Ward's father, Seth Ward Sr.

Reed "is a perfect example of someone who is a legend in their own mind," said the younger Ward, attributing the stir over Reed's book to "Clinton hype."

Finally, there is the enduring mystery of Seal, which lies at the core of the tale and makes almost anything seem possible. Seal was a garrulous smuggler who, facing a prison sentence in Florida in the mid-1980s, instead went undercover for the DEA, according to Robert Joura, the assistant special agent in charge of the agency's Houston office and the agent who coordinated Seal's undercover work. According to Joura and Arkansas State Police investigative records, Seal was based in Baton Rouge, La., but frequently visited Mena to have his planes, including a C-123 transport, serviced and modified for long-range flight.

Along with helping the DEA, Seal, according to Joura, was enlisted by the CIA for one sensitive mission—providing photographic evidence that the Sandinista regime was letting Colombian cocaine move through Nicaragua. Joura said he and Seal met with two CIA agents to arrange for remote-controlled camera equipment and plan the trip.

North, now a candidate for the U.S. Senate from Virginia, said recently through a campaign aide that he was kept aware of Seal's mission through "intelligence sources." And ultimately the pictures Seal brought back helped build support for American military aid to the contras.

The pictures were later published, which compromised Seal's identity and ruined two other missions the DEA was planning, Joura said. Seal, said Joura, had purposefully placed himself in all the pictures as proof of his involvement. In 1986 he was gunned down outside a Salvation Army halfway house in Baton Rouge.

In yet another conspiracy-stoking morsel, the C-123 used by Seal was the same one later piloted by Eugene Hasenfus when he was shot down over Nicaragua while piloting illegal U.S. arms shipments to the contras in 1986. That event helped ignite the Iran-contra scandal. Hasenfus, in a phone interview from his home in Wisconsin, said his use of Seal's old plane was sheer coincidence.

Seal was a flesh-and-blood adventurer. His brother Wendell says he may have helped transport government goods as far back as the Bay of Pigs, and by the end of his life had become entangled in so many relationships "it was hard to tell who were the good guys and who were the bad guys."

He was also, first and foremost, an entrepreneur. His wife, Deborah, said she was not privy to all of his activities, but assumed they ran the gamut. She believes she overheard him once discussing a shipment of guns to South America on the telephone, but also saw "shopping lists" around the house for such items as bluejeans and rubber rafts. Joura said he once helped Seal load his plane with Froot Loops and other consumer goods in demand among the cartel.

But, according to Joura, Seal almost certainly was not at the center of any larger conspiracy. Far from being deep into work for the CIA, Joura said Seal would break down crying sometimes out of fear of being sent to prison. He agreed to the one mission for the CIA in a vain hope that the agency would write a letter helping him avoid jail, Joura said. When Seal came up for sentencing in a separate case in Louisiana, Joura said, the agency shunned him completely, to the point of even denying any knowledge of the agents Seal and Joura met with.

Seal "was no James Bond," Joura said. "There were a lot of desperate days with Barry. . . . If he had an ace in the hole and had been doing all this stuff for the CIA . . . he would have alluded to something."

Guilty by Association?

Seal's frequent trips to Mena did arouse the suspicion of local, state and even some federal officials, who began investigating a possible smuggling ring.

The agents involved say the investigations were never completed to their satisfaction, nor were they given a full explanation of Seal's work for the government. To this day they suspect Seal's work in Mena went beyond his ties to the DEA, its true nature sheltered by authorities higher in the government.

Former IRS investigator William Duncan, for example, says he documented about $250,000 that was laundered through local banks in Mena by associates of Seal's, cash Seal apparently used to pay for modifications to his planes.

But Duncan, who is now a Medicaid fraud investigator with the Arkansas attorney general's office, says he was never allowed to follow what he suspected was a larger trail of funds to financial institutions in Little Rock, and it plagues him still.

"I can assure you there was a coverup. . . . Everything I did tells me there was," said Duncan.

But was it the CIA's money, as Reed's book contends? Barry Seal's? Or someone else's?

Seal testified before Congress once that he earned as much as $50 million during his years as a smuggler. The IRS took him at his word and billed him for it, but his wife and her attorney say that if he collected that much, he left no map to the treasure. The money was either spent, Joura and others speculate, on Seal's endless array of vehicles, boats and electronic gadgets or hidden somewhere only he knew about. Seal always acted as if money was no concern to him, Joura said. He handled his own substantial plane repair bills while working for the DEA, Joura said, and spoke of the apparent theft of $1 million in Krugerrands as if it was unfortunate but not devastating.

Meanwhile, Mena Mayor Jerry Montgomery said he suspects the town's reputation is a drag on its economy. Otherwise why, after seven years of begging, is the federal government still unwilling to help Mena expand its notorious airstrip?

Seems a CIA covert landing base ought to get some respect, but Montgomery said the city has had no luck so far, even though the airport and various painting, upholstery and mechanical companies located around it are economic mainstays.

Mena's connections, however, may finally be of use. Montgomery said he recently wrote White House Chief of Staff Thomas F. McLarty for help in securing the $2 million Mena needs to start landing bigger planes.

"People here are very peaceful and quiet," said Montgomery. "We feel we have a very clean environment."

Of course, shortly thereafter, McLarty was demoted . . .

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Chicago out to host Democrats

Choice would be a 'tribute' to the Daleys

By Bob Minzesheimer
USA TODAY

Democrats are expected to announce as early as next [illegible] their 1996 presidential convention will be in Chicago, site of their 1968 debacle marked by battles between demonstrators and police.

Democratic spokesman Jim Whitney said Wednesday, "It's not a done deal yet." But party chairman David Wilhelm, a former campaign manager for Chicago Mayor Richard M. Daley, is in his adopted hometown today for final negotiations.

Despite memories of 1968 the media's fondness for re-running those scenes, Chicago has been the expected choice if only because of Daley's determination to settle old scores and replace old images.

In 1968, TV viewers saw Connecticut Sen. Abraham Ribicoff on the podium denouncing Daley's father, Mayor Richard J. Daley, for "Gestapo tactics."

The street battles with anti-Vietnam War protesters were later described in an official report as a "police riot" and overshadowed the nomination of Hubert Humphrey.

A convention site rarely [illegible]es a political difference.

Former Democratic spokesman Terry Michael remembers how Republicans "called us [illegible] Francisco Democrats," after the 1984 convention there, "as a symbol of the liberal cultural elite. That probably [illegible]'t helpful to the Mondale campaign, but there were so [illegible]y reasons he lost."

No Chicago metaphor "comes to mind that could hurt us," Michael says. "It's a city filled with the kind of Reagan Democrats that we were losing in the '70s and '80s, exactly the kind of voters we need to reconnect with."

As for 1968, he says, "the only way it could have any impact would be if Clinton had been on the streets of Chicago that summer." (He was a campaign worker in Arkansas).

An advisory panel decided that all four contending cities, including New Orleans, New York and San Antonio, had adequate hotels and facilities.

But Chicago made the most generous offer: $32 million for sites and services. And as Thomas Hardy of *The Chicago Tribune* says: "Hey, this is Chicago. What good is a vote that can't be bought?"

The convention site is a new 25,000-seat sports arena, the United Center, where the Chicago Bulls and Black Hawks will play. Its drawbacks are its location in a desolate West Side neighborhood and lack of workspace for the media who plan to use tents in parking lots.

That may be a problem, says former GOP strategist Mary Matalin, a Chicago native, who otherwise sees it "as a fabulous choice." But "when the press is happy, they write better stories. Maybe they should put the delegates in tents."

Chicago was favored for political, not logistical reasons.

Clinton is indebted to Daley for help in the key 1992 Illinois primary and to the mayor's brother, Bill Daley, for steering the North American Free Trade Agreement through Congress last year.

The Democrats' return to Chicago "goes to the heart of Clinton's political personality — redemption, inclusion, no hard feelings, no permanent enemies," says Washington political analyst Mark Plotkin, a Chicago native.

"It's a tribute to the present Daley family and a generational leap. ... I can see Clinton's speech now: 'I'm a president who can bridge the generations of '68 and '96.' The same people who were in the streets then are on the podium now, and only the Democratic Party can say that.' "

Conservative analyst Jeffrey Bell, author of *Populism and Elitism*, questions if Democrats should boast about that.

But he says that given 1968, a return to Chicago signals that Clinton "will do whatever he can to avoid any party divisiveness, any challenge, and that's more likely to come from the left. So I think he's going to be more liberal between now and '96. Chicago has so much history with it, that they had to think this through."

Republicans pick their convention site in January. Chicago has been a contender, but Democrats insist on an exclusivity clause preventing their choice from also hosting the GOP convention. That would leave New Orleans, New York, San Antonio and San Diego.

"It's a city filled with the kind of Reagan Democrats that we were losing in the '70s and '80s."

— Former Democratic spokesman Terry Michael, about Chicago



AP

IN 1968: Club-swinging police rush demonstrators into a patrol wagon during the Democratic National Convention in Chicago. The Democrats are expected to hold their 1996 convention there.



AP

DALEY: Wants to erase old memories.



AP

WILHELM: Working on final negotiations



IN 1968: Former mayor Richard M. Daley, right. AP

Chicago: The host with the most

Chicago has hosted 24 national political conventions, many more than any other city. Most popular sites:

City	Total held	Dem. conv.	Last held	GOP conv.	Last held
Chicago	24	10	1968	14	1960
Baltimore	10	9	1912	1	1864
Philadelphia	7	2	1948	5	1948
St. Louis	5	4	1916	1	1896
New York	5	5	1992	0	—

Source: *Congressional Quarterly*

F'rst lady's profit lures investors to commodities

By Eric D. Randall
USA TODAY

Hillary started something.

Investors have been flocking to commodity markets:

▶ Trading in cocoa contracts jumped more than 50% the first half of the year.

▶ Cotton contracts volume surged almost 75%.

▶ More than $200 million has been invested with 10 agricultural commodity advisers tracked by *Managed Account Reports* newsletter. That's up more than 25% from 1993.

Much of the activity is coming from individual investors [illegible] into the commodities [illegible] sometimes for the first [illegible]ur new accounts are up 18% over a year ago," says Rick Leesley, president of Jack Carl 312, a Chicago-based discount broker in commodities.



By Ida Mae Astute, ABC

CLINTON: Made almost $100,000 in cattle futures.

Learning about futures contracts

Want to play the commodities game? The National Futures Association has free pamphlets: *Understanding Opportunities and Risks in Futures Trading* and *Buying Options on Futures Contracts*. Call **1-800-621-3570.** In Illinois, call **1-800-572-9400.**

Thank Hillary Rodham Clinton and recent revelations that she turned $1,000 into almost $100,000 through a series of well-timed trades in cattle futures in the late '70s. "The press on Hillary Clinton, no matter how dubious, has piqued a lot of people's interest," says Barrett LeWald, senior futures market analyst at brokerage Lind-Waldock.

This year, though, prices have been erratic. The Commodity Research Board Index of 21 commodities leaped nearly 6% from Dec. 31 to June 17, but has since tumbled 4%.

Lumber could be the next hot commodity. Wednesday, the price of lumber contracts tumbled $10 — maximum they're allowed to fall in one day — on word of a 9.8% slump in June housing starts.

Also affecting trading:

▶ **Weather.** Two surpi winter frosts in Brazil sent coffee prices to an eight-year high of $2.47 a pound June 12. Wednesday's close $2.21.

▶ **Inflation fears.** Investors have been jumping in and out of precious metals as inflation expectations change. Gold prices are down slightly this year; silver is up 4%.

Commodities investing is risky. About 75% of Lind-Waldock's 18,000 customers lose money. Many are one-time traders who act on a tip. You must be able to absorb big losses. Lind-Waldock requires new clients have minimum annual income of $50,000 and $100,000 of assets other than real estate.

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Clinton seeks media focus on agenda

By Paul Bedard and Major Garrett
THE WASHINGTON TIMES

The Clinton White House is planning a media blitz next week to preserve its health care reform and crime initiatives, and to overshadow revelations arising from congressional hearings on the Whitewater-Madison affair.

Political advisers to the White House have warned that the hearings could derail Mr. Clinton's health care and crime plans as public attention focuses on the potential scandal. "It's a period of extreme vulnerability for them," said one Democratic adviser.

For nearly a month, the White House counsel's office has been preparing administration witnesses for the hearings. It also is collecting documentation to support the White House contention that it did not interfere with the Resolution Trust Corp. (RTC) investigation of Whitewater Development Corp. and Madison Guaranty Savings and Loan Association.

Moreover, the White House has devised a busy schedule that will highlight one of Mr. Clinton's few foreign policy triumphs and put the president on the road in a campaign-style effort to sell his foundering health care reform program.

On Monday, Mr. Clinton hosts the first official meeting between Israel and Jordan — who are working out a peace deal. The White House last year was the site of the peace agreement between Israel and the Palestinian Liberation Organization.

Later in the week, Mr. Clinton is planning a bus tour of Missouri and Ohio, where he will tout his health care bill. Aides are modeling the trip on the highly colorful 1992 Clinton/Gore bus campaign through the Midwest.

Meanwhile, Republicans yesterday launched on the House floor a series of one-minute speeches questioning administration truthfulness in the Whitewater-Madison affair. A GOP press release said similar speeches will be given until the hearings begin on Tuesday.

Republicans are particularly incensed by restrictions the White House has placed on access to Whitewater documents and the increasingly limited scope of the hearings.

"Once again, the administration's utter refusal to fully disclose its actions has people talking about a cover-up," said Rep. Porter J. Goss, Florida Republican.

Republicans also pointed to recent revelations that, as governor of Arkansas, Mr. Clinton solicited more than $200,000 in contributions from outside donors to support campaigns for his legislative agenda.

"How many of President Clinton's campaigns have these slush funds made appearances in?" said Rep. Lamar Smith, Texas Republican.

Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, complained of new restrictions in ever-narrowing scope of his committee's Whitewater-Madison hearings:

- During the hearings, Rep. Henry B. Gonzalez, Texas Democrat and Banking Committee chairman, will limit questions from lawmakers to five minutes and will alternate between Democrats and Republicans on the panel.

"This will likely lead to a disjointed and convoluted presentation," Mr. Leach said. "A preferable course would be to adopt procedures used extensively by investigative committees, whereby each side receives large blocks of time during which to question witnesses."

- Mr. Gonzalez will insist that witnesses appear in groups based on the federal agency they represent.

"This will further frustrate any effort by members to engage in detailed and meaningful inquiries," Mr. Leach said.

The scope of the congressional hearings have been limited to the death of White House Deputy Counsel Vincent W. Foster Jr. and contacts between White House aides and federal regulators on Whitewater-Madison.

Senate hearings on Whitewater-Madison are to begin July 28.

Foster family backs Fiske report

REUTERS NEWS AGENCY

Former White House Deputy Counsel Vincent W. Foster Jr.'s family yesterday broke its silence since his suicide a year ago, denouncing critics as motivated by "mean-spirited partisanship" in questioning how he died.

Mr. Foster's widow, Elizabeth, their three children and his sister, Sheila, issued a statement through their attorney saying they agreed with the finding of Whitewater-Madison special counsel Robert B. Fiske Jr. that Mr. Foster shot himself a year ago.

They said those questioning how he died lack justification.

"The principal advocates for doing this appear chiefly motivated by mean-spirited partisanship," they said, adding that they were "particularly appalled by the shameful statements" on the House floor that employed "outrageous innuendo and speculation for political ends."

A Foster family friend said this was a reference to a July 13 statement by Rep. Dan Burton, Indiana Republican, who said he believed Mr. Foster's body was moved to Fort Marcy Park, where it was found July 20, 1993.

The family also said the Whitewater-Madison affair, involving President Clinton and Hillary Rodham Clinton and under investigation by Mr. Fiske, had nothing to do with his suicide.

Mr. Foster, 48, was a family friend of the Clintons' and served as their personal attorney in handling the affairs of Whitewater Development Corp., an Arkansas real estate venture with financial ties to Madison Guaranty Savings and Loan Association. The Clintons were partners in Whitewater with Madison owner James B. McDougal and his wife, Susan.

"The independent counsel's report on Vince Foster's death confirms what his family long has believed — that deep depression, which we never will fully understand, caused Vince to take his life," the family said.

"We also concur that the Whitewater affair had nothing to do with his death."

Mr. Fiske issued his first report on the investigation June 30. It confirmed police reports that Mr. Foster committed suicide and that his death had nothing to do with Whitewater.

Mr. Fiske's investigation into whether White House officials improperly searched Mr. Foster's office or obstructed justice continues.

Despite Mr. Fiske's report, accusations and rumors persist about Mr. Foster's death.

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BEN WATTENBERG

Murphy's law, as amended

Consider how far American liberal political elites have moved. A few years ago, when it was said that "abstinence" ought to be encouraged as part of sex education, many of the intelligentsia laughed. "You're living in a different world," they said.

In May 1992, when then-Vice President Dan Quayle criticized television character Murphy Brown for "bearing a child alone and calling it just another lifestyle choice," Mr. Quayle was mocked for his troglodyte view. The New York Daily News front-page screamer read: "Quayle to Murphy Brown: You Tramp." The chairman of the Democratic National Committee, Ron Brown, said Mr. Quayle was "practicing wedge politics."

In July 1993, at the first press conference of the Clinton task force on welfare reform, a packet of informational materials was handed out. No mention was made of the stunning rise in illegitimate birth. That, after all, might be "blaming the victim."

It has changed. There was Charles Murray's famous article in the Wall Street Journal, which showed that the white illegitimacy rate (22 percent) had already climbed to near what the black rate was in the '60s, and was still growing rapidly. The black rate, meanwhile, had gone stratospheric (68 percent).

Sen. Daniel Patrick Moynihan made a personal crusade to inform the country of the horrific social effects of fatherless families.

President Clinton — yes, President Clinton — to his credit, said nice words, somewhat qualified, about both Mr. Quayle's speech and Mr. Murray's article.

Secretary of Health and Human Services Donna Shalala (once upon a time called the "high priestess of political correctness") was asked recently: "Was Murphy Brown right or wrong in having a child out of wedlock?" Miss Shalala replied, "I don't think anyone in public life today ought to condone children borne out of wedlock."

And last week, when the Clinton administration discussed its proposal "to end welfare as we know it" with Mr. Moynihan's Senate Finance Committee, Miss Shalala and her deputies fell all over each other to explain how the plan would reduce the plague of illegitimacy by sending out the right "messages."

Democratic senators gushed about how wonderful the Clintonites were for producing such a dramatic plan. (It arrived 18 months after Mr. Clinton took office.) They saluted the idea that it would continue the good work begun by the Welfare Reform Act of 1988.

There is, alas, a problem. In reality, the Clinton welfare task force seems to have given birth to a complex mouse.

As moderate welfare expert Douglas Besharov, of the American Enterprise Institute, says: "The 1988 act spent lots of money, but welfare caseloads increased by 35 percent. The new plan has complicated details in it that could actually draw in even more people to welfare. At best, there are so many exemptions, the message will be muffled."

But all is not lost. This presidency operates strangely. Mr. Clinton appoints mostly squishy liberals who present mostly squishy legislation. But the public is fed up — certainly about crime and welfare. Republicans of various stripes and some yeoman moderate Democrats are putting forth plans that will try to end welfare —yikes! — by ending welfare. When we get welfare legislation, this year or next, it will probably make some mild-to-moderate progression in the right direction. Mr. Clinton will then trumpet his achievements.

It's sad. If Mr. Clinton had fully lived up to his billing as a "New Democrat," he could have tur the country around. The public was ready for big-time deficit reduction, truly tough crime legislation, and major disincentives in welfare.

We got a little bit on the budget. Attorney General Janet Reno had to be dragged toward a fairly good crime bill, which still has not passed, and whose final form do not yet know. Now we will if Republicans and moderate Democrats can move welfare to send the right message. That means cutting off cash to new out-of-wedlock teenage mothers, as described in this space recently. (Keeping the food stamps and the Medicaid.)

Mr. Clinton could have been a revolutionary president. Instead, at best, he seems to be presiding over a time when Americans will likely force a revolution, with him or without him.

Ben J. Wattenberg, a senior fellow at the American Enterprise Institute, is the host of the weekly public television program, "Think Tank" and a nationally syndicated columnist.

What Roger Altman forgot to say

The House and Senate Banking Committees ought to have some very pointed questions for Deputy Treasury Secretary Roger C. Altman when Whitewater hearings convene on the Hill week after next (July 26 in the House, July 29 in the Senate).

Mr. Altman, readers will recall, has been in hot water for some months now. Last February, he confessed to the Senate Banking, Housing and Urban Affairs Committee that he had briefed White House aides on the investigation into Madison Savings & Loan by the Resolution Trust Corp. (RTC). The RTC was supposed to be an independent regulatory agency, conducting an independent inquiry into the possibility that Bill and Hillary Clinton benefited from illegal financial activities at Madison. And Mr. Altman, an old friend of the president who was named acting head of the RTC for lack of a permanent candidate, surely seemed to be compromising that independence — not to mention the possible criminal investigation — by hashing it all over with Mr. Clinton's minions. That was bad enough, and Mr. Altman has since recused himself from RTC Madison-related activities — and has reportedly gotten the cold shoulder from his old friends the Clintons for his trouble.

And now comes The Washington Post to add to his burdens. On Sunday, the Post reported that Treasury Department counsel Jean Hanson has told Senate Banking Committee Staffers — under oath — that Mr. Altman instructed *her* to brief White House aides on the RTC's ongoing Whitewater-Madison investigation last fall. Revealed The Post: "Sources said that documents provided by Treasury for the hearing, which are being kept under extraordinary secrecy in 'secured' rooms . . . detail more than 20 telephone contacts, conversations and meetings involving high-level Treasury officials and White House aides." Among those, presumably, were Mrs. Hanson's meetings with Bernard Nussbaum and other high-ranking Clinton staffers — meetings she has now sworn were initiated by Mr. Altman.

Special Counsel Robert B. Fiske Jr. led a three-month grand jury investigation into those contacts. Mr. Fiske found no proof that anyone involved intended to corrupt a criminal probe of Madison, but he took no position on the ethics of the matter. Clearly, even Mr. Altman recognized what slippery ethical ground he was standing on regarding his own "heads-up" meeting with Bernie Nussbaum; hence the recusal.

But recusal may well not be enough to save Mr. Altman from the implications of Jean Hanson's sworn testimony. Because Mrs. Hanson swears that he not only knew about her own White House contacts, he told her to initiate them. And last winter, Mr. Altman told his congressional interlocutors that his own meeting was the only contact he was aware of.

Did Mr. Altman mislead Congress? Did he withhold information from Congress? It certainly seems that he did. And, if memory serves, it certainly seems that misleading or withholding information from Congress was considered a crime when it was Republican officials of the Reagan administration doing the withholding. At least one such official, in fact, felt the full wrath of Lawrence Walsh's Iran-Contra prosecutors. Mr. Altman, who misled the Senate Banking, Housing and Urban Affairs Committee purely in order to protect himself and Bill Clinton from their own shady behavior, deserves no less.

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Rabin-Hussein glow, not Whitewater glare, will bathe Clinton

Washington journal

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 agenda on Mondays makes the joint address possible.

The word "historic" is used a lot these days and not without some validity when it comes to Monday's events. But the Hussein-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.

Duo demand inquiry into Whitewater leaks

Committee chiefs say ethics violated

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Senate Banking Committee leaders called Tuesday for an ethics investigation into the apparent leak of documents involving the Whitewater Development Corp. affair.

Banking Committee Chairman Donald Riegle, D-Mich., and Sen. Alfonse D'Amato, R-N.Y., asked for an immediate inquiry into how confidential information was leaked to the media in recent days.

D'Amato is the committee's ranking Republican member.

Committee members and staff have agreed with the White House to treat the Whitewater documents as classified. Access to the papers is restricted, with armed guards watching document rooms around the clock.

Committee officials are reviewing the files in anticipation of next week's Whitewater hearings. House Banking Committee hearings begin Tuesday, and Senate Banking Committee hearings begin July 28.

Riegle and D'Amato were upset by a *Washington Post* story Sunday involving Department of the Treasury officials and an Associated Press story Monday about President Clinton's conversation with the comptroller of the currency, Eugene Ludwig.

The stories dealt with Whitewater-related issues and were based on material contained in confidential files.

"These violations are egregious and willful acts that are contemptuous of the integrity of the rules of the Senate," Riegle and D'Amato said in a letter to the Senate Select Committee on Ethics.

The senators requested that the Ethics Committee begin an immediate investigation. They asked the committee to locate the source of leaks and sanction violators "as severely as possible."

Disclosing classified information can mean expulsion for a senator or dismissal for a staff member.

One Senate aide described committee officials as being "hopping mad" about the leaks, which involve the Washington phase of special counsel Robert Fiske Jr.'s investigation.

A House Banking Committee spokesman said there would be no immediate comment on whether that panel also would request an ethics inquiry of leaks.

The House Banking Committee also agreed to a White House request to treat the documents in a confidential manner, but the House committee refused to put them in the classified category.

The AP story, which was published in Tuesday's *Arkansas Democrat-Gazette*, regarded a March memo in which Ludwig described how Clinton approached him during a New Year's weekend retreat in South Carolina and asked for his counsel on Whitewater matters.

After discussions with Treasury Department officials, Ludwig said he concluded it was improper for him to advise the president, with whom he attended Yale University Law School.

Lloyd Cutler, the White House counsel, said Ludwig misunderstood Clinton. Cutler said the president actually had hoped Ludwig would provide the names of experts the White House could solicit for help.

The Scripps Howard News Service contributed to this article.

EDITED BY OWEN ULLMANN

NOW, THE WHITEWATER HEARINGS HAVE BOTH PARTIES NERVOUS

Republicans have been counting on the congressional Whitewater hearings to be a political bonanza that would embarrass Bill Clinton and boost GOP prospects in the fall's midterm elections. But with the hearings set to open on July 26, GOP strategists are fretting that their expected summer blockbuster, *Son of Watergate*, will instead turn into a dud: *Capital City Slickers II*.

Why the letdown? Democrats have delayed the hearings and narrowed their scope, thanks in part to pleas from independent counsel Robert B. Fiske Jr., a Republican, to avoid issues that could jeopardize his investigation. Not only has interest in Whitewater waned, but Fiske's interim report on June 30 took the punch out of claims that the White House obstructed justice.

QUICK KILLING. It doesn't help that the GOP's point man in the Senate, Alfonse M. D'Amato (R-N.Y.), is ethically tainted. Soon after the feisty New Yorker condemned the First Lady's wildly profitable commodities trading, he was hit by new disclosures about his own sweet stock deal.

With no new bombs in their arsenal to damage the Clintons, GOP leaders fear they'll come across as shrill partisans peddling stale allegations. "It would be a miracle if Republicans score points," admits House Banking Committee member Spencer T. Bachus III (R-Ala.).



GONZALEZ WILL LIMIT QUESTIONING

That doesn't mean the Republicans will go down without a fight. They plan to push to explore several out-of-bounds subjects: the Justice Dept.'s handling of a Whitewater-related criminal referral; the contents of potentially sensitive documents removed from White House lawyer Vincent Foster Jr.'s office shortly after his suicide; and the Clintons' ties to Dan R. Lasater, a convicted cocaine dealer and onetime boss of White House aide Patsy L. Thomasson. By forcing House Banking Committee Chairman Henry B. Gonzalez (D-Tex.) and his Senate counterpart, Donald W. Riegle Jr. (D-Mich.), to bar such inquiries, the GOP aims to spark public demands for more hearings after Fiske's investigation is completed.

Meanwhile, the House Banking Committee's top Republican, Jim Leach (R-Iowa), is rushing to unearth some nasty nuggets. He's wrangling to get all Resolution Trust Corp. and Office of Thrift Supervision documents on the failed Arkansas thrift run by the Clintons' Whitewater partner, James B. McDougal.

Even without startling revelations, Democrats stand to lose. Clinton, who has taken a pounding from critics over his character and leadership, won't be helped by a redredging of political sludge. And new dirt could return the sleepy scandal to public consciousness.

BORING RERUN? A more likely scenario is that pesky Republicans will hammer Democrats for covering up ethical lapses stemming from questionable contacts between the Treasury Dept. and the White House. Their aim: goad the volatile Gonzalez into an unseemly eruption. Already, Republicans are complaining about his moves to weed out potentially damaging witnesses, such as RTC investigator L. Jean Lewis of Kansas City, who complained of political pressure from Washington. "If the hearings appear to be a cover-up, it will hurt the Democrats," warns L. William Seidman, former chairman of the Federal Deposit Insurance Corp.

That's a risk Democrats are willing to take. But Republicans fret that the hearings could be boring, neither as riveting as the O. J. Simpson murder case nor as vital as health care. "The public is as annoyed at the people who keep bringing Whitewater up as they are at the alleged perpetrator," says GOP pollster Frank Luntz. In the end, Whitewater's winner may be the party that embarrasses itself the least.

By Amy Barrett and Richard S. Dunham

CAPITAL WRAPUP

REGULATION

Call it a government bait-and-switch. The victims: three communications companies that stand to lose freebies worth some $500 million each. In 1991, the FCC came up with a sweetener to spur development of technologies for a new wireless phone service called PCS—a free license and the market of choice to service-providers. Last year, these "pioneer preferences" were tentatively awarded to Cox Communications, which chose Los Angeles; American Personal Communications, which picked Washington, and Omnipoint, which selected New York. But powerful House Commerce Committee Chairman John D. Dingell (D-Mich.) wants the FCC to renege on the deals because the licenses are too valuable to give away. The FCC is expected to let the companies keep the licenses—if they pay the market value.

TELEVISION

President Clinton may have lots of fans in "liberal" Hollywood, but that doesn't seem to influence their work. Conservative watchdog Media Research Center found that 70% of all references to Clinton in prime time entertainment shows during the 1993-94 TV season were negative. Hillary Rodham Clinton, by contrast, got off easy, with positive mentions 89% of the time.

TRADE

President Clinton's first meeting with new Japanese Prime Minister Tomiichi Murayama in Naples on July 8, went so poorly—despite public claims to the contrary—that the White House has resolved to play hardball on trade talks with Tokyo. Murayama's refusal to make any market-opening concessions is prompting the Administration to open an investigation in late July of Japanese government procurement practices. That could lead to tariffs on some Japanese exports. "There's a sense of utter frustration with the Japanese government," fumes a White House official.

JEFFREY MARKOWITZ/SYGMA

FROM PAGE ONE

Connection to Clintons, associates arises in several deaths

THE ECONOMIST

NEW YORK — The first report by the Whitewater-Madison special counsel, Robert Fiske, was released on June 30. The main topic covered was the mysterious death last summer of Vincent Foster, deputy counsel in the White House.

Mr. Fiske concluded that Mr. Foster died by his own hand in a Northern Virginia park, with no suspicious circumstances.

Yet, if the Foster matter has been laid to rest for now, the Whitewater cottage industry clatters on.

The Rev. Jerry Falwell, a leader of the religious right, lately has been peddling videos containing veiled accusations of murder against the president. The tape is crude and sensationalist; most people have dismissed it as nonsense.

It is true, nevertheless, that a peculiar pattern of suicides and violence surrounds people connected to the Clintons or their associates. It may be no more than coincidence; but it prompts questions.

Consider the following cases:

• On May 11 this year Kathy Ferguson, a 38-year-old hospital worker, was found dead in Sherwood, Ark. A gunshot had pierced her right temple in what a local police report labeled a suicide. A note was found next to the body suggesting as much.

Miss Ferguson's death came only five days after her ex-husband, Danny Ferguson, an Arkansas state trooper, was named as a co-defendant in Paula Jones' sexual-harassment suit against Bill Clinton.

• On June 12 Bill Shelton, an Arkansas police officer, was found dead — again in Sherwood — lying sprawled on the grave of Mrs. Ferguson, who was his girlfriend at the time of her death. Again, a suicide note was found next to the body.

The police report, which again describes the death as suicide, states that the bullet entered behind the right ear and came out behind the left ear.

• On Aug. 15, 1993, Jon Walker fell to his death from the top of the Lincoln Towers building in Arlington. In March 1992 Mr. Walker, an investigator for the Resolution Trust Corporation (RTC), had contacted the Kansas City RTC regional office for information concerning possible ties between Whitewater Development, Madison Guaranty Savings & Loan and the Clintons.

• On Sept. 26, 1993, Jerry Parks was killed when several bullets were fired at him on a street corner in Little Rock, Mr. Parks had been the chief of security for Mr. Clinton's national campaign headquarters in Little Rock during the 1992 presidential campaign.

No autopsy report has yet been released, nor has anybody been charged for what looked like a professional hit.

Mr. Parks' son, Gary, says his father carried out private investigations on Mr. Clinton during the 1980s. He also says the material gathered was stolen from the family home in July 1993.

• On June 26, 1992, Gary Johnson, a lawyer, was beaten up so severely that he had to have a ruptured spleen removed. Mr. Johnson lived in Quapaw Towers in Little Rock in the apartment next door to Gennifer Flowers. Miss Flowers claimed during the campaign to have had a 12-year affair with Mr. Clinton, which he denied.

Then there is the bizarre story of Dennis Patrick, already reported in the Economist. Mr. Patrick survived three attempts on his life and had, perhaps coincidentally, tens of millions of dollars he did not own traded through his account at Lasater & Co., a Little Rock-based brokerage firm controlled by Dan Lasater, a big Clinton campaign contributor.

Mr. Patrick recently has been in Washington, relating his strange tale to congressmen.

FBI agents assigned to Mr. Fiske's task force also want to talk to him, and Mr. Lasater has become part of Mr. Fiske's investigation.

All this may be a pack of cards piled up by over-eager conspiracy theorists and ideological opponents of the president. But it remains strange.

The latest oddity occurred on June 23, when Stanley Huggins, a 46-year-old principal in a Memphis, Tenn., law firm, Huggins & Associates, was found dead in Delaware. The cause of death, according to a report in the Memphis Commercial Appeal, was said to be viral pneumonia.

Mr. Huggins headed a 1987 examination into the loan practices of Madison Gu'Banty Savings & Loan and produced a report said to be 300-to-400 pages long. Copies never have been made public.

But one sign of the challenge Clinton still faces is that the La Raza group itself has not endorsed his plan.

While its membership favors the goal of universal coverage and mandatory employer-paid insurance, they have stayed clear of the Clinton plan because its universal coverage does not extend to all legal immigrants into the United States, officials said. And the group has been troubled by the possibility that the national health card the administration has proposed might be used in ways that it considers discriminatory.

Clinton spoke of how the current system rewards society's most and least fortunate, but penalizes many in the middle.

(Optional add end)

``You want health care for sure? Get on welfare, go to jail, get elected to Congress or get rich. Be a federal employee. Be the president," Clinton said.

But many ordinary working people lack coverage, and others risk losing it, he said. ``And it's not right."

Study Says Universal Coverage Would Serve Middle Class Best (Washn) By Karen Tumulty and Edwin Chen= (c) 1994, Los Angeles Times=

WASHINGTON Hoping to turn up the heat on uncommitted lawmakers, President Clinton's allies on Capitol Hill released a study Monday indicating that middle-class people who have health insurance will pay higher premiums if Congress passes a health-reform measure that falls short of guaranteeing universal coverage.

In framing universal coverage as a middle-class issue, they hope to take some of the momentum out of several incremental measures that are gaining favor in both houses of Congress.

At a news conference, Sen. Patty Murray, D-Wash., urged fellow members of Congress to ``remind ourselves what it is that we are trying to achieve, and who we are trying to benefit."

``We want to put all the pressure we can on wavering senators," added Sen. John D. Rockefeller IV, D-W.Va., one of the Clinton plan's most ardent supporters. He contended that the modest measure that many lawmakers view as an ``easy step" would be ``a fatal blow to their constituents who are working middle-class Americans."

The more modest approach, which is being touted in various forms by lawmakers of both parties, would encourage more competition among health providers and eliminate many widely criticized insurance industry practices, such as those that make it difficult for people with known illnesses to buy coverage. The various alternatives also would provide government subsidies to help those earning at or near the poverty line afford health insurance.

Such proposals would not meet Clinton's bottom-line goal of assuring that everyone has health insurance. Nonetheless, they have considerable appeal for members of Congress, because they offer a way around the difficult issue of whether to require employers to pay most of the cost of their workers' health insurance.

The study by the Virginia consulting firm Lewin-VHI Inc. was commissioned by the Catholic Health Association of the United States.

It indicated that the incremental approach would be more expensive for insured families earning between $20,000 and $75,000
a year. The firm concluded that, absent a requirement that everyone buy coverage, new policyholders would in general be sicker than the population as a whole, and therefore, more expensive to cover.

By comparison, it concluded, a bill guaranteeing universal coverage would lower the health costs of middle-class people who now have health insurance, if it were combined with government-imposed cost constraint such as that envisioned in the Clinton plan.

For a family earning between $30,000 and $40,000, for instance, health costs would rise about $344 in 1998 under the incremental approach; its spending would decline $165 in a system under which everyone was required to have coverage.

(Optional add end)

Meanwhile, a separate study concluded that a big winner of the health debate is the advertising industry. According to the report, special interest groups are buying advertising at a rate that exceeds what was spent on ads in 1992 by both the Bush and Clinton presidential campaigns.

``We are witnessing the largest, most sustained advertising campaign to shape a public policy decision in the history of the Republic," said the report, directed by Kathleen Hall Jamieson, dean of the University of Pennsylvania's Annenberg School for Communication.

To date, nearly all the ads have been targeted at Washington policymakers and the national news media, virtually ignoring the average citizen, the study found.

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.

Lawmakers Propose `Gun-Free' School Policy (Washn) (c) 1994, Los Angeles Times=

WASHINGTON Sen. Dianne Feinstein, D-Calif., said Monday that she will seek passage of legislation to require nearly every public school in the United States to expel any student for a one-year period if he or she is caught carrying a gun in school.

Feinstein, joining with Sen. Byron Dorgan, D-N.D., said they would propose the ``gun-free'' school policy as an amendment to the $12 billion Elementary and Secondary Education Act when it comes to the Senate floor this week or next.

The provision is expected to be approved with little opposition.

A similar amendment was included in a previous education measure, the Goals 2000 Act, but that program will have a more limited impact because not every state and fewer schools are covered.

``Kids are scared to death,'' Feinstein said at a news conference. ``The schools are not safe and the No. 1 fear is that kids will get shot on the way to school or in school.''

The proposed amendment would provide that any school district that receives federal funds would have to impose a one-year expulsion on any student who brings a gun to school.

Asked what would happen to students during the year they are barred from classes, Feinstein replied: ''If you bring a gun to school, you're probably not learning anything anyway. And the other students will feel safer.''

White House Won't Relax Prohibition on Medical Uses of Pot (Washn) By Marlene Cimons= (c) 1994, Los Angeles Times=

WASHINGTON The Clinton administration will not relax a prohibition against the medical uses of marijuana because the scientific evidence is still insufficient to prove its therapeutic value, federal health officials said Monday.

They said, however, that they would welcome controlled clinical trials that could further evaluate the drug's medical potential.

``Sound scientific studies ... are lacking despite anecdotal claims that smoked marijuana is beneficial,'' said Dr. Philip R. Lee, assistant secretary for health, in a letter to Rep. Dan Hamburg, D-Calif., one of several lawmakers who had requested that the administration review the policy.

From 1976 to 1992, the federal government had allowed a small number of individuals on a case-by-case basis to take the illegal drug for medicinal purposes. These included relieving the nausea and appetite loss that is often a side effect of cancer and AIDS therapy, easing muscle spasms associated with spinal cord injuries or multiple sclerosis, and lessening eye pressure in those suffering from glaucoma.

But in a March 1992 ruling, the Bush administration discontinued the program, saying the drug's therapeutic value was unproven and that it could, in fact, cause harm to some patients because its use was associated with lung disease and other problems.

At the time, about 15 patients were taking the drug under the special program, and they were allowed to continue. But hundreds of others who had applied for permission were denied.

Last year, at the request of several members of Congress, the Public Health Service said it would review the policy.

The health service said scientists at the National Institutes of Health ``have again concluded, after careful re-examination of the existing data, that there is no clinical evidence ... to suggest that smoked marijuana is superior to currently available therapies'' for these conditions.

Also, the special program that made marijuana available to individual patients prior to the Bush administration ruling ``cannot produce useful scientific information,'' and, thus, there is no reason to reopen it, the health service said.

However, ``there are individuals in the private sector who have expressed an interest in sponsoring controlled clinical trials with an independent source of material,'' Lee said in his letter.

Should such trials be proposed, they would be governed by current Food and Drug Administration regulations, he added.

(Optional add end)

Arnold Trebach, president of the Drug Policy Foundation, a private nonprofit education organization that had been seeking a lifting of the ban, said he welcomed the administration's ``openness to scientific experiments,'' but said that ``while science should play a role in government decisions, compassion should play a greater role.''

Trebach said his organization hoped to sponsor such research, but added: ``There is no doubt that there are thousands of doctors and patients willing to use this drug in the treatment of illness. The government had an opportunity to show it cares about the suffering of its citizens, and that it respects the doctors' judgment. In this case, the government is saying: 'We don't believe in

WASHINGTON

ELSEWHERE IN THE WORLD

Peace obstacle-course takes Christopher to Syria

Secretary of State Warren Christopher, upbeat despite weekend riots in Gaza, goes to Syria today for the toughest leg of his new Middle East peace shuttle. The Israeli-Syrian dispute over the Golan Heights presents the biggest remaining obstacle to peace in the region. Also Monday:

▶ Israeli and PLO officials met in Cairo, Egypt, to discuss extending Palestinian self-rule beyond Gaza and Jericho.

▶ Jordanian and Israeli negotiators reported progress in talks toward normalizing relations. — *Lee Michael Katz*

IRAQ EMBARGO: A divided U.N. Security Council is maintaining the crippling economic embargo against Iraq after the United States campaigned against easing sanctions. U.N. diplomats said Monday that no nation favored the immediate lifting of sanctions, but that there were divisions over which approach to take toward Baghdad. The council reviews sanctions every two months.

CUBA CRITICIZED: President Clinton condemned Cuban "brutality" in last week's sinking of a tugboat, after it was stolen by up to 70 Cubans trying to flee. Only 31 were rescued. A government ship collided with the vessel.

ALSO . . . Somalian gunmen attacked a U.N. convoy in Mogadishu; three officers from Italy and one from New Zealand were believed kidnapped. ... French President Francois Mitterrand, 77, had a successful operation to remove a prostate obstruction, nearly two years after prostate cancer surgery. ... At least 20 people were reported killed in pro-democracy demonstrations in Lagos, Nigeria.

Pentagon says no to $150M for B-2

The Pentagon says it not only does not want $150 million approved by the Senate for the B-2 Stealth bomber program but that it probably cannot legally spend it.

The Senate says the money is to preserve the option of building more than 20 of the costly, radar-evading bombers, despite Congress' declaration last year that no more than 20 are ever to be built.

In a letter urging passage of the $263 billion Defense budget, being hammered out by Senate-House conference committee, the Pentagon says it likely cannot spend the money without Congress altering that declaration.

Senate B-2 supporters put the money in the Senate version, with the argument that the Pentagon might decide it needs more B-2 bombers to fight regional wars.

Meanwhile, another controversial military aircraft, the C-17 transport, hit another snag Monday. The General Accounting Office concluded that a cost evaluation of the C-17 vs. other cargo plane options tilted unfairly in favor of the C-17, including "questionable assumptions" about the reliability of the aircraft.



Reuters

WOOLSEY: Goes on the offensive

'TURNCOAT' SPY: CIA Director James Woolsey calls turncoat Aldrich Ames worse than Benedict Arnold. "Our agents in the Cold War ... risked their lives, helped keep you free, and died because this warped, murdering traitor wanted a bigger house and a Jaguar," he said in a speech delivered Monday. Woolsey took the offensive because, he said, Ames will be trying to use upcoming news media interviews to portray himself as a victim. Woolsey also sniped at congressional critics, saying problems that led to the Ames case are better handled within the CIA. He said management changes would prevent a repeat of foul-ups that let Ames continue counterspy activities for years after officials became suspicious.

WHITEWATER TIME: Capitol Hill will be awash in Whitewater hearings next week. The House banking committee's review starts Tuesday. The Senate banking committee announced Monday that it will kick off its hearings on July 28. The panels' work will be limited, at the request of Whitewater special counsel Robert Fiske, to the 1993 suicide of White House deputy counsel Vincent Foster and contacts between White House and Treasury Department officials on the status of a regulatory investigation into the failure of Madison Guaranty Savings & Loan in Arkansas. House hearings may last a couple weeks. The Senate panel expects its hearings to be shorter. White House counsel Lloyd Cutler says he has not yet received a request from either committee for testimony by President Clinton or Hillary Rodham Clinton.

apan Premier Doesn't Plan Major Changes

Murayama Moves Away From Socialist Party's Long-Held Positions

By Michael Williams
Staff Reporter of The Wall Street Journal

TOKYO – Japan's new Socialist prime minister is bringing his party into the political mainstream, a move some say will extend the life of his unlikely alliance of conservatives and leftists.

In his inaugural policy speech to Japan's parliament yesterday, Prime Minister Tomiichi Murayama told the world his Japan won't upset the apple cart: The government won't swing to the left, won't backtrack on political and economic reforms – and won't scuttle the Japan-U.S. defense alliance, as the Socialists often demanded when they were in the political opposition.



Tomiichi Murayama

Mr. Murayama stressed the need for a stimulative economic policy, a position sought by the U.S. and other trading partners as a way to boost world growth. He turned on the populist charm, too, promising deregulation to bring down Japan's high consumer prices and make it easier to enter new businesses.

But the prime minister avoided specific promises on these and other pressing problems facing Japan, including U.S.-Japan trade talks and instability in North Korea.

The blurring of the issues is seen as an attempt to avoid controversy so the Socialists' ruling coalition with the right-of-center Liberal Democrats can stay united – and in power. This strategy, coupled with the softening of longstanding Socialist policy positions, has many analysts forecasting a longer life for the unlikely alliance of political enemies. Though some observers believe a breakup could come any time, many now say the government could survive for as long as a year.

"The Socialists are trying to accommodate their 'outlying' policies to more realistic ones," said Shigenori Okazaki, political analyst at SBCI Securities in Tokyo. "Unless there's some dramatic change" in Japanese politics, such as a crisis in Korea, "the administration is safe."

Mr. Murayama took a step toward jettisoning his party's left-wing views yesterday by declaring an end to the Cold War "paradigm of capitalism vs. socialism." And he all but acknowledged the constitutionality of the nation's armed forces and its security alliance with the U.S., arrangements his party has long protested.

"It is vital to ensure national peace and security," he said. "I will firmly maintain the Japan-U.S. Security Treaty." Japan, he said, will "work to build the necessary minimum defense capability."

But Mr. Murayama put a dovish spin on this position, noting that Japan's stance should be "exclusively defense-oriented" – words that should reassure Asian neighbors that fear a resurgence of Japanese military power.

ter repeated the consumerist rhetoric of the previ two governments. He promised a government that is "nice to people" and w represent the interests not of big business, but of "those hard-working ordinary people who live by the sweat of their brows." He also called for a five-year program to cut red tape.

Mr. Murayama seemed to clear up recent mixed signals on economic policy. Last week, Finance Minister Masayoshi Takemura contradicted the government's initially stimulative line by saying that Japan's budget deficit is a bigger worry than the sluggish economy.

But Mr. Murayama came down on the side of economic expansion yesterday, saying that recovery will be "the primary focus" of government economic management. He reiterated Japanese vows to open markets and spur domestic demand to reduce the nation's trade surplus. And he avoided saying Japan must legislate a net tax increase to finance a growing welfare burden, an unpopular position championed by his two predecessors.

His statements came a day after Yoshiro Mori, a top leader of the Liberal Democrats, came out strongly in favor of postponing any increase in sales taxes. Higher sales levies have been proposed as a way of financing the income-tax reductions that Japan has pledged for next year and beyond.

THE WALL STREET JOURNAL, TUESDAY, JULY 19, 1994

Clinton Asked Help on Whitewater Case From U.S. Comptroller, Was Rebuffed

By Greg Hitt
Staff Reporter of The Wall Street Journal

WASHINGTON – President Clinton asked Comptroller of the Currency Eugene Ludwig at year end to assist in the administration's handling of the controversy surrounding Madison Guaranty Savings & Loan.

Mr. Ludwig says he rebuffed the overture, made at the annual Renaissance Weekend retreat held over the New Year's weekend at Hilton Head, S.C., but not without some soul-searching.

"I must say I was torn," said Mr. Ludwig, a longtime friend of Mr. Clinton who supervises all federally chartered U.S. banks.

The encounter is a large, potential political problem for the president. It is the first time that Mr. Clinton is known to have spoken to a federal banking regulator about his own problems with the Arkansas thrift. Contacts between White House aides and regulators already have created an uproar among Clinton critics in Congress.

The White House sought to play down the significance of the meeting. "It's an absolute nothing," said interim White House Counsel Lloyd Cutler, who portrayed the exchanges between Messrs. Clinton and Ludwig as innocuous.

Mr. Ludwig's account made the conversation seem more substantive. "My inclination was to want to give advice," Mr. Ludwig said, adding: "But it did occur to me, given my position, that it could be taken wrong."

Mr. Ludwig gave details of the president's unusual request, along with his own warning to the White House in December of intensifying press inquiries about Madison, in a memo prepared last March in compliance with grand jury subpoenas issued as part of an investigation by special counsel Robert Fiske. Mr. Fiske interviewed the president on this and other matters in June.

"The president asked me whether it would be permissible for me, as a lawyer knowledgeable about banking law, to provide advice and counsel on any of the legal-regulatory issues relative" to the Whitewater land-development deal and its ties to Madison, the memo says.

Mr. Ludwig made several calls to White House and Treasury aides that weekend to discuss what action to take. He eventually declined.

"My decision, ultimately, was that it was inappropriate," Mr. Ludwig said.

In an interview, Mr. Cutler acknowledged that Mr. Clinton did ask Mr. Ludwig for advice. But by the end of the same day, White House Deputy Counsel Joel Klein, who was attending the same function, had stopped the consultation by telling both the president and Mr. Ludwig that any contact between the two on the subject was inappropriate.

According to Mr. Cutler, Mr. Clinton and Mr. Ludwig ran into each other in a corridor at about 10 a.m., probably on Dec. 30. Mr. Clinton recalled asking Mr. Ludwig for the names of people expert in real estate and banking who could help him verify that his Whitewater investm , then so much in the news, was really a money-loser and a not a ruse for profit-making, as some critics were charging at the time.

Mr. Cutler said: "It's possible that Mr. Ludwig didn't understand what the president was asking him."

The House and Senate banking committees are preparing for hearings next week that will focus in part on how administration officials handled the controversy.

The president's request for assistance from Mr. Ludwig came amid heightened public attention to the controversy, and as questions were first surfacing about t White House counsel Bernard Nussbaum's handling of the matter.

Mr. Nussbaum later resigned, and was replaced by Mr. Cutler.

Before Mr. Clinton's bid for help, Mr. Ludwig said he was uneasy about the White House's handling of Whitewater, so much so that he warned White House aides that the Federal Deposit Insurance Corp. was being asked by the press for documents related to Madison.

Mr. Ludwig received "courtesy" copies of two Freedom of Information Act requests, and in early December forwarded those copies to senior Treasury officials and White House aides.

Their referral to the comptroller, who sits on the FDIC board, isn't routine. "That is, to the best of my recollection, an absolutely isolated incident," Mr. Ludwig said.

Lee Cross, a spokeswoman for th comptroller, said Mr. Ludwig doesn't r member who at the FDIC provided t documents. She said: "The comptroll was interested in making sure that t White House and Treasury were awa that this was a subject that wasn't goi away."

–Jeffrey H. Birnbaum contributed this article.

Comptroller Says Clinton Sought His Advice on Whitewater

By Susan Schmidt
Washington Post Staff Writer

Comptroller of the Currency Eugene A. Ludwig said yesterday that President Clinton had sought his advice on the Whitewater affair this winter. After consulting Treasury Department lawyers, Ludwig said, he determined it would be "impermissible" to discuss the matter with either the president or the First Lady.

Ludwig, a longtime banking lawyer and college friend of the president, said in an interview that Clinton sought his advice while both were attending the annual New Year's "Renaissance Weekend" retreat in Hilton Head, S.C.

"We really did not have a substantive discussion," said Ludwig. "Clinton said, 'I haven't done a damn thing. I don't understand why this is such a big deal.' "

Ludwig also released yesterday a memo he drafted in March for the Treasury Department, which was gathering information about contacts for special counsel Robert B. Fiske Jr. Ludwig said he expects to be called this week by congressional committees preparing for hearings on Whitewater later this month.

House and Senate banking committees will hold hearings focusing primarily on whether the White House improperly interfered with the early stage of the Whitewater probe, conducted by the Resolution Trust Corp.

In his memo, Ludwig said Clinton "asked me whether it would be permissible for me, as a lawyer knowledgeable about banking law, to provide advice and counsel on any of the legal/regulatory issues relative to the Whitewater matter. Beyond asking this question, the only information I recollect that he imparted to me was that he had done nothing wrong and moreover had lost money in the transaction."

Ludwig said that after consulting Treasury General Counsel Jean Hanson and White House aides William H. Kennedy and Joel Klein that same day, he decided his responsibilities for bank regulation barred him from advising Clinton on matters related to Whitewater or Madison Guaranty Savings & Loan. He said he told Clinton he would be unable to provide any advice.

White House Counsel Lloyd N. Cutler said Fiske briefly questioned Clinton about the conversation with Ludwig when he deposed the president last month.

Cutler said Clinton asked Ludwig "whether he would recommend names of experts . . . people who knew enough about real estate transactions who could write articles to explain what Whitewater was about."

Ludwig may have misunderstood what Clinton wanted to talk to him about, one White House official said.

A few weeks before talking to Clinton at Hilton Head, Ludwig had sent top White House and Treasury aides copies of Freedom of Information Act requests on Madison filed by news organizations with the Federal Deposit Insurance Corp., an independent regulatory agency.

Ludwig, an ex-officio member of the FDIC board, said he had been sent FOIA requests, filed by The Washington Post and the Baltimore Sun "as a courtesy" by the FDIC, specifically he believes by acting director Skip Hove. A spokesman for Hove said he has no recollection of forwarding the FOIA requests.

"I wanted to be sure the administration knew the story wasn't going to go away, that . . . they should lay everything out," said Ludwig, explaining why he forwarded the FOIA requests.

Clinton Asked Advice From Top Regulator

Officials's Memo Tells of Request About Failed Savings and Loan

By KEITH BRADSHER
Special to The New York Times

WASHINGTON, July 18 — President Clinton asked the nation's top bank regulator over last New Year's whether he could provide legal advice concerning the President's personal ties to a failed Arkansas savings and loan, according to an interagency memorandum written by the regulator.

The regulator, Eugene A. Ludwig, who is the comptroller of the currency, checked with Treasury Department and White House lawyers and told the President that "it would be impermissible for me to discuss the matter with the President or the First Lady," according to the memo.

The conversation marks the first time that the President is known to have personally discussed the Whitewater affair with an independent regulator.

Mr. Clinton's approach to Mr. Ludwig came at a time when questions were already mounting about the President's involvement with the Arkansas institution, Madison Guaranty Savings and Loan. Mr. Ludwig described the encounter in a memo on March 11 to Edward S. Knight, the executive secretary of the Treasury Department, after a Federal grand jury had subpoenaed all records of White House contacts with the department.

The memo was recently sent to Congress, and a copy was obtained today from a government official who felt that its disclosure was inevitable.

Mr. Ludwig, who has been Mr. Clinton's friend ever since the two attended Oxford University together and then went on to Yale Law School, supervises banks and has almost no direct influence over Federal regulatory investigations into savings and loans like Madison, which failed in 1986.

But Mr. Ludwig is one of the three sitting directors on the board of the Federal Deposit Insurance Corporation, which has pursued civil claims related to Madison's collapse.

As an F.D.I.C. director, Mr. Ludwig has the authority to obtain documents on any institution it regulates. But in his memorandum, Mr. Ludwig said that his only copies of F.D.I.C. documents on Madison were Freedom of Information Act requests from newspapers. The Madison case has never come up at any F.D.I.C. board meetings, according to Mr. Ludwig's office.

Mr. Ludwig, who is a Clinton political appointee and a veteran banking lawyer, said tonight that he had never discussed the Whitewater affair or Madison with F.D.I.C. officials or other board members.

The memo is the latest indication that contacts between the White House and the Treasury Department may have been more extensive, and more widely known within the Administration, than it had previously appeared.

Mr. and Mrs. Clinton were partners in the Whitewater real estate development project with James B. McDougal, the owner of Madison Guaranty. Madison, which was regulated by Arkansas officials when Mr. Clinton was Governor of that state, allowed Whitewater to overdraw its accounts, and Madison officials contributed to Mr. Clinton's campaigns. The President has denied any wrongdoing.

'It would be impermissible for me to discuss the matter.'

Hearings Next Week

Lloyd N. Cutler, special counsel to the President, said tonight that Robert B. Fiske Jr., the special counsel investigating the Whitewater matter, had interviewed Mr. Clinton about the Ludwig conversations. After a three-month investigation, Mr. Fiske recently concluded that there were insufficient grounds to prove that contacts between the White House and the Treasury Department were aimed at corrupting Federal efforts to learn why Madison failed.

Despite his findings, the House and Senate banking committees will be examining those contacts in hearings that start next week. Mr. Ludwig, who is not currently scheduled to testify, said that in the last few days he had agreed to new requests from House and Senate aides to interview him.

Mr. Cutler denied this evening that the President had been interested in legal advice from Mr. Ludwig. Mr. Clinton asked only "if Ludwig could advise him as to the names of experts in real estate transactions who could write about them in terms the public could understand," Mr. Cutler said in an interview.

Mr. Cutler said that his understanding of Mr. Clinton's interest was based on a conversation that a deputy White House counsel, Joel I. Klein, had with the President a few hours after Mr. Ludwig spoke to Mr. Clinton. Mr. Klein said tonight that the President told him that he was looking for people who could write opinion articles for newspapers that would present the Clinton family's views.

'A 30-Second Conversation'

But in a separate interview this evening, Mr. Ludwig flatly denied Mr. Cutler's and Mr. Klein's version of events.

"I don't remember that," Mr. Ludwig said. "I remember the President saying, 'I don't understand this whole thing, the papers are making a big deal about this, and I didn't do anything wrong. You're a banking lawyer, can you give me some advice about this?' It was a 30-second conversation."

Mr. Klein said he had no first-hand knowledge of the original conversation between the President and Mr. Ludwig.

In a separate matter, Administration and Congressional officials say that Jean Hanson, the Treasury's general counsel, has told Federal investigators that Deputy Treasury Secretary Robert C. Altman knew last autumn that she had discussed with White House officials how to respond to reporters' inquiries about Whitewater.

Mr. Altman told the Senate Finance Committee early this year that he had met with White House officials to discuss Whitewater, but never mentioned then that other Treasury officials had also done so. When reports of Ms. Hanson's contacts began circulating, Mr. Altman said that he had been unaware of her involvement.

Mr. Altman declined to comment today. Ms. Hanson's comments to investigators were first reported by The Washington Post on Sunday.

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(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 07/19/94 at 07:40EDT ****

Ludwig-Interview -2-:Hearings On Whitewater Next Week

The House and Senate banking committees are preparing for hearings next week that will focus in part on how Clinton administration officials handled the controversy involving Madison and its ties to the controversial Whitewater real estate development deal.

Clinton and First Lady Hillary Rodham Clinton were investors in Whitewater, along with the owner of Madison. Clinton claims to have lost money on the deal. The special counsel is examining that fact, as well as other questions surrounding the financial relationship between Whitewater and Madison.

Clinton's request for assistance from Ludwig came amid heightened public attention to the controversy, and as questions were first surfacing about then-White House counsel Bernard Nussbaum's handling of the matter.

Nussbaum later resigned, and was replaced by Lloyd N. Cutler.

In a series of unusual events, Ludwig received ''courtesy' copies of two Freedom of Information Act requests for documents related to Madison late last year. Ludwig then forwarded copies of the requests, made to the Federal Deposit Insurance Corp., to senior Treasury officials and White House aides in December.

The Freedom of Information Act requests by the Washington Post and Baltimore Sun are public documents. But their referral to the comptroller, who sits on the FDIC board, is not routine.

''That is, to the best of my recollection, an absolutely isolated incident,'' Ludwig said.

Lee Cross, a spokesperson for the comptroller, said Ludwig does not remember specifically who at the FDIC provided the documents.

''It is not standard policy,'' Cross said of the referral by the FDIC and the subsequent transmittal of documents to the White House. Cross said Ludwig was motivated by a concern that the White House was not properly handling the Whitewater matter.

''In this case, the comptroller was interested in making sure that the White House and Treasury were aware that this was a subject that was not going away,'' said Cross, suggesting Ludwig wanted the administration ''to disclose everything as soon as possible.'

(END) DOW JONES NEWS 07-18-94

5:17 PM

**** filed by:TAPE(--) on 07/18/94 at 17:24EDT ****
**** printed by:WHPR(JEL) on 07/19/94 at 07:42EDT ****

Altman Testimony In Whitewater Is Contradicted

WASHINGTON -- The Treasury's general counsel, in giving her account of the department's handling of the Whitewater investigation to a Senate committee, contradicted Deputy Treasury Secretary Roger Altman's version, according to the Washington Post, The Wall Street Journal reported.

Citing "congressional sources," the newspaper said Jean Hanson told Senate Banking Committee investigators that Mr. Altman instructed her to brief White House officials on the Resolution Trust Corp.'s inquiry into Madison Guaranty Savings & Loan Association, an Arkansas thrift that was owned by a partner of Bill and Hillary Rodham Clinton in Whitewater Development Corp.

Mr. Altman has testified to Congress that he wasn't aware of Ms. Hanson's meetings until months later. Ms. Hanson, one of the few people who could confirm or contradict Mr. Altman, has been publicly mum. Both have testified before a grand jury.

The Post also said that Treasury documents supplied to the committee suggest that Treasury Secretary Lloyd Bensten was informed of developments in the Madison case. Mr. Bentsen has said he didn't know that his subordinates were meeting with White House officials; the Post didn't report any evidence to the contrary. A Treasury spokesman said that the Treasury has seen no documents that undermine Mr. Bentsen's assertion and that Mr. Bentsen stands by his earlier statements.

The Treasury spokesman wouldn't comment on the report about Ms. Hanson's account and said Mr. Altman wouldn't have any comment either. Ms. Hanson's lawyer couldn't be reached.

If true, Ms. Hanson's version will complicate Mr. Bentsen's and, particularly, Mr. Altman's testimony before the Senate and House Banking Committees looking into the Whitewater matter. The report also raises questions about the ability of the committees to maintain the confidentiality of depositions and documents turned over by the Clinton administration and kept in a secure room on Capitol Hill.

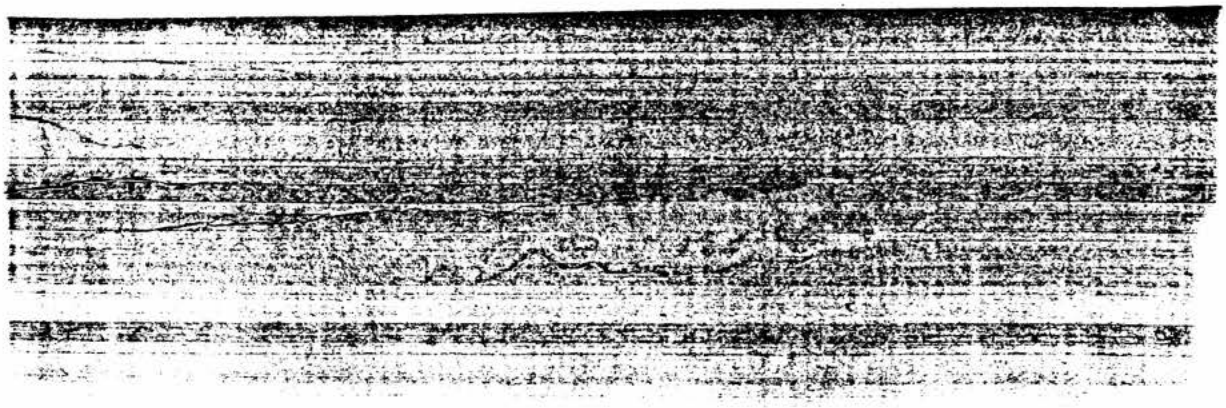
Separately, Robert Fiske, Whitewater special counsel, said he won't complete a report into the handling of the papers in the office of the late White House lawyer Vincent Foster before Congress leaves for its August recess.

Mr. Fiske met Friday with Senate Banking Committee Chairman Donald Reigle (D., Mich.) and the two Republican leaders of the Whitewater inquiry, Sen. Alfonse D'Amato of New York and Rep. James Leach of Iowa, to ask them to avoid this matter in their first round of Whitewater hearings, which begin late this month. White House staffers looked through and may have removed some of the papers in Mr. Foster's office after learning of his suicide last July.

(END) DOW JONES NEWS 07-18-94

6 00 AM

**** filed by:TAPE(--) on 07/18/94 at 06:24EDT ****
**** printed by:WHPR(JEL) on 07/19/94 at 07:44EDT ****



PM-Whitewater, Ark Bjt,650
Loan in Fiske Probe Said Help for Clintons' Whitewater Partner
By PETE YOST= Associated Press Writer=

FORT SMITH, Ark. (AP) A figure in the Whitewater investigation says he was told that an $825,000 loan by an Arkansas savings and loan would be helpful to the institution's owner, who also was President Clinton's Whitewater business partner.

Dean Paul, a former lumber company operator, said a business associate, David Hale, told him the 1986 transaction would help ``clean up'' some financial problems involving James McDougal, the owner of Madison Guaranty Savings & Loan. The S&L was about to be audited by federal regulators at the time the institution made the loan. Paul says he signed for the loan at Hale's request.

At the time, McDougal also was a partner with President Clinton and Hillary Rodham Clinton in the Whitewater Development Co.

Paul said Hale assured him that Jim Guy Tucker, now Arkansas' governor, and Hale had business ventures, including a planned shopping center, that would enable the loan from Madison S&L to be paid back. Nearly $600,000 of the loan has never been repaid.

Paul said he was aware that Hale knew Clinton, but the then-governor's name never came up during the conversations about the loan.

Paul's comments add the first substantial public detail to allegations made over the past 10 months by Hale, a former municipal judge convicted recently of defrauding the government through a federally backed lending company he ran.

Under a plea bargain, Hale is now a key witness cooperating with Whitewater special prosecutor Robert Fiske.

Among the allegations Hale has made is that in 1986 Clinton, who was then governor, pressured him to make a loan to McDougal's wife, Susan. The $300,000 Small Business Administration-backed loan was never paid back.

Clinton has dismissed Hale's story as ``a bunch of bull,'' and the White House has suggested that Hale made up the allegations.

Paul has declined requests for news interviews for months. He agreed to an interview with The Associated Press at his lawyer's office in Fort Smith.

Paul was assured by Hale that the loan would be paid back.

``David was my lawyer, my business partner, my friend. I trusted him,'' Paul said. Paul's lawyer, J. Michael Fitzhugh, said that Paul was a victim and was used in a scheme by Hale and others.

The $825,000 loan, made Feb. 28, 1986, has emerged as a key transaction in Fiske's investigation, according to several witnesses who have been questioned by investigators.

The witnesses, speaking only on condition of anonymity, say that Fiske is exploring whether McDougal directed that the loan be made to Hale, who then would use the money to make several new loans, including the one to Susan McDougal on April 3, 1986.

Tucker's lawyer, John Haley, said his client knows nothing about the Paul loan. Haley said Tucker had planned to build a shopping center with Hale, but the venture never got off the ground.

McDougal has said he didn't know about the Paul loan until he read about it in news accounts this year.

But FBI interview summaries from 1989 refer repeatedly to a McDougal connection with the loan.

Madison S&L executive H. Don Denton ``described Paul as a `front man' for David Hale on this loan. Denton recalled that McDougal and (Madison S&L president John) Latham both told him to make this loan,'' according to one of the FBI summaries.

And a 1989 memo from Latham to his private lawyer, obtained by the AP, suggests McDougal and Tucker were involved in the Paul loan.

Denton and Latham declined comment when asked about the documents.

McDougal's lawyer, Sam Heuer, also declined comment.



Associated Press Bureau Chief Bill Simmons in Little Rock, Ark., contributed to this report.

**** filed by:APW-(AR) on 07/18/94 at 01:13EDT ****
**** printed by:WHPR(JEL) on 07/19/94 at 07:45EDT ****

Arkansas Democrat Gazette

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.

After U.S. District Judge G. Thomas Eisele granted the government's request to delay the civil suit, Fitzhugh and a co-defendant, Charles Matthews, pleaded guilty to misdemeanors in 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 agreed to cooperate with prosecutors.

Fitzhugh, Hale and Hale's company, Capital Management Services Inc., remain co-defendants in the civil suit. Matthews and Prudential Securities Inc. were dismissed as defendants after they settled with the plaintiffs out of court.

The suit was filed in 1991 by Louise Townsend, who alleges that $250,000 transferred from an account she held with her son, Harry, was never returned.

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P. 04

"Mack" McLarty, who until recently was Clinton's White House chief of staff. A top assistant at Arkla under McLarty was James L. "Skip" Rutherford.

McLarty and Rutherford are former chairmen of the Arkansas Democratic Party.

"He was complying with the law at the time," Rutherford said of Clinton. "He was in total compliance with the law. To say anything other than that is misleading."

Rutherford is now a senior vice president of the Little Rock advertising agency Cranford Johnson Robinson Woods.

"It's a bit frustrating to have charitable motives seen in this particular light," Bradbury said.

Bowen said, "You don't have to be a rocket scientist to know that we have struggled with inadequate support for education for years."

Frank Hickingbotham, chairman of TCBY Enterprises Inc. of Little Rock, was reported as having contributed $25,000 to the funds.

"My contribution was to help support the educational needs of our state," Hickingbotham said. "It had nothing to do with Gov. Clinton's political agenda."

But Nelson contended the "good ol' boy system is coming to light finally. I think the people of Arkansas are tired of it."

The Associated Press contributed to this article.

Whitewater respite



Meredith Oakley

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 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-style.

I predict he'll survive.

—◆—

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

JUL-15-94 FRI 12:14

P.06

Arkansas Democrat Gazette

ARKANSAS' NEWSPAPER LITTLE ROCK, JULY 15, 1994 98 PAGES 9 SECTIONS 35¢ ★★

Contributors rush to debunk 'slush,' defend Clinton reform

BY NOEL OMAN
Democrat-Gazette Capitol Bureau

Contributors to a 1983 education reform initiative led by then-Gov. Bill Clinton bristled Thursday at the suggestion they gave money to a political slush fund.

"It's a little offensive to read that the banks were doing it for favors," said Bill Bowen of Little Rock, the former chairman of First Commercial Corp. and Clinton's last gubernatorial chief of staff. "That's not true."

But the executive director of the Arkansas chapter of Common Cause, Little Rock lawyer Scott Trotter, said the arrangement was an "end run" around campaign finance laws. Trotter called for full disclosure of loans, donations and expenses.

Clinton borrowed at least $220,000 from the Bank of Cherry Valley to promote his leg-

See CLINTON, Page 16A

• Rep. Leach promises to scrutinize Clinton's bank loans 8A
• Private donors may pay tab for Tucker's crime program 3B

Clinton

• Continued from Page 1A

islative agenda during the 1980s and then set up funds to which corporations and business executives could contribute. The money reportedly was used to pay off the loans, according to The Associated Press review of records.

The bank was owned by Maurice Smith of Birdeye, a longtime Clinton supporter who recently retired as director of the state Highway and Transportation Department.

Bowen was reported by AP as having contributed at least $5,000. The AP based its report on records supplied by former Clinton gubernatorial chief of staff Betsey Wright, now a Washington lobbyist.

The fact that Clinton sought private donations for public policy initiatives was reported at the time. Newspaper articles documented that the governor helped establish Arkansas Partners in Education to raise $100,000 to promote reforms. What was not known was the existence of unsecured loans for which Clinton was personally liable.

Wright said she controlled the spending and fund raising for the accounts. The money went for television, radio and newspaper advertising; direct mail efforts; consultants who wrote legislation; travel; and polling.

For the education reforms, financed by a 1 percent sales-tax increase approved during a 1983 special legislative session, Arkansas Partners in Education announced a $100,000 advertising campaign. The first television and radio advertisements aired Sept. 20, 1983, a day after Clinton made a statewide televised address to outline his program.



President Clinton

While contributors interviewed Thursday defended the initiative, none recalled that Clinton had taken out unsecured loans to finance the effort.

Bowen said he was "delighted" with the education reforms.

He pointed out that First Commercial Bank of Little Rock was federally regulated.

"I have never asked Bill Clinton for a favor — never — for the bank," Bowen said.

Archie Schaffer, a spokesman for Tyson Foods Inc. at Springdale, said he was unable to document the $15,000 the company was reported to have contributed to promote Clinton's legislative initiatives.

"It is ridiculous for people to suggest that anyone contributed to this effort for any reason other than to promote education reform and to benefit the state," Schaffer said. "The idea that there was some ulterior motive behind this contribution is as offensive as hell to me."

Curt Bradbury of Little Rock, chairman of Worthen Banking Corp., said the implication that Worthen made donations of $2,000 to curry favor with Clinton suggested that education reform was solely Clinton's agenda.

"I repudiate the notion that Bill Clinton was the only one who thought about education reform and that anyone else who was working on it was doing his bidding," Bradbury said. "I don't think it was solely his agenda. It was a crying need for the entire state."

Arkansas Power & Light Co. was reported as having contributed $10,000 to Clinton's initiatives. Jerol Garrison, an AP&L spokesman, did not dispute the amount. He said the money came from the company's stockholders, not ratepayers.

"What did we hope to accomplish? Improved education in Arkansas," Garrison said.

What was then Arkla Inc. — and is now NorAm Energy Corp. — was reported as having contributed $15,000. Neither a NorAm spokesman nor two former company officials could recall the contributions.

Little Rock lawyer Sheffield Nelson, who was chairman of the utility until 1984, said he recalled no contributions during his tenure. Nelson, who unsuccessfully challenged Clinton in 1990 as a Republican, is the GOP nominee against Democratic Gov. Jim Guy Tucker this year.

Nelson's successor as Arkla chairman was Thomas F

WASHINGTON

'Close consultations' on invasion of Haiti

White House chief of staff Leon Panetta says there will be "close consultations" with Congress before any invasion of Haiti but President Clinton will make the final decision.

"If the military option were to be exercised, we would have the authority to exercise that," Panetta said Sunday on NBC's *Meet the Press*. "We understand our powers under the Constitution, but, clearly, we would have to consult very closely with the Congress."

Panetta declined to discuss reports the administration was encouraging a coup movement by junior Haitian military officers against their leaders, who toppled elected president Jean-Bertrand Aristide in September 1991.



AP

PANETTA: 'Understand our powers'

"We're going to exercise all options here," he said. "Our first goal is to try to push the sanctions, try to provide humanitarian relief, but we are going to keep all options on the table."

Senate Minority Leader Robert Dole, R-Kan., told CBS's *Face the Nation* that he expected Clinton to order an invasion to offset a reputation for wavering in foreign affairs. Meanwhile:

▶ A CNN/Time poll says 51% of those polled support sending U.S. troops to Haiti as part of an international force; 75% oppose sending in U.S. troops alone.

▶ U.S. Ambassador to Haiti William Swing has told the 5,000 U.S. citizens there to consider leaving the country before air service ends on July 30.

▶ There are 16,621 Haitian refugees housed at the U.S. Naval Base at Guantanamo Bay, Cuba, in quarters built for 17,500. "My instructions are to build enough for 23,000 and prepare for more," says Col. Michael Pearson.

POLITICAL SPAT: Leon Panetta and Robert Dole used some of their TV time to exchange barbs. Panetta said Dole's presidential aspirations for 1996, not his desire to "do the right thing," are to blame for his loud criticism of the Clinton administration. "When politics dominates his ambitions," Panetta said of Dole, "and when he basically is concerned about protecting his right-wing flank in the Senate, he then operates at his worst." Dole later said Panetta was merely doing his partisan duty. "I like Leon Panetta and I think probably he has to say these things because he is the new chief of staff. I don't think he means what he says."

$1.8 BILLION ERROR: Thousands of people received food stamp benefits to which they were not entitled last year, profiting from mistakes and fraud that the Agriculture Department says cost it a record $1.8 billion. The misplaced benefits went to people who were ineligible or received more than they were due. Meanwhile, it says, thousands of eligible people were denied benefits totaling $559 million. The Agriculture Department blames the errors on misinformation from applicants, inconsistent eligibility rules and caseworkers with too much work.

WHITEWATER: Special counsel Robert Fiske wants congressional hearings to exclude questions about the removal of files from the White House office of Vincent Foster after his suicide. Fiske says he has not completed that facet of his probe. The hearings will concentrate on contacts between Clinton administration officials and banking regulators investigating Whitewater and Foster's suicide.

Meanwhile, Treasury Department counsel Jean Hanson told a Senate panel that Deputy Treasury Secretary Roger Altman instructed her to brief White House officials last fall on Whitewater, *The Washington Post* reports. Altman had told Congress he didn't know about the meetings between Hanson and top aides. The *Post* also reports that, in documents turned over to a Senate committee, Hanson contends that Treasury Secretary Lloyd Bentsen was informed on several occasions of developments in the case.

The *Post* report brought a renewed call from Senate Minority Leader Robert Dole for Congress to move forward on Whitewater hearings.

Compiled by Margaret Litvin. Contributing: Tom Squitieri and Judy Keen.

ELSEWHERE IN THE WORLD

North Korea delays funeral; South Korea wonders why

North Korea's heir-apparent, Kim Jong Il, mourned his father Sunday alongside foreign visitors on the day longtime ruler Kim Il Sung's funeral was to have taken place. North Korea has delayed the funeral until Tuesday.

In South Korea officials say the delay could be a sign of problems in the succession or an attempt to consolidate Kim's power. South Korean Prime Minister Lee Yung Dug plans a Cabinet meeting today to decide on policy toward the North, its first statement since Kim Il Sung's death.



AP

MAJOR: Trying to silence Labor's guns

CABINET SHUFFLE: British Prime Minister John Major is reshuffling his Cabinet to spike the guns of Tony Blair, who is expected to be appointed Labor Party leader on Thursday. Major hopes the shakeup will revive the popularity of his Conservative party, 15 points behind Labor in opinion polls. Just who will get which job in the reshuffle remains a secret.

NEW ATTACK: The Irish Republican Army killed a woman it accused of spying and dumped her body near a Roman Catholic village about 80 miles southwest of Belfast and within 50 yards of Northern Ireland's border with the Irish Republic. Meanwhile, about 100 Protestant prisoners rioted overnight in Belfast's main jail for terrorist suspects awaiting trial.

HOLOCAUST TRIBUTE: Facing up to one of the most shameful moments of French history, President Francois Mitterrand dedicated a memorial to 16,000 Jews rounded up by French police in World War II and sent to Nazi death camps. His presence at the commemoration of the notorious Vel d'Hiv roundup marks increased willingness by French officialdom to recognize the extent of the wartime Vichy regime's collaboration in the Holocaust. The largest single roundup of Jews in France happened July 16, 1942, when police hauled in Jewish men, women and children. Most were taken to Auschwitz. Only a few came back.

DIPLOMAT SAFE: Oman says its ambassador in Algeria is safe after being missing for two days, but Yemen's envoy, who disappeared with him, is still missing. The Oman news agency reported Hilal bin Salem Assiyabi "safe and sound and in good health." Assiyabi was reported missing Saturday with Yemeni ambassador Kacem Askar Djebrane. Their burned-out car was found Friday.

Altman Testimony in Whitewater Case Is Contradicted, Washington Post Says

THE WALL STREET JOURNAL, MONDAY, JULY 18, 1994

By a Wall Street Journal Staff Reporter

WASHINGTON – The Treasury's general counsel, in giving her account of the department's handling of the Whitewater investigation to a Senate committee, contradicted Deputy Treasury Secretary Roger Altman's version, the Washington Post reported.

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The Treasury spokesman wouldn't comment on the report about Ms. Hanson's account and said Mr. Altman wouldn't have any comment either. Ms. Hanson's lawyer couldn't be reached.

If true, Ms. Hanson's version will complicate Mr. Bentsen's and, particularly, Mr. Altman's testimony before the Senate and House Banking Committees looking into the Whitewater matter. The report also raises questions about the ability of the committees to maintain the confidentiality of depositions and documents turned over by the Clinton administration and kept in a secure room on Capitol Hill.

Separately, Robert Fiske, Whitewater special counsel, said he won't complete a report into the handling of the papers in the office of the late White House lawyer Vincent Foster before Congress leaves for its August recess.

Mr. Fiske met Friday with Senate Banking Committee Chairman Donald Reigle (D., Mich.) and the two Republican leaders of the Whitewater inquiry, Sen. Alfonse D'Amato of New York and Rep. James Leach of Iowa, to ask them to avoid this matter in their first round of Whitewater hearings, which begin late this month. White House staffers looked through and may have removed some of the papers in Mr. Foster's office after learning of his suicide last July.

Plutonium Find Sets Off Fears About Security

By Daniel Benjamin

Staff Reporter of The Wall Street Journal

Weapons-grade plutonium found by chance when German police made an arrest last May was produced in a nuclear-weapons plant of the former Soviet Union, the German weekly Der Spiegel reported.

While the amount of plutonium was small, the discovery marks the first time that bomb-quality plutonium has been found outside the control of a government. German government officials confirmed only that the source of the material has been determined to lie "somewhere to the east." If the plutonium did, indeed, come from a weapons plant, it would be the most dramatic corroboration yet of Western fears that lax security in the Russian arsenal could lead to proliferation of nuclear weapons to terrorists, or any state seeking to build a nuclear arsenal.

As previously reported, police found six grams, or two-tenths of an ounce, of the highly radioactive material in a lead container in a garage in the southwestern German village of Tengen-Wiechs last May. They were searching the home of Adolf Jaekle, a suspected counterfeiter. Prosecutors declined to say how Mr. Jaekle obtained the plutonium, but speculation centered on the Russian mafia and Russian government officials.

The amount of plutonium found is a tiny fraction of the 13 pounds, or about 5.8 kilograms, needed to construct a bomb. But the discovery has set off alarms, as it could be a sample from a larger quantity for prospective purchasers. Investigators' documents, according to Der Spiegel, speak of a hidden 330 pounds of weapons-grade plutonium.

The material seized "is a very minute amount, but it is troubling that it is the first case of weapons-grade plutonium," said David Kyd, a spokesman for the International Atomic Energy Agency in Vienna. "Defense people who in the past have said it couldn't happen now have to say it could happen."

There have been numerous cases in the past of low-quality plutonium from smoke-detectors or hospital equipment or uranium from a variety of sources being offered for sale on the black market.

This month, FBI Director Louis Freeh toured Central and East European capitals to improve coordination on the issue, and U.S. assistance programs to the republics of the former Soviet Union have been aimed at improving controls on weapons materials.

–Audrey Choi in Bonn contributed to this article.

Embarrassed Leadership Plans Changes In Operation of House Stationery Store

By John Harwood
And Viveca Novak

Staff Reporters of The Wall Street Journal

WASHINGTON – Embarrassed by corruption charges against Rep. Dan Rostenkowski, House leaders plan to change the operation of the House Stationery Store to diminish possibilities for abuse.

Under the change, which leadership aides said could be announced as early as today, the stationery store would be divided to separate the sale of routine office supplies from the sale of decorative items and mementos. Supplies still could be charged to members' official accounts, but decorative items would have to be purchased with private funds and would also be available to the public. The distinction would mirror arrangements already in place in the Senate.

The new plan was developed by Rep. Charlie Rose (D., N.C.), the chairman of the House Administration Committee, and California Rep. Bill Thomas, the committee's ranking Republican. The plan follows inquiries by The Wall Street Journal into the stationery-store expenditures of these two congressmen and other House members in the wake of the Rostenkowski case.

Mr. Rostenkowski, the former chairman of the Ways and Means Committee, faces trial on federal felony charges, including allegations that he spent taxpayer funds at the stationery store to buy chairs, china, crystal sculptures and luggage for use by friends and family members. The Chicago Democrat has denied wrongdoing, and House clerk's office records show that other members have purchased chairs and china in recent years.

Mr. Rostenkowski spent more than $74,000 of taxpayer funds at the stationery store between 1989-92, according to quarterly reports issued by the clerk of the House. But the records also show that both Mr. Rose and Mr. Thomas spent more over the same period – about $109,000 for Mr. Rose and $81,000 for Mr. Thomas. The overall totals don't break down expenditures between office supplies and decorative items, if any. Mr. Rose declined last week to release documentation of his expenditures, while an aide to Mr. Thomas hasn't responded to a request for documentation.

Before Mr. Rostenkowski was indicted, he reimbursed the government for more than $82,000 in stationery store purchases since 1985. Mr. Rostenkowski said at the time that he was erring on the side of reimbursement for anything that could possibly be questioned by his adversaries.

The level of members' stationery store charges can vary for several reasons. For instance, some lawmakers have used the store to purchase supplies for their district offices as well as their Washington operations. Mr. Thomas's office said that's what he did until 1992. In addition, members are permitted to use their official accounts to purchase gifts for foreign dignitaries, which can increase spending by lawmakers who deal extensively with international affairs. Some members may also be more assiduous than others in seeking reimbursement from constituents who are provided flags flown over the Capitol, much-in-demand items that members can charge at the stationery store.

The mingling of supplies and decorative items at the stationery store, and lack of explicit guidelines, may also have encouraged ambiguity about what taxpayer-financed purchases were permissible. Rep. James Hayes said he bought two chairs at the store for use in his office, and some china for an annual Mardi Gras party in Washington. "I didn't buy anything I gave to somebody," the Louisiana Democrat said. "Anything I got, I've still got."

But other members use personal or campaign funds to reimburse the store for the smallest decorative expenditures, such as congressional tie-tacks.

–Stephen Power contributed to this article.

Leach wants Clinton's bank loans sifted for "slush fund"

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Rep. Jim ach, R-Iowa, promised Thurs- y to scrutinize President Clin- n's Arkansas bank loans as rt of a broader review into the hitewater Development Corp. Tair.

"The possibility this is a pri- te slush fund demands re- ew," said Leach, the ranking epublican member of the ouse Banking Committee. Ve're obligated to look at it."

While governor, Clinton bor- wed at least $220,000 from the nk of Cherry Valley to pro- te his legislative agenda. The


Leach

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 Com nmittee Chairman Donald Rie egle, D-Mich., said Thursday tha at hearing preparations are cont tinuing.

"We have an awful lot t of work to do in a short time," Riegle said. "It's a very steep cl climb to reach the hearing target t date."

He said committee staff mem- bers are beginning t to take Whitewater deposition ns from witnesses. Riegle decli lined to name those being questi tioned.

Sen. Alfonse D'Amato, , R-N.Y., said he expects at least t 20 wit- nesses to testify at the he earings. D'Amato, the committee' s rank- ing Republican, criticiz zed the White House on Thurs day 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.

reasury Deputy Knew of Whitewater Meetings, Senate Told

epartment Counsel Says She Was Told to Brief White House Aides Last Fall on Investigation

By Susan Schmidt
Washington Post Staff Writer

Treasury counsel Jean Hanson told a Senate committee preparfor Whitewater hearings that puty Secretary Roger C. Altman tructed her to brief White House cials last fall on the Whitewater estigation, according to congresnal sources.

Altman told Congress that he not know about the prior meets between Hanson and top White use aides.

n documents turned over to Conss, Hanson also contends that y Secretary Lloyd Bentsen s informed on several occasions of velopments in the investigation, ntrary to his public suggestion t he has been removed from the dison Guaranty Savings & Loan tter.

n a March 3 statement, Bentsen d he was unaware of discussions between White House aides and Treasury officials who were overseeing the agency conducting the early stages of the Whitewater investigation.

Altman could not be reached for comment yesterday.

A spokeswoman for Bentsen and Altman referred questions to Treasury executive secretary Edward S. Knight, who prepared the documents Treasury sent to Congress. Knight said his office found no documents that described Bentsen being briefed on the White House-Treasury meetings.

He said he had no information about Altman instructing Hanson to brief former White House counsel Bernard Nussbaum.

Harvey Pitt, Hanson's attorney, said yesterday he would not comment on what Hanson has told or will tell Congress, and said, "I think it's appalling if anyone else has done so."

Special counsel Robert B. Fiske Jr. conducted a three-month grand jury investigation into the contacts and determined there were insufficient grounds to prove anyone intended to corrupt a criminal probe of Madison, the failed Arkansas thrift owned by James B. McDougal, President Clinton's business partner in the Whitewater land development venture. Fiske has said he could not pass judgment on the ethics of the contacts.

But Fiske has determined there were many more contacts than previously known, adding to the determination of Republicans in Congress to examine whether the Clinton administration tried to interfere with the work of the Resolution Trust Corp., the independent regulatory agency looking into the affairs of Madison Savings & Loan.

RTC investigators had named the president and Hillary Rodham Clinton as "possible beneficiaries" of illegal acts at Madison in a set of criminal referrals forwarded to the Justice Department for further investigation last year.

The RTC investigators had found evidence that some Madison depositor funds may have been diverted to the 1984 Clinton gubernatorial campaign.

Sources said that documents provided by Treasury for the hearing, which are being kept under extraordinary secrecy in "secured" rooms in congressional office buildings, detail more than 20 telephone contacts, conversations and meetings involving high-level Treasury officials and White House aides.

Thousands of pages of memos, messages, draft testimony and other documents show top agency officials were preoccupied last spring with issues surrounding the Madison case, including how to explain the White House meetings and Altman's decision to recuse himself from RTC matters that would touch on it. Altman is the acting head of RTC.

Sources said the documents show that as far back as last September Hanson was informing Bentsen of reporters' inquiries to the RTC about the Rose Law firm, Hillary Clinton's former law firm in Little Rock, Ark., which represented Madison and handled some RTC cases. Sources said that the congressional committees have a Treasury document that Hanson helped to prepare that indicates Bentsen was informed by Hanson and Altman about the criminal referrals last September.

The document also indicates Bentsen was given a briefing in early February on procedures for handling the possible civil litigation by RTC involving Madison. Altman and Hanson were running the RTC because the Clinton administration had not filled the top jobs there.

When news of the White House-Treasury contacts broke this spring, Bentsen issued a statement saying, "I did not attend any of these meetings, nor was I informed of any of these meetings."

He asked the Treasury inspector general and the Office of Government Ethics to review any ethical conflicts arising from the meetings. Knight said he expects that review to be completed by the time Whitewater hearings begin on Capitol Hill July 26.

The subject of Treasury-White House meetings on Whitewater first surfaced during questioning of Altman by members of the Senate Banking, Housing and Urban Affairs Committee Feb. 24.

Altman said he met with top White House aides to give them a "heads-up" on RTC procedures as the agency weighed civil claims against Madison principals. That was the only contact he knew about, he said.

A week later, news reports disclosed that in September and October Hanson had discussed the's criminal inquiry being conducted by RTC investigators with Nussbaum on two occasions, including at one meeting attended by at least six administration officials.

The White House and Treasury have said that the purpose of the meetings were for the purpose of responding to reporters' inquiries about the Madison-Whitewater investigation.

Partisanship Flares at Whitewater Preliminaries (Washn) By Jack Nelson= (c) 1994, Los Angeles Times=

WASHINGTON House Banking Committee Chairman Henry Gonzalez, D-Texas, assailed independent counsel Robert Fiske on Friday for refusing to testify at Whitewater hearings scheduled for later this month and accused him of secretly providing information to Republican committee members for partisan attacks on President Clinton.

Furious over what he called a ''premediated Republican plan to do in the president," Gonzalez said he will proceed ''full-speed ahead" with the hearings as scheduled on July 26, ''despite the fact Fiske has breached his committment to cooperate with the committee."

Gonzalez' allegations, coupled with statements by Republican committee members that they will try to expand the scope of the inquiry, seem certain to turn the hearings into an acrimonious confrontation.

''The Republicans main interest is in getting the president and his wife no matter what," Gonzalez, an extraordinarily outspoken and independent veteran of almost 33 years in the House, charged. He said he would ''rein in" any Republicans who try to go beyond the scope of the investigation outlined in a House resolution.

''I was present for the assassination of one president and I won't be a party to the attempted assassinaton of another," said the Texas congressman, who was in Dallas when President Kennedy was assassinated in 1963. ''The Republicans might as well have gotten a hit man, they've already attempted to assassinate Clinton's character."

Rep. Jim Leach, R-Iowa, the committee's ranking minority member and GOP point man on Whitewater, denied Republicans were making partisan attacks on Clinton. ''My position," he said, ''is that no individual is above the law and there ought to be fair and responsible accountability. We are just interested in full disclosure."

As to Fiske, Gonzalez has repeatedly asked the special counsel to testify and aid the committee in confining its hearings to subjects the counsel has finished investigating.

Fiske, arguing that it would be inappropriate for him to testify, insisted Friday that he has already outlined the status of his investigation in a series of letters to Gonzalez.

The special counsel adamantly denied having secretly given information to Republican members. He acknowledged, however, that he met twice with Rep. William F. Clinger Jr., R-Pa., and agreed to let him see a U.S. Park Police report on White House aide Vincent Foster's suicide last summer ''as long as he agreed not to make it public." Fiske said he acted to avoid a lawsuit seeking disclosure of the records.

A senior administration official said the White House agrees with Gonzalez that ''Republicans are out to get the president no matter what," but disagrees with his characterization of Fiske, a Republican who was appointed to the counsel post by Attorney General Janet Reno.

''We find Fiske to be very thorough, comprehensive and serious," said the official, who declined to be identified.

In a lengthy interview with the Los Angeles Times, Gonzalez also expressed irritation that Fiske now says his report about the handling of Foster's papers after Foster's suicide last July 20 will not be ready until sometime in late August.

(Optional Add End)

Earlier, Fiske had indicated that this phase of his investigation would be completed in time for the Banking Committee's July hearings.

Leach, who met with Fiske for 90 minutes on Friday, said he also had tried to persuade the independent counsel to be the lead-off witness for the hearings, but to defend his earlier report about Foster's suicide, not to limit the scope of the hearings.

''The minority as well as the majority wanted him to appear," Leach said in an interview. ''But the majority wanted him to outline the parimeters of his investigation so the committee would know what it couldn't ask. We'd like him to appear to defend his report."

North Korea Postpones Kim Il Song Funeral (Seoul) By Sam Jameson= (c) 1994, Los Angeles Times=

SEOUL, South Korea, July 16 In a move that astonished and puzzled South Korean leaders, North Korea Saturday abruptly postponed a state funeral for President Kim Il Sung from Sunday to Tuesday.

Radio Pyongyang, monitored here, said the decision was made to cope with an increasing number of North Korean mourners who wish to pay their respects to the only leader the Stalinist nation ever knew in its 46-year history. Kim, 82, died of a heart attack July 8.

Kim's body, encased in a crystal casket surrounded by flowers, has been lying in state in the presidental palace in Pyongyang since Monday night, when his son and heir apparent, Kim Jong Il, 52, led top officials to pay the first round of respects.

Lee Hong Koo, South Korea's minister of unification, said North Korea may have postponed the funeral ''to maximize the feelings of (the North Korean people who want to) cherish the memory of their late leader to smooth the succession of power."

But, he added, ''We have no intelligence reports that the transfer of power to Kim Jong Il is in trouble." He spoke after South Korean Cabinet ministers met to discuss North Korean affairs.

The North Korean Central News Agency said the move reflected the ''ardent feelings and demand of the people" to pay respects. ''The number of mourners is ever increasing."

Mourners will be allowed to pay respects through Monday, Radio Pyongyang said. The news agency revealed that the funeral organizing committee, which is headed by Kim Jong Il, decided to stage a large memorial rally the day after the funeral.

The postponement only a day before the funeral promised to cause major logistics trouble in Pyongyang. No details have been announced about plans for the funeral, but the communist nation always held extravaganza-proportion celebrations of Kim's birthdays, in which tens of thousands of North Koreans staged performances.

The move came a day after the Japanese government, in a defense white paper, for the first time called the development of North Korean weaponry a grave threat to Japan.

Japan's Cabinet approved the long-planned, annual defense white paper a week after Kim died of a heart attack and eight days before Socialist Prime Minister Tomiichi Murayama is scheduled to visit Seoul.

The report said North Korea is believed to have acquired chemical and biological weapons and is suspected of developing nuclear bombs to go along with a proven