Clinton Often Borrowed for Causes, Ex-Aide Says

BETSEY WRIGHT
. . . aide to Clinton as governor

By Susan Schmidt
and Charles R. Babcock
Washington Post Staff Writers

A longtime aide to Bill Clinton when he was governor of Arkansas said yesterday that Clinton "frequently" took out personal bank loans to promote his legislative initiatives. The White House continued to refuse to comment on the issue.

Betsey Wright, a former top Clinton aide who had control over the funds, said the citizens, banks and corporations who donated to the initiatives may not have known they were paying off Clinton's personal loans. But, she said, "it wouldn't have been a deep dark secret we were keeping."

Clinton borrowed up to $400,000 from the bank of another of aides, W. Maurice Smith, during the 1980s to finance his campaigns and at least one legislative program, Smith said.

The previously undisclosed loans raise questions about the Clintons' finances and whether campaign and political spending was properly accounted for.

In an interview yesterday, Wright declined to say whether Clinton had taken similar loans from other banks, saying her records were incomplete. She said it would "disrespectful" to disclose her records because they have been subpoenaed by Whitewater special counsel Robert B. Fiske Jr.

White House aides have declined to answer new questions raised this week about President Clinton's personal loans, referring reporters to Wright and Clinton's lawyer, David Kendall. Kendall refused to comment.

In a related development yesterday, Fiske told House and Senate members planning Whitewater hearings this month that he will likely need until the end of August to complete his investigation into the handling of documents in White House deputy counsel Vincent Foster's office after his suicide. A hearing on that subject may be put off until the fall.

Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Committee on Banking, Housing and Urban Affairs, said yesterday he will not subpoena Fiske, who has refused to testify in hearings scheduled to begin July 26.

Wright said Clinton took out personal loans to use as "seed money" for several initiatives, including an education improvement plan in 1983, and for reelection campaigns. Smith has said most of the money his bank lent Clinton between 1983 and 1988 went to election campaigns—he estimated $300,000 of the $400,000. Wright said she would not dispute his account.

She said any money that went to campaigns was properly reported, but acknowledged that a $50,000 loan to Clinton from Smith's bank in 1984 was not identified as such in campaign reports. "It was probably my administrative error," she said.

Joan Watkins, Clinton's press secretary during the promotion of two legislative programs in the mid-1980s, said she was not aware they had been financed by personal loans to the governor.

The Death of Civility

By H. Brandt Ayers

ANNISTON, Ala.

When the House Banking Committee begins its Whitewater hearings on July 26, Congressional decorum will spread a patina of civility over hatred of unprecedented violence being directed at the White House. Though the animosity toward President Clinton is a gauge of the many anxieties people feel, it may damage the Presidency itself.

Richard Neustadt says in his influential "Presidential Power" that the President's chief weapon is the power to persuade. But when partisan zealots turn up the volume of financial and sexual innuendo so loud that serious talk is hard to hear, an essential power of the Presidency is neutered.

The Media Studies Journal, a scholarly publication, finds that "a pattern of sensationalism and scandal-mongering is sweeping across virtually all the electronic media and infecting even traditional print outlets." The uniquely "savage nature" of this media comment, it says, "could weaken our role and effectiveness as the world's only surviving superpower."

If Mr. Clinton is to be a transforming leader, he has to find a way to use the bully pulpit of the White House to overcome the national malaise.

That distress includes the feeling many sincere Christians have that the nation has abandoned God and embraced moral relativism — open homosexuality, abortion, illegitimacy and R-rated movies and TV. (The unsubstantiated allegations of sexual misconduct by Mr. Clinton are nothing but a red herring.)

Most of these concerns are beyond the pastoral powers of any President, but Mr. Clinton can relieve one source of distress: the banishment of religion and its values from public schools after 1962, when the Supreme Court, in Engel v. Vitale, outlawed Government-imposed prayer.

A results-oriented White House conference on restoring to schools the study of religion as part of the American Experience and the study of consensual American values could help fill the spiritual void. Such programs would not contravene the separation of church and state.

Tabloid TV, talk shows and televangelists' broadcasts, which carry the anti-Clinton infection, are a relatively new form of media. They are especially virulent because there is no longer a fairness doctrine requiring balance. In fact, most rules of civility are obsolete — anything goes. The well-financed personal industries dedicated to destroying Mr. Clinton feed the new media, which hijack legitimate networks and newspapers.

Among those out to get him are the Rev. Jerry Falwell, who sells videotapes that even accuse him of murder; the Christian Coalition, run by the failed Presidential candidate Pat Robertson; Floyd Brown of Citizens United, whose talk show and newsletter, Clintonwatch, attack Mr. Clinton obsessively; Randall Terry, the founder of Operation Rescue; Cliff Jackson, the source of most sleaze stories about the President; Rush Limbaugh, most of whose daily three-hour radio and half-hour TV shows attack the President; Reed Irvine of Accuracy in Media; the American Spectator magazine and the Conservative Coalition.

Hatred threatens Clinton and the Presidency.

Michael Novak, a neo-conservative theologian, isn't troubled. "Liberals can't take it," he said. He rightly points out that liberals have their own armies, from People for the American Way to civil rights organizations, who didn't cheer Ronald Reagan and swarmed all over conservative totems such as Judge Robert Bork with a vengeance. However, none investigated the sexual and financial pasts of President Reagan or Judge Bork.

Even Mr. Novak softened when asked if his hero, Ronald Reagan, could have ducked the new media's artillery. Imagine "Geraldo," "A Current Affair" and "Hard Copy," followed by CNN and The Washington Post, investigating Mr. Reagan's adventures among starlets before, during and after his divorce, or any conflict of interest in his relationship with the wealthy old men who groomed him for office.

"Private life should be ruled out of bounds," said Mr. Novak. "People whose private lives, in a Christian sense, have not been of the highest standard have made significant contributions to the common good."

Most Presidents have been intensely criticized. Huey Long and radio demagogues of yesteryear, Father Charles Coughlin and the fundamentalist Gerald L. K. Smith, mixed a poisonous stew of fascism, populism and anti-Semitism to undermine Franklin D. Roosevelt.

Arthur Schlesinger Jr., the historian, thinks that today's media landscape is different. He said: "Press coverage of the private sexual life of the President has a salience that is new, but every President who stands for change is hated — beginning with Thomas Jefferson."

Everette Dennis, director of the Media Center at Columbia University, is astounded by the casual arrogance among TV reporters. "There's open contempt for the Presidency with TV reporters saying on the air what they like and don't like — as if their opinion mattered," Mr. Dennis said. And in an interview, Mr. Neustadt called the White House press "obnoxious, arrogant, pampered and self-important baby-boomers."

Republicans may see temporary advantage in Mr. Clinton's torment. But everyone has an interest in satisfying the national yearning for values and bringing the anti-White House industry to heel, if only because the monster it feeds has no brain or soul. It can turn against anyone — including, say, a President Bob Dole.

H. Brandt Ayers is editor and publisher of The Anniston Star.

THE NEW YORK TIMES, SATURDAY, JULY 16, 1994

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Friends and Foes Testify About Breyer

By NEIL A. LEWIS
Special to The New York Times

WASHINGTON, July 15 — The Senate Judiciary Committee completed its hearings on the nomination of Judge Stephen G. Breyer to the Supreme Court after hearing from nearly two dozen witnesses today, some who praised him as a superb and intellectually gifted choice and others who called him an unfeeling and elitist advocate for America's corporations.

In the end, the testimony by witnesses will have little significance, because Judge Breyer is expected to be confirmed by the committee overwhelmingly, probably even unanimously. The 18-member Judiciary Committee is expected to vote on the nomination next week under an expedited procedure that will allow the full Senate to vote on the confirmation before the end of the month.

The swift schedule is itself a kind of testament to the changed atmosphere in Supreme Court confirmation politics. The last few nominees of the Republican Administrations of Ronald Reagan and George Bush generated so much dispute that none joined the court in time for its traditional opening day, the first Monday in October.

Judge Breyer, a Federal appeals court judge in Boston, will probably be sworn in at an even earlier date in the summer than was Ruth Bader Ginsburg, President Clinton's first Supreme Court choice, last year.

The American Bar Association, which evaluates judicial candidates, gave Judge Breyer its highest rating: "well qualified." Robert Watkins, a Washington lawyer and chairman of the association's Standing Committee on the Judiciary, said that the 15 members of that panel had unanimously accorded Judge Breyer the top rating.

In today's testimony, Professor Kathleen Sullivan of the Stanford University Law School, a former colleague of Judge Breyer's on the Harvard Law School faculty, called him "a man of great evenhandedness as well as openmindedness."

Professor Sullivan said she believed that Judge Breyer's "thoroughly pragmatic philosophy" would put him squarely in the middle of the current Supreme Court as well as in the dominant tradition of the Supreme Court throughout this century.

The Senate seems likely to approve a judge quickly.

In her view, liberal interest groups are mistaken in their complaint that President Clinton has missed an opportunity to choose a more progressive candidate for the court. She contended that the current court was already comfortable with liberal precedents in many areas and that Judge Breyer would fit right in with the centrist justices on the court, Justices Ginsburg, David H. Souter and Anthony M. Kennedy.

The harshest criticism came from Ralph Nader, who called Judge Breyer "extraordinarily one-sided" in favor of big business in cases involving competition and Government regulation.

Judge Breyer has written two books about Government regulation, in which he argues that much of the money spent on health and safety issues is misdirected because of distorted public priorities that come from sensational news reports.

Mr. Nader, who founded Public Citizen, a study and advocacy group based in Washington, said that Judge Breyer's writings and actions as a judge always "just happen to please 'corporatists' who do not welcome health and safety regulation."

Dr. Sidney Wolfe, an associate of Mr. Nader's, challenged the facts underlying one of the most striking examples that Judge Breyer has used to demonstrate that Government regulators have misplaced priorities.

Judge Breyer wrote in one of his books about a toxic-waste dump in New Hampshire where regulators were trying to force chemical companies to spend $9.3 million to clean up the last 10 percent of the waste.

The site would be clean enough for children playing there to eat small amounts of dirt daily for 70 days each year without harm, Judge Breyer wrote. Getting rid of the last batch of waste would make the site clean enough for the children to eat dirt for 245 days a year. He said the foolishness of the final cleanup became apparent when he learned that no children would come to the area because "the site was a swamp."

Dr. Wolfe said that the site was actually [illegible]ed for residential use and that there was a plan to build houses there.

The hearing that ended today showed how far the confirmation process has changed over the years. Until 1929 the Senate acted on almost all nominations without questioning the nominee. It was not until 1939, when Felix Frankfurter was nominated by President Franklin D. Roosevelt, that the practice of the Judiciary Committee questioning a nominee began.

THE NEW YORK TIMES, SATURDAY, JULY 16, 1994

Whitewater Counsel Seeks New Limit on Hearings

WASHINGTON, July 15 (AP) — The Whitewater special counsel, Robert B. Fiske Jr., asked Congress today for further restrictions on the hearings scheduled to begin later this month because he has not finished investigating the removal of documents from a White House office.

Representative Jim Leach, the ranking Republican on the House Banking Committee, met with Mr. Fiske and said afterward that the counsel had not said whether new discoveries had delayed his investigation. Earlier, Mr. Fiske had said the inquiry would be finished before the hearings.

The report will cover the removal of files by White House officials from the office of Vincent W. Foster Jr., the deputy White House counsel, soon after Mr. Foster committed suicide last July 20.

Mr. Leach said that Mr. Fiske did not want the committee to investigate that topic when the panel opens its Whitewater hearings on July 26.

Election Could Affect Timing

The House and Senate have agreed not to cover topics in the hearings that Mr. Fiske is still investigating. Mr. Fiske has completed an investigation of Administration contacts with banking regulators, the subject that is expected to dominate the hearings.

Mr. Leach said he would insist on a new round of hearings soon after the report is finished. Republicans want to hold additional hearings close to the election, but Democrats might object to that timing.

A prosecutor asks Congress to protect his investigation of White House files.

The chairman of the House Banking Committee, Representative Henry B. Gonzalez of Texas, said he had "repeatedly reaffirmed" a pledge not to interfere with Mr. Fiske's investigation and needed to determine "what we would be left with legitimately" in the initial hearings.

Broad Inquiry

On Thursday, Mr. Fiske's office would not comment on the delay, and it was not known whether he had made significant new discoveries. The counsel originally said the report would be finished before the hearings begin on July 26 in the House. The Senate will open its hearings a day or two later.

Mr. Fiske is investigating all aspects of the Whitewater case, a set of political and financial transactions lumped together under the name of a former real estate development in Arkansas, the Whitewater Development Company, in which President Clinton was a partner. Mr. Fiske is trying to determine, in part, whether Whitewater led to losses at a failed savings and loan owned by Mr. Clinton's partner in the real estate company.

While the Arkansas transactions will be under investigation for some time, Mr. Fiske has moved more quickly to investigate other aspects of the case, like contacts between Administration officials and banking regulators, and Mr. Foster's suicide and the removal of documents from Mr. Foster's office.

Mr. Fiske reported on June 30 that the Administration contacts with regulators would not result in criminal charges, and he concurred in law enforcement officials' finding that the death of Mr. Foster was a suicide. Mr. Foster had handled some Whitewater matters for the President.

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-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.

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..an 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.

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BC-BISHOPS national editors:WA

Catholic bishops to fight any health care bill including abortion

(EDITORS: Ricard and Alvare are cq.)

By R.A. Zaldivar

Knight-Ridder Newspapers

WASHINGTON An all-or-nothing battle over abortion is looming in Congress and the first casualty could be health reform.

The bishops of the 60 million-member Catholic Church announced a campaign Wednesday to defeat any health care bill that includes abortion in its national package of medical benefits.

They vowed to fight even if that spoils chances to secure health coverage for all Americans, a goal the church shares with President Clinton.

Hours later, liberal members of the House who also want health insurance for all released a letter signed by 72 lawmakers saying they could not support a health reform bill that excluded abortion coverage.

A senior House official said there was likely to be a vote on abortion coverage when the health care bill comes to the floor in August.

The rhetoric on both sides was unwavering.

``We cannot compromise on this,'' said Bishop James McHugh of Camden, N.J. ``Abortion must be excluded from basic benefits in the health plan.''

``For those who say there will be a battle if you put (abortion) in, we say there's going to be a battle if you try to take it out,'' responded Rep. Nita Lowey, D-N.Y.

The abortion war threatens to split Clinton's coalition for universal coverage.

The president's 1,300-page health care bill included abortion as a benefit. However, Hillary Rodham Clinton has recently hinted that the administration may compromise. Each side claimed Wednesday that the Clintons would ultimately go along with them.

Rep. Patricia Schroeder, D-Colo., said the president told her at a White House meeting that abortion coverage was ``non-negotiable.''

But Bishop John Ricard of Baltimore said Hillary Clinton told him the administration could accept a congressional decision to drop abortion coverage. ``Mrs. Clinton indicated to us that the Clinton administration would not die for abortion in a health care package,'' said Ricard.

In an interview Wednesday, White House health policy strategist Harold Ickes refused to be pinned down. ``Abortion is obviously a very controversial issue, and it will have to be decided through the legislative process,'' he said.

Congressional committees working on health reform rejected attempts to strike abortion coverage, but abortion opponents believe they can win on the floor of the House and Senate.

Abortion opponents and abortion rights advocates agree that Clinton's bill would greatly expand the availability of abortion services.

Currently, an estimated two-thirds of insurance plans cover abortion, including the 9 million-member Federal Employee Health Benefits Program. However, the government Medicaid program for low-income people only pays for abortion in cases of rape, incest or danger to the life of the mother.

Under the bill, all health insurance plans would have to cover abortions. Medicaid beneficiaries would be covered for elective abortions, as well as uninsured women who must now pay for abortions with their own money.

Doctors and medical facilities could decide not to provide abortions for moral or ethical reasons, but employers would be required to pay for the service and insurance plans would have to guarantee its availability. The bishops say that means Catholic hospitals and the church itself would be forced to pay for abortion.

Independent polls show increasing public acceptance of elective abortions, but most Americans say they do not think abortion should be in a national health benefits package. If abortion coverage is dropped, insurance plans could still pay for it as a supplemental benefit.

BC-HEALTH-ANALYSIS national editors:GL

Health reform still up for grabs as Clinton plan discarded

(HAS TRIM)

By Peter G. Gosselin

Boston Globe

WASHINGTON The simple fact is that two years of public debate, nine months of congressional agonizing and millions of dollars of lobbying have left the health issue precisely where it was to begin with up for grabs.

Senior White House officials conceded as much Wednesday when one said the original, 1,346-page plan had become ``irrelevant.'' The White House announced that President Clinton and Hillary Rodham Clinton would make campaign swings to Boston, Pittsburgh and other cities to defend the principles behind the proposal.

A new poll released Wednesday showed a majority of Americans now oppose the Clinton plan as too sweeping, but, in a seeming contradiction, almost two-thirds warned they would still punish lawmakers who block ``major'' reform.

``We're in a completely open-ended situation,'' said Andrew Kohut, director of the Times Mirror Center for The People & The Press, a Washington-based think tank funded by the Los Angeles Times. ``The public still wants health care reform and they continue to say, in their conflicted way, they want universal coverage. They just can't agree on a means to pay for it.''

For Clinton, such open-endedness offers a second chance to redeem his promise of major health legislation, and senior aides said Wednesday he would seize the opportunity with a political blitzkrieg of speeches, rallies and town meetings. Democratic leaders expect to push health bills through the House and Senate later this summer.

But for the thousands of policymakers and lobbyists who have toiled over the issue in long night meetings and painfully wrought memos, it is a reminder that in the United States policy gets made fitfully.

``It's frustrating for us to work two years and not get anything. I mean, this issue has been around 60 years, and we thought this time would be different,'' said Michael Bromberg, chief lobbyist for the Federation of American Health Systems, which represents the for-profit hospital industry.

The White House has come almost full circle. After taking to the campaign trail in buses in 1992, assembling a 500-member task force to devise a plan in early 1993 and coming up with what is widely regarded as the most complicated piece of legislation ever offered to Congress, the White House is returning to the buses.

A coalition of unions and activist groups are sponsoring four bus caravans to drum up support for health reform, including one that sets off from Boston on July 31. Clinton, Hillary Clinton and senior administration officials are expected to join the cavalcade.

The president will concentrate on themes he has repeated endlessly since running for office the need for universal insurance coverage, medical cost controls and a requirement that American employers help pay for workers' health benefits. But, according to aides, he will barely mention his own plan for meeting those goals.

``We're not any longer talking about the original plan,'' Harold Ickes, the deputy White House chief of staff, said Wednesday. ``We think that we're in a completely different phase now; that the original plan ... is really irrelevant to this process.''

Behind Ickes' casual dismissal of the White House's own handiwork is a cold political calculation: that the specifics of the Clinton plan have been so tainted by opponents it is virtually unsalvageable. But also behind it is a White House conviction the proposal has made health such a important issue that the president can win by returning to his first principles, and forcing lawmakers to work out the details. The White House seems to believe its plan has won it the right to begin the battle again.

(EDITORS: STORY CAN TRIM HERE)

The damage to Clinton's plan and the fact the issue is still up for grabs were apparent Wednesday in the poll results of the Times-Mirror Center.

The poll of 1,021 people in late June found that 49 percent of those questioned now oppose the Clinton plan while 32 percent favor it, an exact reversal of results from December.

Nevertheless, when asked whether Washington should assure that all Americans get health coverage immediately, 52 percent of respondents favored such action. In addition, 60 percent said they would vote against any member of Congress who opposed ``major health reform.''

A tandem survey of 495 doctors found even stiffer opposition, with 75 percent opposed and only 18 percent in favor of reform. As recently as last fall, a majority of doctors said they supported some kind of sweeping reform. Doctors ``are just incredibly depressed about their futures,'' said Robert Blendon, chairman of the health policy department at the Harvard School Public of Health, who helped supervised the poll.

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14 individual bacteria in a hamburger. No current detection method could spot such micro-contamination.

The Food and Drug Administration is considering a meat-industry request to be allowed to sell hamburger that has been subjected to gamma irradiation, emitted by a cobalt or other radioactive source. James Marsden, of the American Meat Institute, told the panel that his organization had surveyed Americans and found that if properly educated, they readily chose to purchase irradiated beef.

But public acceptance is expected to be a major obstacle because of general fears about radiation and concerns that the process would affect the taste, officials said.

Dr. Michael Jacobson of the Center for Science in the Public Interest charged that irradiation decreases the nutritional quality of meat and that the treatment centers would pose a radiation hazard to the environment.

And panel chair Dr. Martin Brotman of the California Pacific Medical Center in San Francisco said cost could become an issue since there are not nearly enough such facilities in the country, and several would have to be constructed at a cost of $10 million each.

The panel, convened by the American Gastroenterological Association, focused for three days on outbreaks of E. coli 0157:H7 food poisoning and questions about how and why the extremely toxic organism has gotten into the U.S. food supply.

Between 1982, when the apparently new mutant bacteria was first noticed, and 1992, there were an average of two small outbreaks of E. coli 0157:H7 food poisonings every year. Most involved contaminated beef, but a Massachusetts outbreak occurred among apple cider consumers. It turned out the apples had fallen into contaminated cow manure before being pressed into cider.

Last year witnessed a dramatic surge in E. coli 0157:H7 cases, the most striking of which involved 700 Jack-in-the-Box hamburger consumers in California, Washington, Idaho and Nevada: 178 were hospitalized, 56 suffered severe illnesses that led to lasting ailments and four children died. It was one of 16 outbreaks in 1993.

In the end, the consensus panel ``concluded that there is no other way except a shared responsibility all along the food chain, from farm to table," Brotman said. ``It takes only 100 organisms to produce an infection risk. In the Seattle (Jack-in-the-Box) outbreak, an average of 69 organisms produce disease in those individuals.

``So no matter how intense efforts are, there are no methods of detection that can guarantee a sterile product to the consumer."

(Optional add end)

E. coli 0157:H7 acquired such startling capacities to sicken and kill by mutating probably some time in the 1970s to contain two genes for manufacture of powerful toxins. Antibiotics are useless against the organism. The drugs kill the bacteria, but upon death the organisms release all their toxins, flooding the victim's body with deadly poison.

The consensus panel called for large-scale mandatory surveillance of nationwide E. coli 0157:H7 cases; research into its origins, spread and treatment; and routine laboratory screenings of all suspect diarrhea cases in the United States for possible E. coli 0157:H7 infection.

Since the panel's recommendations fall under the jurisdictions of several different government agencies it was impossible to assess the likelihood that some or all of them will be implemented.

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Universal Care Is Vital to Health Bill

Gephardt, D-Mo., is majority leader of the House of Representatives.

By Richard Gephardt= Special to Newsday=

As Congress begins its final push for health-care reform, pressure is mounting in both the House and Senate to abandon President Clinton's bottom line: guaranteed health coverage for every American. The president and the Democratic leaders in both houses of Congress have made it clear that such a compromise is wholly unacceptable. That it is even discussed feeds a dangerous misperception about health-care reform, one that demands clarification.

Guaranteed or universal coverage is not just another variable element of health-care reform. Without it, there can be no meaningful reform. If we fail to guarantee coverage for all Americans, we will only make our health-care system worse for those who have coverage today driving up premium costs and leaving millions of middle-income families at risk of losing their coverage.

Uninsured Americans showing up at the emergency room aren't turned away, even if they can't pay. That's what a compassionate society does. But who pays for the uninsured? Those who have insurance. In 1991, the privately-insured paid about 130 percent of the cost of their care to subsidize the uninsured.

A March study by the U.S. Department of Health and Human Services says the consequences of continuing this cost-shifting scheme would be severe for New York. Unless we guarantee coverage, businesses that offer insurance will pay an extra $549 per worker, and New York's workers will lose $439 in wages, to foot the annual bill for the uninsured.

That's not health care it's stealth care. It's a hidden tax that drives the cost of insurance through the roof. Guaranteed coverage is the only reasonable way to end this status quo and make the system fairer and cheaper.

By bringing everybody into the system, we can ensure that costs are spread fairly, with all businesses and individuals participating to the extent that they are able with no more free rides and no more hidden taxes.

The Congressional Budget Office has estimated that businesses would save $90 billion in the first year of guaranteed coverage with even greater savings in the years to follow. What about the alternative? Why can't we accept the modest insurance reforms that Senate Minority Leader Bob Dole, R-Kan., and other Republicans have been urging? Isn't a weak bill better than no bill?

Actually, it's not. Consider what would happen if we simply end all restrictions based on ``pre-existing conditions." If we could buy insurance at the moment we become sick, few would buy it a minute sooner. This would defeat the purpose of insurance: to spread the risks and the benefits across a large pool of people. How can we spread the risks if the only people in the system are those who need expensive care? Insurance companies are businesses. They are not going to take a loss just because a large proportion of their customers are very sick. That is why they often bar those people from buying insurance today; and that is why they'd jack up the rates if we adopt insurance reform alone. The result would be enormous premium hikes. In fact, that is exactly what happened when New York State adopted this kind of insurance reform.

I believe we must bring all Americans into the system paying what they can, instead of paying what other people cannot. Then we can stop the arbitrary rate hikes and unfair cancellations. We can stop the limits on pre-existing conditions and the disqualifications based on age or experience.

The president will concentrate on themes he has repeated endlessly since running for office the need for universal insurance coverage, medical cost controls and a requirement that American employers help pay for workers' health benefits. But, according to aides, he will barely mention his own plan for meeting those goals.

''We're not any longer talking about the original plan," Harold Ickes, the deputy White House chief of staff, said Wednesday. ''We think that we're in a completely different phase now; that the original plan ... is really irrelevant to this process."

Behind Ickes' casual dismissal of the White House's own handiwork is a cold political calculation: that the specifics of the Clinton plan have been so tainted by opponents it is virtually unsalvageable. But also behind it is a White House conviction the proposal has made health such a important issue that the president can win by returning to his first principles, and forcing lawmakers to work out the details. The White House seems to believe its plan has won it the right to begin the battle again.

(EDITORS: STORY CAN TRIM HERE)

The damage to Clinton's plan and the fact the issue is still up for grabs were apparent Wednesday in the poll results of the Times-Mirror Center.

The poll of 1,021 people in late June found that 49 percent of those questioned now oppose the Clinton plan while 32 percent favor it, an exact reversal of results from December.

Nevertheless, when asked whether Washington should assure that all Americans get health coverage immediately, 52 percent of respondents favored such action. In addition, 60 percent said they would vote against any member of Congress who opposed ''major health reform."

A tandem survey of 495 doctors found even stiffer opposition, with 75 percent opposed and only 18 percent in favor of reform. As recently as last fall, a majority of doctors said they supported some kind of sweeping reform. Doctors ''are just incredibly depressed about their futures," said Robert Blendon, chairman of the health policy department at the Harvard School Public of Health, who helped supervised the poll.

Breyer indicates he's not activist judge, avoids most questions By Ana Puga Boston Globe

WASHINGTON Supreme Court nominee Stephen G. Breyer Wednesday maneuvered his way around a wide range of questions from his personal view on the death penalty to whether he has watched the O.J. Simpson pretrial hearing and offered a glimpse of his pragmatic, non-activist judicial philosophy.

''Judges should not legislate ... That's your job," the Boston federal appeals court judge told members of the Senate Judiciary Committee on the second day of hearings on his confirmation.

Breyer appeared to have satisfied the Senate panel's concerns, raised primarily on Tuesday, about any potential conflicts of interests presented by his investments in Lloyd's of London, which insures some companies accused of polluting, and his court rulings on environmental cases. On Tuesday, Breyer promised the panel he would divest himself of his Lloyd's holdings even though he saw no conflicts.

Wednesday, Breyer again tried hard to accommodate his Senate questioners as they roamed the universe of constitutional and social issues.

With his confirmation by the 18-member committee all but certain, Breyer seemed to relax a bit, at times dropping his slow, professorial tones and falling into a more natural, fast-paced delivery. But with few exceptions, Breyer limited his responses to polite, innocuous generalizations. He frequently begged off answering queries by noting that an issue is likely to come before the Supreme Court. In order to keep an open mind, Breyer repeated often, he would not express an opinion, even on whether he had watched the O.J. Simpson court proceedings.

(EDITORS: NEXT 2 GRAFS OPTIONAL TRIM)

One exception was the $218 million price tag on the planned Boston courthouse on Fan Pier. Breyer, who helped plan the project, defended the courthouse as ''right in the middle of the price of federal courthouses."

The cost of the courthouse's artwork, $789,000, was mandated by federal law as a percentage of the total cost, Breyer said. And a dock that was already on the land had to be restored under federal regulations, at a cost of $1.5 million, he added.

(END OPTIONAL TRIM)

One of the few tense moments in the generally tranquil session came when Sen. William Cohen, a Democrat of Maine, pressed Breyer to reveal his personal view of the death penalty. As Breyer dodged by repeating the Supreme Court's stance that under certain circumstances the death penalty is unconstitutional, Cohen interrupted: ''No, no, That's not what I am asking."

''You want my personal view?" Breyer said.

''I want your personal judgment," Cohen said.

''Yeah," Breyer said. ''The reason that I'd hesitate to say what I think as a person, as opposed to as a judge, is because down that road are a whole host of subjective beliefs, many of which I would try to abstract from. ..." Several minutes later, Cohen gave up and moved on to another line of questioning.

And so it went with senators probing his views on religious education, voting rights, television violence, the assault weapons ban, even his favorite books.

Asked to name his 10 favorite books, Breyer named two authors, William Shakespeare and Joseph Conrad, then digressed to explain how literature can help readers learn about people.

Breyer seemed at a loss when Sen. Herb Kohl, a Democrat of Wisconsin, asked him to expound upon social ills, such as the growing disparity between rich and poor in America.

''I don't claim any special thought or any deeper thought or any special privilege for thought in this area more than any other American in this country," said Breyer, whose personal wealth totals about $8 million.

Breyer did stress, however, that he feels an obligation to ''give something back to other people."

(EDITORS: NEXT 5 GRAFS OPTIONAL TRIM)

Kohl also raised the subject of O.J. Simpson's televised pretrial hearing in order to probe Breyer's views on whether televised hearings contribute to the problem of finding impartial jury members for the trial.

Breyer laughed, then declared the question ''a problem," then simply restated the issue without offering an opinion.

''You're worried about the fairness of the trial. You're worried about the maintenance of a free press," he said. ''Somehow the balancing of those things is terribly important."

The judge looked most at ease when describing the mechanics of his work routine and his judicial philosophy.

''Law requires both a heart and a head," he said. ''If you don't have a heart, it becomes a sterile set of rules removed from human problems, and it won't help. If you don't have a head, there's the risk that in trying to decide a particular person's problem in that case that may look fine for that person, but you cause trouble for a lot of other people."

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L PASCOE

Health reform's declining barometer

In the most stunning — though unremarked upon — development in the legislative skirmishing over health care reform, the two most important congressional committees have refused to approve universal coverage or employer mandates, the heart of the Clinton approach. But is anyone paying attention?

Last month, House Energy and Commerce Committee Chairman John Dingell, Michigan Democrat, declared defeat, informing House leaders that despite months of negotiating, he simply could not get a Clinton-like bill through his committee. Rather than pass a watered down bill, he said, he would pass nothing, and count on other House committees to produce legislation to bring to the floor.

Over in the Senate, the Finance Committee chaired by New York Democrat Pat Moynihan also voted down universal coverage and employer mandates, opting instead for a bill based on market reforms and the hope that changes in insurance regulations would expand coverage and control costs.

Virtually no one has commented on the significance of these two committee actions, choosing instead to focus on other committees' passage of bills as victories for the president. But the impact on the legislative debate of the actions in these two key committees — and their portents for the future — are clear to seasoned Congress watchers.

Everyone paid attention to the Senate Finance Committee deliberations, and with good reason. With a partisan breakdown of 11 Democrats to 9 Republicans, and with the majority and minority leaders as members, this committee is clearly the more important of the two Senate committees dealing with the legislation. Given the committee's makeup, legislation approved by the committee likely will pass on the floor of the Senate; conversely, something that fails in the Finance Committee faces grim prospects on the Senate floor.

Yet even more important than the Senate Finance Committee as a barometer of floor passage is the House Energy and Commerce Committee. Composed of 27 Democrats and 17 Republicans, it is a microcosm of the House as a whole, mirroring the partisan, ideological, geographical and demographic breakdown of the entire House of Representatives. Even more than the Senate Finance Committee represents the Senate as a whole, the House Energy and Commerce Committee is a true indicator of what will pass on the House floor.

Only Mr. Dingell knows why he failed to come up with a compromise acceptable to 23 of his Democratic members. But for him to fail to do so, and to bow out of the health care debate, is a stunning personal admission of defeat. Mr. Dingell's father — who represented Mr. Dingell's district before Mr. Dingell replaced him in the Congress — holds the distinction of being the first congressman to introduce legislation mandating national health insurance, having done so in 1943. To honor his father, Mr. Dingell has introduced in every session of Congress since he first became a member a national health insurance bill. He even has used his influence as Energy and Commerce Committee chairman to arrange to have the bill labeled H.R. 16 — after Michigan's 16th congressional district, which both men have represented.

Unless the leadership bucks House custom, Mr. Dingell's admission of defeat means more than just bowing out of this stage of the debate. It means that he will not be a member of the House-Senate conference committee commissioned to reconcile the different House and Senate versions of the legislation, and it means that he has given up jurisdiction in the future over any other health care legislation arising out of this session of Congress.

Keeping wavering Democrats in line now becomes the challenge for the Democratic leadership in both houses. To get to 218 votes in the House and 51 in the Senate will require deal-making worthy of Monte Hall — especially given recent defeats in special elections, President Clinton's sagging popularity and electoral fears on the part of Democrats facing tough re-election fights.

As Congress moves forward on the legislation, it is well to remember a significant decision made by Senate Majority Leader George Mitchell — not to resign his position as leader immediately upon announcing his retirement at the end of this Congress. By not turning over the reins of power earlier this year, he set himself up as a lame duck and drastically reduced his ability to reward or threaten recalcitrant Senate Democrats.

Republicans have watched the Democrats' dilemma with glee. Having produced their own bill — with 40 Senate co-sponsors making it the most strongly supported bill in either house — they now have turned the tables on Democrats who have labelled them mere obstructionists. No longer is the fight one that pits reform vs. no reform; it is now the Democratic plan vs. the Republican plan — and the public clearly sides with the Republican plan.

Eventually, Democratic leaders will recognize this, and will face a decision: To go for broke and try to get legislation passed with no Republican votes, or to back off and try again with a new version relying less on big government.

Now is the time for Republicans to hold firm in order to defeat government-run health care. If they can hold their numbers as they did in last year's budget fight, the betting here is the Democrats will fail to reach a majority in at least one house. And that wouldn't be a bad thing at all.

Bill Pascoe is the legislative director of the American Conservative Union, and a contributing writer for the Washington Times.

THURSDAY, JULY 14, 1994 The Washington Times

Abortion tug of war threatens health bill

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By J. Jennings Moss and Larry Witham
THE WASHINGTON TIMES

The always-touchy political issue of abortion threatens to hold health care reform hostage this year.

More than 70 pro-choice House members yesterday sent a letter proclaiming their "strong commitment" to include abortion coverage, and several said that meant they could not vote for a health bill without it. Last week, 35 Democrats signed a letter saying they could not support a bill with such coverage.

The outside lobbying campaign also heated up yesterday as the nation's Roman Catholic bishops began the second phase of their public campaign against abortion coverage through a grass-roots effort targeted at the nation's 58 million Catholics.

If both the pro-choice and pro-life forces on Capitol Hill are firmly committed to their positions on abortion coverage, then the chances of passing any health legislation this year would be slim.

"Some of our colleagues are threatening a fight if abortion remains in the health care plan. Well, I can guarantee a fight if they try and take it out," said Rep. Peter A. DeFazio, Oregon Democrat and one of the authors of the letter sent to House Speaker Thomas S. Foley of Washington.

The letter, co-authored by Rep. Patricia Schroeder, Colorado Democrat, was intended to convey "our strong commitment that any health care reform package that comes before the House must contain coverage for contraceptive and abortion services if it is to gain our support."

Some among the 72 Democrats who had signed the letter by midday went further.

"We will not vote for any health coverage bill that does not include full services for abortion. Whatever else it says, if it does not cover abortion services, I for one won't be reading it," said Rep. Jerrold Nadler, New York Democrat.

The letter was in response to one taking the opposite position, which was sent last week to Mr. Foley. That correspondence, authored by Rep. Harold L. Volkmer, Missouri Democrat, said "we are unable to support any reform legislation that does not explicitly exclude elective abortion" from a health benefits pacakge.

At least one lawmaker who signed the Volkmer letter said yesterday his signature should not be seen as a final position.

"I don't know what the final bill is going to look like and how that issue is handled," said Rep. Paul E. Kanjorski, Pennsylvania Democrat. He said his chief goal was to get a straight vote on the abortion question.

Of the four congressional committees that passed health bills, three included full reproductive services as part of the basic benefits package for all Americans.

The Senate Finance Committee voted to include abortion coverage but approved a broad "conscience clause" to allow insurance companies and businesses to avoid offering abortion as a benefit if they morally objected to it. The clauses in the other bills would apply to doctors who object to performing abortions.

While President Clinton has endorsed covering all reproductive services, he and first lady Hillary Rodham Clinton have laid down only one point that is not negotiable — that all Americans have health coverage.

At a news conference yesterday, Catholic bishops announced their intention to lobby on Capitol Hill and to get pro-life citizens to write letters to their representatives.

"If Congress substitutes abortion mandates for universal coverage, we will fight," said Baltimore Auxiliary Bishop John H. Ricard.

Their strategy, the Catholic officials said, is to convince lawmakers that abortion will derail health care reform, so the legislation may as well exclude it.

To back that up, they released a poll that showed most Americans don't want or care about abortion coverage in basic health care plans.

"The notion that Americans care passionately about a coverage [for abortion] they don't know they have is ridiculous," said Helen Alvare, information director for the bishops' pro-life work.

The poll, conducted by the Tarrance Group with 1,000 Americans, showed that 49 percent opposed mandatory insurance coverage for abortion and 58 percent rejected mandatory family abortion coverage in health plans.

"If we had to defeat a health plan wrapped in abortion mandates, we would do it in hopes that the bill would come back" without abortion, Mrs. Alvare said.

The bishops' new initiative is trying "to impose their religious views about contraception and abortion on the rest of us," said James Wagoner, vice president of the National Abortion and Reproductive Rights League.

• *Patrice Hill and Karen Riley contributed to this report.*

THURSDAY, JULY 14, 1994 The Washington Times

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Abortion: Health debate divider

Bishops put Congress on notice

By Judi Hasson
USA TODAY

CHURCH DRIVE: Bishop James McHugh, flanked by Bishop John Ricard and Sister Carol Keehan, share survey results.

By Mark Wilson, AP

Roman Catholic bishops put Congress on notice Wednesday they will fight any health-reform plan that includes abortion coverage.

The bishops, at a Washington news conference, said they have collected 5 million cards in a church drive from people who say they have contacted their lawmakers to support knocking abortion out of a basic package of benefits.

But 72 House members, who support abortion in a basic benefits package, signaled they would fight back and possibly withhold their votes for health reform if abortion is left out.

"To those who say there will be a battle if you put it in, we just say there will be a battle if you take it out," said Rep. Nita Lowey, D-N.Y., among members who signed a letter to House Speaker Thomas Foley, D-Wash., staking out support for abortion coverage.

The issue is expected to be one of the most hotly contested parts of the upcoming health reform debate when it hits the House and Senate floors in late July and early August.

President Clinton "plans on fighting" for abortion coverage, said White House spokeswoman Lorrie McHugh.

Although bills from four congressional committees provide abortion coverage, 35 Democratic members warned leaders last month they would not vote for a health bill that requires abortion coverage.

The bishops, the church's top leaders, said they object to being forced to buy insurance that includes abortions and to have taxpayer money being used to subsidize it.

And they also object to plans to include a "conscience clause" allowing doctors and hospitals to opt out of performing abortions.

"We cannot compromise on this. Abortion must be excluded," said Bishop James McHugh, a member of the bishops' anti-abortion committee.

The bishops said their poll finds most people support health insurance coverage for all but would oppose bills that include abortion.

A separate poll Wednesday, from the Times Mirror Center, found people against including abortions in a basic benefit package by a 68-26 margin.

"Abortion mandates are opposed by the American people. They will force millions of employers, churches and individuals to subsidize abortion in violation of their consciences," the bishops said in a letter to members of Congress.

Senate Majority Leader George Mitchell, D-Maine, meeting with Sens. Daniel Patrick Moynihan, D-N.Y., and Edward Kennedy, D-Mass., to shape a compromise bill, said he recognized the depth of Catholics' feeling on abortion, but said their view was one of many that would be weighed.

Also Wednesday, about two dozen moderate House Democrats and Republicans, by Reps. Jim Cooper, D-Tenn., and Fred Grandy, R-Iowa, agreed to send a letter to House leaders demanding a bipartisan health-reform plan that did not include a requirement that employers provide insurance to their workers.

"I'm still looking for a Republican who supports mandates," said Cooper, who is backing a proposal that competition in the marketplace to drive down prices.

"People need to look at the handwriting on the wall. We can pass a historic health reform bill without employer mandates."

Doctors' support dwindles

A new survey finds that a majority of practicing physicians in the USA don't like President Clinton's health-reform proposals.

A survey by the Times Mirror Center found that 49% of doctors opposed Clinton's plan and only 18% favored it, a sharp drop from last year.

A survey by the same group in April 1993 found that 58% of the doctors had a favorable opinion of managed competition, part of the Clinton plan to use [illegible]ket forces to help drive down costs and make coverage affordable.

The Times survey found both doctors and their patients are worried about how the changes now being debated in Washington would affect them.

Two out of three doctors expect their incomes to decline in the next five years.

One in four said their incomes already have dropped.

'Big Brother' warning sounds again

Critics fear 'evil' in national ID cards

By Maria Puente
USA TODAY

Identity cards are under consideration again as an answer to illegal immigration problems, but critics say they would be an Orwellian nightmare.

The Commission on Immigration Reform, a bipartisan group created by Congress, is expected to propose that every citizen and legal immigrant get a Social Security-type identity card so that employers can verify work eligibility through a national database.

"The implications of this are staggering," says Marc Rotenberg, director of the Electronic Privacy Information Center. "It becomes a way to monitor people, like an internal passport."

"It's the consensus view at this point," says Dan Stein, head of the Federation for Immigration Reform, which favors reducing immigration.

"Down the line it could turn out to be benign or it could be Orwellian, but we just can't tell and no one is monitoring implications," says Lance Hoffman, a George Washington University professor who studies privacy and security issues.

The concept has been around for years, but more in Congress are embracing it in the face of public resentment of illegal immigrants and the failure of laws against hiring illegal workers.

Last year a national poll showed that 53% of the public opposes ID cards for immigration, while 39% support them.

Still, California Gov. Pete Wilson, a Republican who's made immigration an issue in his re-election bid, wants his state to be the testing ground.

"If (illegal immigrants) have to produce proof of their legal presence and cannot do so, they will be denied employment, and if they know that, they won't come (here)," Wilson says.

Critics include immigrant, civil-rights and privacy advocates, plus liberals, conservatives and libertarians worried about government knowing too much.

"People aren't thinking about the potential for evil," says Steve Moore, economist at the libertarian Cato Institute think tank. "This is a fundamental invasion of privacy rights."

"It won't work, it will cost billions, it won't solve the problems, and it will cause new forms of discrimination," says Lucas Guttentag of the American Civil Liberties Union.

Wilson says he's not worried:

"We have already given up a certain amount of privacy, but I don't see this as a further intrusion."

The National Conference of La Raza, a Hispanic civil rights group, fears that people who look or sound foreign will be forced to carry the cards at all times.

"The Social Security and immigration databases are notoriously flawed and filled with inaccuracies," says Celia Munoz, a La Raza analyst.

A similar outcry greeted Social Security cards in the 1930s, though the numbers weren't to be used for other purposes. Today, SSNs are used on driver licenses and employee IDs.

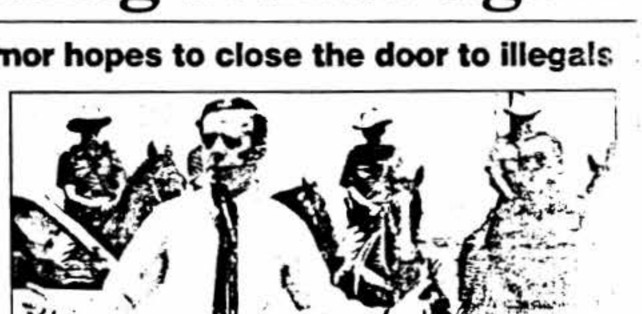
"Look at history and see the abuses: they used SSNs to round up the Japanese during World War II," Moore says.

California governor hopes to close the door to illegals

There are about 3.38 million illegal immigrants in the USA. Most are from Mexico, followed by El Salvador, Guatemala, Canada, Poland and the Philippines. Most illegal immigrants settle in one of seven states, with more than 40% living in California. States with the most illegal immigrants:

State	Number
California	1,441,000
New York	449,000
Texas	357,000
Florida	322,000
Illinois	176,000
New Jersey	116,000
Arizona	57,000
Other states	461,000

Source: Immigration and Naturalization Service estimates of 1992 data, the most recent available.



By Grace Saenz, El Paso Times via AP

ID ADVOCATE: California Gov. Pete Wilson is a national ID card supporter. "If (illegal immigrants) have to produce proof of their legal presence and cannot do so, they will be denied employment, and if they know that they won't come (here)."

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Medical Costs Are ncreasing At a Low Rate

Studies Show Slowest Pace In 20 Years; Some Say Trend May Not Last

By Ron Winslow
Staff Reporter of The Wall Street Journal

Medical costs in the U.S. are rising at the lowest rate in two decades, new reports indicate, another sign that the health-care industry is managing to bring expenses under control.

Milliman & Robertson Inc., a consultant and actuarial firm based in Radnor, Pa., said health costs for the 12 months ending last March rose just 2.5%, the lowest level in the 20 years it has tracked such expenditures.

ABR Information Services Inc., Clearwater, Fla., said group health-insurance

Cancer-Care Accord

Salick Health Care, in an unprecedented arrangement, agreed to provide comprehensive cancer care at a fixed price for nearly 100,000 members of a Miami-based HMO. Article on page B3.

■ Baxter International forges a series of novel hospital-supply contracts, B3.

premiums it tracks in administering certain benefits for 12,000 employers have been essentially flat since the beginning of the year and have risen less than 3.5% since January 1993.

The findings are bolstered by several large employers that say they are winning significant reductions in premiums from some health plans as they negotiate rates for 1995.

But some benefits consultants predict that health costs at most companies will still be above the general annual inflation rate, currently about 3%. "We're seeing increases for next year of about 6% to 10%," said Robert Eicher, principal at Foster Higgins, a benefits consultant in New York.

Moreover, whether market forces or other factors are chiefly responsible for the moderation in health costs is a matter of fierce debate, as is whether the trend will last. "It's a matter of some speculation as to what happens next," said Richard Ostuw, a principal in the Cleveland office of benefits consultant Towers Perrin and the firm's chief actuary.

A recent Towers Perrin report said growth in employer health-care costs this year was about 6%, well below the 20-year average. Mr. Ostuw believes that fear of cost pressures from health-care reform legislation is a major reason for the trend. If Washington fails to act on health reform and "that fear is removed," he argued, "it will result in an uptick in health-care inflation."

...tive director of the Business ...lth Care Action Group, a coalition of major employers, said a lower cost trend is ... inable only if health plans truly reduce ... of health-care services. "Premiums alone don't tell the whole story," he said. If plans are bidding aggressively to win market share, but fail, for instance, to reduce excess hospital capacity, costs will inevitably rise again, he maintained.

Peter Reilly, an actuary at Milliman & Robertson, maintained that increased market penetration of health maintenance organizations and other similar market forces have done little to stem the tide of health costs. An economic model he and his colleague John Cookson developed shows that a decline in real national income during the recession in the early 1990s is the major driver in moderating health costs. They maintain that there is a three-to-four-year lag between changes in income levels and similar changes in health-care spending. If that's the case, Mr. Reilly says a renewed dose of health-care inflation looms, since incomes have improved since the recession.

Many employers maintain that the growing power of purchasers is driving both a sharp drop in health-cost growth rates and a restructuring of the system. "There's incredible competition out there in most markets," said Helen Darling, manager of health-care strategy and programs at Xerox Corp., Stamford, Conn., which offers a total of 204 health plans to its employees in the U.S.

Employer demands for quality improvement and cost reductions have, among other things, helped prompt a consolidation and reorganization of the health-care system. But so much excess capacity remains, she said, that continued consolidation holds the possibility "that the rate of increase in health costs will stay low if not absolutely flat for several years."

In any event, Xerox itself is reaping the benefits of its purchasing power in markets across the U.S. Ms. Darling said recent negotiations will mean an average increase in HMO premiums for Xerox of 1.2% in 1995 over current rates. In many individual cases, in Florida and Washington, D.C., for instance, premiums will drop more than 10%.

Elsewhere, GTE Corp., expects 1995 rates for its managed health-care plans to increase 2% after a 3.5% rise this year, said Dwight McNeil, manager of health-care information. And the Medica health plan in Minnesota reduced its family rates for Minnesota government employees for 1995 by 25% after a competitive bidding process.

THE WALL STREET JOURNAL THURSDAY, JULY 14, 1994

Salick Agrees to Provide Cancer Care At Fixed Price to Florida HMO Patients

By RHONDA L. RUNDLE
Staff Reporter of THE WALL STREET JOURNAL

Salick Health Care Inc., in an unprecedented arrangement, agreed to provide comprehensive cancer care at a fixed price for nearly 100,000 members of Physicians Corp. of America, a Miami-based health maintenance organization.

"This is the first contract of its kind in the cancer field," said Bernard Salick, chairman and chief executive officer. Salick will receive a monthly fee per member in exchange for providing the HMO's South Florida patients with a full range of hospital, outpatient, and home-care services.

This fixed-price approach has so far been used mainly in mental-health care, but medical experts believe it may be expanded to other diseases. Some HMOs believe the method will help shift financial risk to other specialty medical organizations that try to deliver high-quality care at a low cost.

Salick said it expects the contract to increase its revenue by between $7 million and $10 million in the fiscal year ending Aug. 31, 1995. The Los Angeles-based company reported revenue of $116 million in fiscal year 1993. The three-year contract, initially covering the HMO's patients in South Florida, could be expanded in later years to cover all of its 319,000 patients in the state.

Neil Berman, a PCA vice president, said the HMO's motivation was to improve patient care, rather than to reduce costs. "When we look at the specialized care and expertise that Salick can bring, that's why we're doing it." The HMO's adult members in the South Florida area, as well as its primary-care doctors, will be notified of the new arrangement this week, Mr. Berman said. PCA has a total of 482,000 members in Florida, Texas, and Georgia.

About 260 of the HMO's South Florida members are currently receiving cancer treatment. The transition of their care to Salick will be handled on a case-by-case basis, Mr. Berman said. Some patients are already receiving care through oncologists affiliated with Salick's network, which will be expanded in coming months. Starting next week, patients diagnosed with cancer will be referred to Salick, Mr. Berman said.

Other HMOs, upon learning of the contract yesterday, were intrigued that it involved cancer treatment, a field in which practitioners have a tradition of trying experimental therapies. The Salick-PCA agreement will accelerate discussions "about what treatments are proven and which aren't," said Lee N. Newcomer, national medical director at United HealthCare Corp., Minneapolis.

Dr. Salick said his company has spent two years preparing detailed oncology practice guidelines that would specify, for instance, when a breast-cancer patient is a candidate for a bone-marrow transplant. These guidelines are intended, in part, to assuage critics who charge that providers are induced to withhold needed care when their payment is fixed in advance.

In addition, Salick's financial risk in the PCA contract is limited. Some of the costliest procedures, including bone-marrow transplants, would be paid by PCA on an individual basis and not included in the fixed-cost contract, Dr. Salick said.

The executive hopes the PCA contract will be the first of many like it that Salick will sign soon. "We would hope over the next year to cover into the range of one million lives. That projected out would double the revenue of our company" over current levels, Dr. Salick said.

THE WALL STREET JOURNAL THURSDAY, JULY 14, 1994

Democratic Leaders Mull Compromises On Health Plan to Ease Burden on Firms

By DAVID ROGERS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Democratic congressional leaders, scrambling to save health-care reform legislation this summer, are pursuing new compromises that would ease the burden on business.

The Senate leadership yesterday signaled a willingness to back away from President Clinton's plan. It is discussing an alternative that would require employers to pay only 50% of the cost of insuring individual workers. Mr. Clinton's plan would require employers to pay 80% of the cost of coverage for both workers and their families.

'Time for Adjustment'

Under the alternative, large subsidies would be needed to fill the gap and make insurance affordable in the near term for poor and working-class families with children. Over time, the employer share could be expanded. But the hybrid plan, one of several options under consideration, is an effort to reach out to moderates in both parties who want a more voluntary, albeit heavily subsidized, approach to expanding coverage.

Senate Majority Leader George Mitchell (D., Maine) raised the alternative with Senate Finance Committee Democrats at a meeting yesterday. Senate Labor and Human Resources Committee Chairman Edward Kennedy (D., Mass.), who supports Mr. Clinton's plan, was instrumental in developing the new approach, signaling that Democratic liberals may be willing to accept it.

Within the House, Majority Leader Richard Gephardt (D., Mo.) remains committed to the concept of the so-called employer mandate. But to win support, he is discussing a more phased-in approach that would give business more time to adjust than the president's plan.

A bill reported last month by the House Ways and Means Committee would impose an employer mandate in two steps, first for large companies in 1996 and then for those with 100 or fewer workers in 1998. Mr. Gephardt is open to delaying these dates further. He said he also would consider phasing in the basic benefit package to ease the transition for business.

Mr. Gephardt made his remarks in an interview earlier this week.

Tuesday night, the majority leader joined former colleagues from the Ways and Means Committee – including Chairman Sam Gibbons (D., Fla.) – for dinner at the home of Rep. Fortney "Pete" Stark (D., Cal.). Mr. Stark, chairman of the Ways and Means health subcommittee, is reluctant to scale back the benefits package. But Senate moderates already have moved in that direction, proposing a plan that would begin with only catastrophic-type coverage and then phase in more protection over five years.

Strong Grip on GOP

The scramble now comes in the face of still severe opposition to any mandate. "The votes aren't there, employer mandates are dead," said Rep. Charles Stenholm (D., Texas), following a meeting of House conservatives. And no less than Senate Budget Committee Chairman James Sasser (D., Tenn.), himself a candidate to replace Mr. Mitchell next year, said, "It will be very difficult to support an employer mandate."

While dependent on moderate Republicans, the White House fears that business's strong grip on the GOP will undercut any effort to reach a compromise on the issue. In recent days, this fear has provoked behind-the-scenes skirmishes among Democrats over how much ground to give to a bipartisan centrist faction that is strong on the Senate Finance Committee. The same bloc helped to kill any employer mandate in the Finance Committee bill. Mr. Mitchell plans to meet with those centrists today, but he also is aggressively guarding the option of reintroducing an employer mandate without their support.

When moderate Democrats drafted a letter to rally support for the centrist position, Mr. Mitchell moved this week to discourage the effort. The majority leader made his feelings clear in a face-to-face exchange with Sen. Bob Kerrey (D., Neb.), one of the moderates. And prodded by the White House, AFL-CIO President Lane Kirkland weighed in yesterday with his own letter urging senators not to "prematurely form alliances."

One of the immense problems for the administration is that its most powerful adversaries on health-care reform can't agree themselves on what direction to take, making it very difficult to reach any compromise.

By beginning so aggressively last year, the White House made even the most influential lobbies feel threatened. They in turn have felt free to lash out at the president – and one another – with a "do-or-die" fervor that has left lawmakers nervous about going too far.

Two prominent examples are the insurance and small-business lobbies, which have proven a devastating combination, but have conflicting interests on very basic questions such as the employer mandate or cost-containment.

High-profile television ads by the Health Insurance Association of America have raised that group's visibility while bloodying the White House's initial reform plan. Moving in for the kill, the National Federation for Independent Business has waged a fierce grass-roots campaign reflecting its own ideological – and economic – opposition to any requirement that businesses help pay for their employees' coverage.

The leaderships of both groups share a strong Republican coloring. But the insurance group supports the very employer mandate opposed by NFIB. "We consider HIAA to be part of the problem. What the insurance industry has done to the small-business community has led to this debate," said John Motley, a senior lobbyist for the NFIB.

Still, the opposition from the two groups has worked to drive the debate toward the lowest common denominator of what will pass as "reform." This could be a package of moderate insurance reforms and some subsidies to expand coverage for the poor or finance popular initiatives such as community health centers or aid to pregnant women.

Rep. Jim Cooper (D., Tenn.), an early sponsor of a more ambitious business-backed health-reform plan, has stepped back into the debate, moving right in alliance with conservative Democrats and Republicans who favor this approach. After a meeting yesterday, he began circulating a letter to put pressure on the leadership to allow an up-or-down vote next month on a bipartisan alternative that would include neither mandates nor price controls.

"He has to move right to get the votes," said Mr. Motley of Mr. Cooper's renewed role. "He has to go right or he can't go anywhere."

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6

REP. /ID E. OR
... bishops' stance could have impact

BY LUCIAN PERKINS—THE WASHINGTON POST

From left, Democratic Sens. Moynihan, Mitchell and Kennedy confer on health care reform legislation in the Capitol.

Abortion Issue Divides Health Care Support

Both Sides Threaten to Withhold Backing Unless Benefits Provisions Meet Their Demands

By David S. Broder
and Kevin Merida
Washington Post Staff Writers

Backers of the Clinton administration health plan confronted threats yesterday from both sides of the abortion issue that they may withhold their votes unless the benefits package in the bill meets their demands.

The abortion battle escalated dramatically as the nation's Roman Catholic bishops announced a national campaign to pressure Congress to abandon abortion coverage. House Democratic leaders said 35 or 40 members otherwise supportive of the measure might vote no because of the abortion question. But abortion rights lawmakers countered with a list of 72 House members who say the final bill "must contain" such coverage.

Meantime, a group of moderate House Democrats and Republicans emerged from a caucus saying they will insist on a floor vote for the scaled-back alternative to the administration's universal-coverage plan that they hope to craft. They want equal treatment with the version of the Clinton plan the House Democratic leaders are writing and one sponsored by advocates of a single-payer, Canadian-style plan.

If the moderates are able to come up with a compromise it could complicate the already chancy prospect of holding 218 Democratic votes to pass a Clinton-like bill on the House floor next month.

Three congressional committees have approved health bills in which abortion is included in the standard benefit package that insurers would be required to sell and that employers would be compelled to purchase for their workers. A fourth panel, the Senate Finance Committee, produced a bill that includes no employer-financed insurance requirement and contains a provision allowing businesses to exclude abortion coverage from insurance they buy voluntarily for their employees.

The line in the sand drawn by the National Conference of Catholic Bishops was considered significant, given that the bishops support Clinton's goal of universal coverage. House Democratic Whip David E. Bonior (D-Mich.), who is antiabortion himself, said the bishops' opposition could have an impact on 35 to 40 House Democrats.

The bishops plan to back their position with exhortations to churchgoers in their 25,000 parishes to flood Congress with antiabortion messages, and they also plan an advertising campaign on the issue.

But abortion-rights supporters fought back at their own news conference. "I resent that certain religious groups are entering this political fight in Congress," said Rep. Don Edwards (D-Calif.), adding: "We ought to fight on a different field."

At the news conference, a letter, drafted by Reps. Peter DeFazio (D-Ore.) and Patricia Schroeder (D-Colo.) and signed by 70 other members, was released. Addressed to House Speaker Thomas S. Foley (D-Wash.), it said that "we feel compelled to convey to you our strong commitment that any health care reform package that comes before the House must contain coverage for contraceptive and abortion services if it is to gain our support."

It was unclear how many of the 72 signatories to the DeFazio-Schroeder letter were willing to kill health reform over the abortion issue, but DeFazio esimated that number at more than 50.

"That [issue] is not negotiable, it is not discussionable, it is not compromisable," said Rep. Jerrold Nadler (D-N.Y.). "We're saying there's a hard line here. There will not be a health care bill without abortion coverage in it, period."

Democratic congressional leaders are anxiously seeking a compromise—but going about it gingerly. The issue was broached in "carefully measured tones" at a House-Senate leadership meeting yesterday, according to one source, indicating the sensitive nature of the discussions.

House Majority Leader Richard A. Gephardt (D-Mo.) and Bonior have been testing the abortion issue on about 100 moderate and conservative House members, who have expressed a variety of concerns about the health measure. Bonior has been floating the idea of universal coverage that would provide employees with the option of choosing a plan with abortion services or one that excludes them.

Meantime, about three dozen representatives and an equal number of staff members standing in for other members met at mid-afternoon to launch an effort to get a less ambitious plan than Clinton's to a House floor vote. The meeting included cosponsors of two major bipartisan bills, one drafted by Reps. Jim Cooper (D-Tenn.) and Fred Grandy (R-Iowa) and the other by Reps. J. Roy Rowland (D-Ga.) and Michael Bilarakis (R-Fla.).

Cooper said the caucus agreed to "send a letter to the leadership insisting that a bipartisan alternative (to the Clinton-backed bill) be considered on the floor" and formed a smaller group, including the four lead sponsors, to attempt to draft that alternative.

They heard two of the members of the bipartisan "gang of seven," which steered the Senate Finance Committee away from universal coverage and employer mandates, tell them they had to "set your own bottom line and stick to it." Sens. John B. Breaux (D-La.) and John Danforth (R-Mo.) were quoted as saying that it was the adamant position taken by their group that overcame pressure from George J. Mitchell (D-Maine) and other administration allies on the committee.

Forging bipartisan legislation may be much harder in the House, several of those who organized yesterday's meeting acknowledged. "It's one thing to get seven senators to stick together," said Grandy. "It's something else to get 218 House members in line."

The Cooper-Grandy bill relies on taxing health plans with rich benefits and a somewhat similar proposal is part of the Senate Finance Committee bill. The House Republican leadership has adamantly opposed any broad-based taxes to finance health care and none are included in the Rowland-Bilirakis measure, which offers a more limited benefit package and no clear timetable for insuring all the uninsured.

Grandy said he planned to meet today with House Republican leaders, but a senior GOP member who attended yesterday's meeting predicted that it would be "hard to get bipartisan agreement in the House because so many Republicans feel their hands are tied on anything that smacks of taxes."

Whether a bipartisan alternative would be given a shot on the House floor is unclear. A spokeswoman for Gephardt was noncommittal, saying, "We'll have several alternatives on the floor and we'll take a look at what they are proposing."

Under House procedures, a bipartisan alternative would have to be "made in order" as a floor amendment by the leadership-controlled Rules Committee, or it could not be considered. Cooper warned that "we have blocking power if we need to use it, but we hope to avoid it."

The threat would be to unite Republicans and enough moderate and conservative Democrats to "overturn the rule," forcing the leadership to allow other floor amendments if they wanted to get a vote on the version of the Clinton plan now being crafted in Gephardt's office.

TODAY IN CONGRESS

SENATE

Meets at 8:45 a.m.

Committees

Appropriations—10 a.m. VA, HUD & indepoent agencies subc. mark up veterans affairs & housing approp. bill. 138 Dirksen Office Bldg

Appropriations—1:30 p.m. Mark up pending legislation. S-128 Capitol

Energy & Natural Resources—9:30 a.m. Scientific & technological basis for radon policy. 366 DOB.

Governmental Affairs—10 a.m. Mark up pending legislation. 342 DOB

Indian Affairs—9:30 a.m. Native American Cultural Protection & Free Exercise of Religion Act of 1994. G-50 DOB

Judiciary—9:30 a.m. Closed. Nomination of Stephen G. Breyer to be an associate justice of Supreme Court. 216 Hart Office Bldg

Rules & Administration—9:30 a.m. Library of Congress operations. 301 Russell Office Bldg

Veterans Affairs—2 p.m. Mark up veterans health care reform legislation. 418 ROB

Select Intelligence—2:30 p.m. Closed. Pending intelligence matters. 216 HOB

HOUSE

at 10 a.m.

Committees

Agriculture—10:30 a.m. General farm commodities subc. 1302 Longworth House Office Bldg

District of Columbia—10:30 a.m. to amend District of Columbia Self-Government & Governmental Reorganization Act. 131[illegible] LHOB

Education & Labor—11 a.m. Elementary, secondary & vocational education subc. 2175 Rayburn House Office Bldg

Education & Labor—2 p.m. Labor standards, occupational safety & health subc. to amend Fair Labor Standards Act of 1938. 2261 RHOB

Energy & Commerce—10 a.m. Health & environment subc. 2322 RHOB

Energy & Commerce—10 a.m. Energy & power subc. on Energy Policy Act of 199[illegible] 2123 RHOB

Energy & Commerce—9:30 a.m. [illegible] munications & finance subc. mark up Unlisted Trading Privileges Act of 1994, & Federal Communications Commission Auth. Act of 1994. 2218 RHOB

Foreign Affairs—10 a.m. Asia & Pacific subc. & international security, international organizations & human rights subc. on Taiwan. 2172 RHOB

Foreign Affairs—1 p.m. Western Hemisphere affairs subc. mark up. 2200 RHOB

House Administration—1:30 p.m. Occupational Safety & Health Administration compliance. H-328 Capitol

Judiciary—10 a.m. Crime & criminal justice subc. 226 RHOB

Natural Resources—10 a.m. Insular & international affairs subc. 1324 LHOB

Natural Resources—10 a.m. National parks, forests & public lands subc. 340 Cannon House Office Bldg.

Post Office & Civil Service—10 a.m. Postal operations & services subc. to amend U.S. Code. 311 CHOB.

Public Works & Transportation—9:30 a.m. Water resources & environment subc. 2167 RHOB.

Science, Space & Technology—10 a.m mark up Risk Assessment Improvement Act of 1994. 2318 RHOB.

Science, Space & Technology—1:30 p.m. Energy subc. Dept. of Energy's Hydrogen Research & Development Program. 2318 RHOB.

Science, Space & Technology—3:30 p.m. Energy subc. Propane Education & Research Act of 1993. 2318 RHOB

Small Business—9 a.m. mark up legislation. 2359 RHOB.

Ways & Means—10 a.m. Work & Responsibility Act of 1994. Health & Human Services Sec. Donna E. Shalala. 1100 LHOB

Ways & Means—3 p.m. walk-through to consider draft legislation implementing GATT agreement. 1100 LHOB

Permanent Select Intelligence—1 p.m physical searches within U.S. for Foreign Intelligence Purposes. 2118 RHOB.

HOUSE DEMOCRATS SUPPORT ABORTION IN HEALTH PLANS

WARNING TO LEADERSHIP

Counter to Catholic Bishops as Both Sides Flex Muscles on a Crucial Issue

A1

By ROBIN TONER
Special to The New York Times

WASHINGTON, July 13 — Escalating a long-simmering struggle, more than a fourth of the Democrats in the House served notice on their leadership today of their "strong commitment" to covering abortion services in any national health plan.

Their signal came in a letter to Representative Thomas S. Foley of Washington, the Speaker of the House. It was signed by about 70 Democrats — the number was still inching up at the end of the day — and it strongly suggested that their support for a health care bill would depend on whether it covers abortion.

The letter was a clear attempt to signal that the abortion rights camp, which includes much of the party's liberal base, will not be taken for granted in the coming struggle over health care legislation.

The letter was circulated for several days, but its release was timed to coincide with a news conference today by the nation's Roman Catholic bishops, at which they formally reiterated their intention to fight the inclusion of abortion in the basic benefit package guaranteed in any health care law.

This struggle was always expected to be an important part of the end game of health care legislation, and today's dueling ultimatums came as no surprise to Democratic strategists trying to piece together a majority for a health care bill.

"We've been working with and listening to members on both sides of this issue to find an acceptable solution for months now," said Laura Nichols, press secretary for Representative Richard A. Gephardt of Missouri, the House majority leader. "This is an issue that clearly has to be dealt with before we can get a bill passed."

Although Hillary Rodham Clinton hinted in a speech last month that the

Continued on Page A16, Column 4

Administration would not allow a dispute over abortion to kill chances for passage of health care legislation, Lorrie McHugh, spokeswoman for the White House on health, said tonight that the Administration stood by its original position that abortion should be covered "where a doctor deemed it medically necessary or appropriate."

"And there would also be a conscience clause to insure that doctors and health care institutions could choose not to perform abortion for moral or religious reasons," Ms. McHugh said, adding, 'We'll fight for it."

A strategist for the House leadership, speaking on condition of anonymity, expressed optimism that a solution could be found that might not satisfy either side but could at least prevent the health care bill from being jettisoned over a single issue.

Separate Coverage Considered

Among the possibilities discussed on Capitol Hill is separating abortion coverage from the basic benefits package, making it optional but available for a separate premium.

The four committees that produced versions of health care bills resisted attempts to eliminate abortion coverage, but the Senate Finance Committee expanded the conscience clause to allow employers, insurers or other health plans to refuse to buy or provide abortion coverage "if it is objectionable on the basis of a moral belief or religious conviction."

At the moment, both sides are flexing their muscles. Several Democrats who organized the abortion rights letter said at the news conference today that they would vote against any health plan if it did not provide full coverage of abortion. Among them was Representative Peter A. DeFazio, Democrat of Oregon, who asserted: "Some of my colleagues threaten a fight if abortion remains in a final health care plan. I guarantee a fight if it is taken out."

But the letter itself, which was also signed by at least five Republicans, was more carefully worded: "We feel compelled to convey to you our strong commitment that any health care reform package that comes before the House must contain coverage for contraceptive and abortion services if it is to gain our support."

Second-Class Citizenship

Representative Patricia Schroeder, a Colorado Democrat, was one of several members who argued today that dropping abortion coverage from the basic package would relegate women to second-class citizenship. "Universal means universal," she said. "Doesn't universal include women?"

Supporters of abortion rights also argued that most private plans already provide abortion coverage. But Medicaid, which provides health care for the poor and is financed by the states and the Federal Government, has long had restrictions on abortion coverage despite efforts by abortion rights groups to eliminate them.

In other developments on health care, a group of conservative and moderate Democrats in the House met to try to exert some influence on the coming floor fight over health care legislation.

Among the organizers of the meeting was Representative Jim Cooper, the Tennessee Democrat who has long pushed a health care bill that would seek to expand coverage and reorganize the health marketplace without putting new requirements on businesses to pay for insurance.

A Bipartisan Alternative

Mr. Cooper, flanked by his bill's chief Republican co-sponsor, Representative Fred Grandy of Iowa, declared that his group hoped to come up with a bipartisan health care alternative that could be considered and debated on the floor. Mr. Cooper said that more than 100 members of the House had signed on to bipartisan, more incremental approaches to overhauling the health care system, and maintained that they could be the basis for an emerging center.

Mr. Grandy acknowledged that time was short for developing a new consensus on an alternative plan, but argued that since the Democratic leadership had promised a floor vote to liberal lawmakers supporting a Canadian-style single-payer system, the leaders ought to give a hearing and a vote to a more incremental, bipartisan approach.

In their closed meeting today, the House members were briefed by Senator John C. Danforth, Republican of Missouri, and Senator John B. Breaux, Democrat of Louisiana, both of whom played a key role on forging a bipartisan approach in the Senate Finance Committee.

After the meeting, which Mr. Cooper said was attended by about 40 members, the Tennessee Democrat said the members had decided to form a working group to try to come up with a bipartisan alternative, and had to send a letter to the leadership seeking a vote on it.

"There's a remarkably strong and widely held feeling that a bipartisan alternative needs to be considered on the floor," Mr. Cooper said. "I think the center is beginning to form in this debate."

He suggested that the Senate Finance Committee's bill was a useful starting point. Critics of that bill contend that it fails to pay for its promise of expanded coverage.

The bill also falls short of President Clinton's goal of universal coverage, and seeks to contain costs and expand coverage by such measures as new regulations of the insurance industry, subsidies for low-income people and the creation of new market mechanisms, such as insurance purchasing cooperatives.

THE NEW YORK TIMES, THURSDAY, JULY 14, 1994

Drive Is Opened to Fight Cuts in Medicare

By ROBERT PEAR
Special to The New York Times

WASHINGTON, July 13 — Hospital lobbyists began today what they described as an all-out fight to prevent Congress from making the kind of large cuts in the growth of Medicare that several committees have proposed as a way to finance health coverage for people who are uninsured.

Hospitals have generally supported President Clinton's effort to guarantee health insurance for all Americans, and they have endorsed many of his specific proposals to redesign the health care system.

But leaders of the American Hospital Association, the main lobby for the industry, said today that several Congressional panels, particularly the House Ways and Means Committee, had gone too far in tapping Medicare as a source of money to pay for new benefits and new coverage.

Medicare finances health care for 36 million elderly and disabled people. The cost to the Government is $160 billion this year.

Mobilizing Hospital Workers

The lobbyists said they would mobilize hospital employees and trustees across the country, urging members of Congress to spare Medicare and find other sources of revenue. In many Congressional districts, hospitals are among the largest employers.

Richard J. Davidson, president of the American Hospital Association, said: "In its quest for universal coverage, Congress looks to Medicare as a huge source of money, a bottomless well. The Medicare cuts in the Ways and Committee bill are a farce. If Congress is serious enough to make a commitment to assure universal coverage, it should be serious enough to make the tough choices to pay for it.

"Members of Congress ought to quit kidding themselves. You cannot finance health care reform on the backs of hospitals and doctors who serve the elderly, or else you will harm the quality of care."

Representative Pete Stark, the chief architect of the Ways and Means Committee bill, rejected these complaints. "Hospitals," he said, "have always looked at Medicare as a bottomless pit to pay them.

"I'm dumbfounded by the hospitals' terribly narrow and parochial attitude," said Mr. Stark, a California Democrat who is chairman of the Ways and Means Subcommittee on Health. "One would think they might have some interest in the health of the community at large and not just in their own self-interest. This bill is a good deal for hospitals that are well-managed. It's not too good a deal for hospitals that want to make a huge profit off sick people."

> *"In its quest for universal coverage, Congress looks to Medicare as a huge source of money, a bottomless well."*
>
> **RICHARD J. DAVIDSON**
> **American Hospital Association**

Looking for $110 Billion

The Ways and Means Committee would slice $110 billion, or 10 percent, from projected Medicare spending over five years. Nearly two-thirds of the savings would come from Medicare payments to hospitals. President Clinton proposed Medicare savings of $103 billion, including $70 billion from hospitals. The Senate Finance Committee bill would cut about half that amount.

The House bill would set annual limits on Medicare spending, and it would gradually slow the growth of the program, so that after four or five years Medicare would not be allowed to grow any faster than the economy as a whole.

Despite strenuous efforts by Congress to rein in medical costs, limiting doctors' fees and payments to hospitals for specific procedures, Medicare now grows more than twice as fast as the economy. Part of the reason is that medical prices have been rising rapidly, and the type of care provided to elderly patients is more complex than it was just a few years ago.

The Ways and Means Committee bill sets Medicare spending limits for 10 separate categories of services. Thomas P. Nickels, a lobbyist for the hospital association, said these limits would perpetuate recent trends.

Services that have been growing fast in recent years, like home health care and nursing home care, would get a bigger and bigger share of Medicare spending, he said, while services like hospital care, which has been growing slowly, would get a dwindling share of the total.

Hospital lobbyists are telling members of Congress that under the Ways and Means Committee bill, Medicare would pay only 67 cents for every dollar of costs incurred in caring for patients admitted to hospitals, down sharply from 95 cents at present.

"Losses of this size cannot be made up through increased efficiency," said Mr. Davidson of the hospital association.

Clinton Administration officials and many Democrats in Congress say hospitals should be able to absorb cutbacks in Medicare because people who are now uninsured will have coverage in the future and can therefore pay their hospital bills.

Carmela S. Dyer, a vice president of the American Hospital Association, acknowledged that universal coverage would generate new revenue for hospitals. But, she said, the care provided free to people who are uninsured is much less significant than the proposed cutbacks in the Medicare program, which accounts for 40 percent of hospital revenue.

Moreover, she said, in the future, it will be difficult for hospitals to offset Medicare's underpayments by increasing charges to private patients, as they have done in the past.

"Market forces are already reducing our ability to shift costs," she said, and the Ways and Means Committee bill would virtually eliminate such cost-shifting because it would impose stringent new constraints on private health spending.

In the debate over health costs, hospitals have generally avoided the wrath of White House officials and members of Congress, who were more likely to criticize insurance companies and drug manufacturers. But if hospital lobbyists continue to mobilize their forces at the local level, they will immensely complicate the work of President Clinton and his allies in Congress, who want to squeeze large sums of money from Medicare.

Blockbuster's Park Clears a Hurdle

MIAMI, July 13 (Reuters) — Despite protests from environmentalists, H. Wayne Huizenga, chairman of Blockbuster Entertainment, won permission today from two Florida counties to levy taxes and use other quasi-governmental powers to build a giant theme park in South Florida.

Mr. Huizenga plans a $1.4 billion complex northwest of Miami with water sports, amusements, a movie studio, a golf course, a hockey arena for the Florida Panthers and a baseball stadium for the Florida Marlins.

DIARY

Health Care Developments

YESTERDAY

Leaders of the House and Senate continued their efforts to combine bills passed by committees into single measures for action on the House and Senate floor, while lobbyists stepped forward to press their views on two disputed issues: cuts in Medicare growth and abortion.

CONGRESS

House Abortion gained new prominence as a divisive issue as scores of Democrats signed a letter to Speaker Thomas S. Foley declaring their "strong commitment" to covering abortion in health legislation. Their letter was timed to coincide with the announcement today by the nation's Roman Catholic bishops that they would mobilize church members to fight any health legislation that required benefits packages that included abortion coverage. Still, strategists for the House leadership said they believed a solution could be found to prevent legislation from stalling over the issue.

Senate The majority leader, George J. Mitchell, discussed the legislation with the chairmen of two Senate committees that approved versions of a health care bill, Senator Edward M. Kennedy, chairman of the Labor and Human Resources Committee, and Daniel Patrick Moynihan, chairman of the Finance Committee.

THE NEW YORK TIMES, THURSDAY, JULY 14, 1994

12

Hill Democrats anti Stephens, too ✓

Kennedy demands investigation

By Steve Langdon
CONGRESSIONAL QUARTERLY

White House aide George Stephanopoulos isn't the only one to "blow off steam" because of the decision of the Resolution Trust Corp. to hire former federal prosecutor Jay Stephens to work on Whitewater-Madison related investigations.

Congressional Democrats are crying foul, too. But like Mr. Stephanopoulos, they can't do anything about it.

Mr. Stephanopoulos, one of President Clinton's closet advisers, got in hot water after he telephoned Joshua Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, on Feb. 25 to complain about the RTC's hiring of Mr. Stephens.

Both Mr. Steiner and Mr. Stephanopoulos were summoned before a federal grand jury investigating the Whitewater-Madison affair to testify about the conversation. There is no evidence that either Mr. Steiner or his boss took any action in response to the Stephanopoulos call.

The RTC is an independent federal agency formed in 1989 to shut down failed savings and loans, sell off their assets and pay off depositors.

The RTC this year retained Mr. Stephens' law firm — Pillsbury, Madison & Sutro — to work on civil claims against the failed Madison Guaranty Savings and Loan Association. Madison was owned by James B. McDougal. Bill and Hillary Rodham Clinton's partner in Whitewater Development Corp. Investigators are examining whether Madison funds were improperly funneled into Whitewater, thus contributing to the S&L's collapse.

Mr. Stephens served as U.S. attorney for the District of Columbia until Mr. Clinton essentially fired him, along with the 93 other Republican-appointed U.S. attorneys, early last year. Most went quietly, but Mr. Stephens complained loudly, charging the "unprecedented" move could, "by design or default," disrupt sensitive investigations.

At the time, Mr. Stephens was heading a very sensitive investigation into reported financial misconduct by House Ways and Means Chairman Dan Rostenkowski, Illinois Democrat. Some saw the Stephens protest as a thinly veiled allegation that Mr. Clinton was trying to protect a crucial administration ally from indictment.

Rep. Stephen Neal, North Carolina Democrat and a senior member of the House Banking Committee, said the RTC's decision to hire someone with Mr. Stephens' background is "outrageous, almost unbelievable."

Rep. Bruce Vento, Minnesota Democrat and another Banking Committee member, said it is "a political conflict — a pretty obvious one. It's a real blunder by the firm and the RTC.

Several Democrats believe Mr. Stephens has "a political ax to grind" with Mr. Clinton, according to Mr. Vento. "He was the only one that actually resisted" Mr. Clinton's request for the U.S. attorneys' resignations, he said.

But Rep. Toby Roth, Wisconsin Republican and ranking minority member on the Banking Committee, disagreed. "We need more people like Stephens [working for the RTC] to provide some balance," he said.

Mr. Stephens is prohibited from commenting on RTC work but said in an interview, "Whatever legal matters I am working on would be done with integrity and independence in a highly professional manner."

The RTC would only say, "We are not aware of any conflict in what he is working on for the RTC."

Despite their ire over Mr. Stephens' Whitewater-Madison role, most Democrats aren't about to call for his ouster.

But at least one Democrat wants an investigation into Mr. Stephens' hiring. "It reeks of Republican cronyism. I think the committee should investigate how Jay Stephens got the job," said Rep. Joseph Kennedy, Massachusetts Democrat and Banking Committee member.

The bright side for Democrats: Mr. Stephens' hiring helps "puncture the argument that we're trying to cover something up," said Rep. Barney Frank, Massachusetts Democrat, who also serves on the Banking Committee.

INSIDE THE BELTWAY

By John McC

Arkansas capitalism

A Justice Department official recently took it upon himself to read Labor Secretary Robert Reich's 1991 book, "The Work of Nations: Preparing Ourselves for 21st Century Capitalism."

"There is one passage," the official writes Inside the Beltway, "that I am having some difficulty with in the chapter 'The Problem Restated' on page 244:

"'. . . And leaders of Eastern Europe, China, and Arkansas, among many other places, are adapting to the ineluctable fact that capitalists will come to their jurisdictions not on an eleemosynary impulse but only out of greed; thus are officials in all such locations seeking to make their environs as hospitably remunerative as possible.'

"At first," says the official, "I was taken aback by the combination of half a continent, and a country with what seems like half the people in the world, and an American state that is none of those. . . . Did Reich perhaps confuse some of the local greedy 'capitalists' in Arkansas with the outsiders?

"Frankly, I'm left at the dock but curious how Reich knew this in 1991?"

Labor Secretary Robert Reich's 1991 book offers a futuristic view of Arkansas-style greed

What's the rush?

Was that Webster Hubbell, who resigned his post as associate attorney general in mid-March, climbing out of a chauffeur-driven sedan Friday afternoon outside the Metropolitan Club?

Yes, says our source, who added, "I thought that fellow had gone."

It's doubtful the 46-year-old Mr. Hubbell is in a hurry to go anywhere, especially back to Little Rock, where investigators are poring over his old Rose Law Firm files to determine if the former Rose partner did, as the firm claims, overbill clients by hundreds of thousands of dollars and use firm money to pay personal expenses.

Color-blind society?

During a recent review of employee files, Inside the Beltway has learned, the U.S. Forest Service's office of personnel management and office of civil rights questioned the accuracy of the race, sex, national origin and disability (RSNOD) coding of the entire Forest Service staff.

As a result, on March 9 an extraordinarily worded order was issued to forest supervisors throughout the country, "requiring a review of the RSNOD coding of all permanent employees," to be completed no later than April 2.

"If an employee is coded as being of one particular race, yet you believe them to be of different race, the Forest Civil Rights Officer . . . is to personally contact the employee and inform them, confidentially, that there appears to be an error in the coding of their race," directs the order signed by Leon Bennett, director of personnel management, and Anne M. Boeder, director of civil rights.

"The same procedure is to be used for questionable disability and sex codes," the order states, adding that "since compliance with any request to change the RSNOD data is strictly voluntary on the part of the employee, we can never be assured of 100 percent accuracy."

The unusual order warns each supervisor that the written report they submit "for this project is to be shredded as soon as the review is completed."

Don't ask us

"Dear Inside the Beltway," writes Ken Bashford of Springfield.

"Spiro Agnew, Richard Nixon, Richard Allen, Anne Burford, Earl Butz, James Watt, Ed Meese, Ollie North, Ronald Reagan, Nancy Reagan, Robert Bork, John Tower, George Bush, Neil Bush, Clarence Thomas.

"Now all of a sudden in 1994 we are seeing an unprecedented outbreak of journalistic soul searching and self-flagellation in response to the reporting of the Whitewater story. Why is this?"

Era or error?

At noon today on the University of Maryland campus, a panel discussion will examine the current and controversial "Political Correctness (PC) Phenomenon."

The agenda includes: What exactly is this thing we call PC? Does it represent a new epoch of tolerance or does it pose a threat to freedom of speech and expression? Is PC a passing fad or does it represent a fundamental long-term change in our society and culture?

The panel discussion, we're told, is sponsored by the university's Diversity Initiative, a year-long series of activities "exploring and celebrating diversity and multiculturalism" at Maryland.

Sounds to us like a PC initiative.

Too much to count

So you thought the national debt totaled only $4.9 trillion? Think again, says National Taxpayers Union Foundation director Sid Taylor.

"Today, hardly anyone in Washington, including the secretary of the Treasury, knows our real total national debt," Mr. Taylor tells us.

Mr. Taylor's own research, on the other hand, uncovers nearly $17 trillion in the debt ceiling, long-term commitments, fiscal liabilities and contingencies of the federal government.

Not on your life

Asked whether she favors placing a so-called "Twinkie tax" on junk food to help pay for universal health care, Health and Human Services Secretary Donna Shalala quipped, "Not with this president."

bc-whitewater-stephens - a2138
(ATTN: National editors)
Clash Over RTC Attorney Spawns Serious Whitewater Question (Washn)
By James Risen and Ronald J. Ostrow= (c) 1994, Los Angeles Times=

WASHINGTON At the time, career civil servants at the Resolution Trust Corp. wanted most to avoid being second-guessed in their probe of a failed Arkansas thrift with links to President Clinton and the Whitewater affair. So it seemed natural to hire a former federal prosecutor, a Republican, who would never be accused of taking a dive for the White House.

But what senior White House aides wanted most was to protect the president from more of what they considered unfair attacks by blood-thirsty Republicans and over-zealous journalists. So it seemed natural to react with anger when they learned they were to be investigated by one of the most openly critical, partisan lawyers in the capital.

From the collision of those two points of view has come one of the potentially most serious elements in the tangle of questions and accusations surrounding Bill and Hillary Clinton's Arkansas land deal.

The reaction of two senior White House aides to the appointment of former U.S. Attorney Jay B. Stephens to handle the RTC investigation of Madison Guaranty Savings and Loan is now part of special counsel Robert B. Fiske Jr.'s expanding probe into the Clintons' Arkansas real estate investment and related matters.

Fiske now is trying to determine whether Clinton adviser George Stephanopoulos improperly attempted to reverse Stephens' hiring by putting pressure on Treasury Department officials, who were temporarily overseeing the RTC. In theory, that could ammount to obstruction of a federal agency proceedinga felony under federal law.

Whatever the legal outcome of this phase of Fiske's investigation, the story of the Stephens appointment and the Clinton administration's reaction to it is a quintessential tale of the way politics and Washington's career bureaucracy interact a story of the defensive fears and anxieties that sometimes do more to drive events than aggressive plans or tactics.

RTC officials say they never anticipated that their decision to hire Stephens would horrify senior White House aides and ultimately add another layer of intrigue and controversy to the ongoing Whitewater affair.

The regulatory agency will not acknowledge publicly that it has reopened its long-closed probe of Madison, the defunct Arkansas thrift at the center of the Whitewater affair, or that Stephens has been retained to head the investigation. But the sequence of events that led to the hiring, and the reasoning on which it was based, were revealed in interviews with agency sources who spoke on condition of anonymity.

Under pressure from Congress to move quickly on the Whitewater-related investigation early this year, the RTC's legal services committee rapidly approved a contract hiring Stephens and his San Franscisco-based law firm in early February.

RTC officials saw in Stephens an experienced and zealous prosecutor with strong credentials in S&L cases; he was already handling another case for the RTC involving a failed thrift in Virginia. The White House, however, saw only a political enemy.

While it may have been news to some RTC officials, the enmity between Stephens and the Clinton White House was hardly a well-kept secret.

Stephens had been fired last year by Attorney General Janet Reno, along with other Republican holdovers from the Bush administration, just as he was trying to assemble a prosecution against a close Clinton ally, House Ways and Means Committee Chairman Dan Rostenkowski, D.-Ill. After his firing, Stephens made an abortive run for the Republican nomination for Senate in Virginia, and made surprisingly detailed comments about the Rostenkowski probe, which is still continuing.

Stephens suggested at the time that politics played a role in easing him out. He was only 30 days away, he said, from making ``a critical decision with key questions regarding Whitewater will be whether Fiske is the right man to sort through these questions or whether the White House – and the country – now finds much of its political life being driven by someone who isn't up to the job. So far, Fiske has been criticized for everything from interviewing witnesses too quickly – and without taking enough time to prepare – to being too vocal in insisting that Congress abandon or at least delay Whitewater hearings. (Lawmakers will probably start thumping the gavel at Whitewater hearings sometime next month.) Still, an examination of Fiske's legal career and style suggest that he's likely to do a commendable job, albeit one that could go on for some time because of his penchant for thoroughness and running cases himself.

Fiske harks back to a more genteel age in American law. At 63, he has – with time off for stints in the Justice Department – been associated with just one law firm: New York's Davis, Polk & Wardwell. It is among the most blue-blooded of the city's firms, and Fiske's expertise is in one of the firm's specialties – white-collar crime. Fiske himself has a decidedly preppy pedigree – the private Pomfret School, Yale, a penchant for sailing. Lawyers who have worked with him, though, are quick to note that he's a "regular guy" who is very approachable. Still, when they tipped their hat to Fiske at a gathering of his attorneys some years back they gently teased him about his Connecticut WASPishness with a takeoff on Edgar Allan Poe's "The Raven":

As my friends are all Aryan
And settled into Darien
I know only finest peerage
And no peasants out of steerage.

If there is an organizing principle that defines Fiske as an attorney it is an almost passionate calm. Former federal Judge Harold Tyler calls him "a judge's lawyer" because Fiske's style is short on flamboyant gestures like preachy sermons or fancy legal maneuvers that can annoy judges. Instead, he relies on a steady onslaught of facts. It's a substance-over-style philosophy that Fiske learned from his mentor, Hazard Gillespie, a major litigator at Davis, Polk when Fiske was an up-and-coming lawyer.

Straight arrow. That ethos was on display in 1991 and 1992, when Fiske defended David Brown, a land developer in Miami tried on accusations of real estate fraud. Fiske and his team of lawyers holed up in their hotel for nine months, doing their own laundry down the hall, and poring over details. During that time, Fiske became an authority on the trial's growing transcript,

TRADING PLACES

Accounting for a $100K score

The morning after Hillary Rodham Clinton disclosed that she made $100,000 in less than a year on a $1,000 commodities investment, her aides were worried about public outrage. But no one called the White House switchboard to complain. Instead, there was a surge of phone calls expressing concern about an entirely different matter: People noticed that Mrs. Clinton had failed to wear a safety helmet while bicycling during her family's California vacation last week. The first lady got the word and began wearing a multicolored hard hat while pedaling around San Diego. But aides saw a larger point: The public cares very little about Whitewater and other quasi scandals surrounding Bill and Hillary Clinton.

That conclusion may be overly optimistic because questions remain about Mrs. Clinton's 16-year-old commodities transactions. Among them:

■ **Were the investments a form of cronyism not available to everyday folks?** White House officials admit that Arkansas lawyer James Blair, who represented Tyson Foods, advised Mrs. Clinton in 1978 on the transactions. At the time, Bill Clinton was attorney general and the favorite in that fall's gubernatorial election, which he won. Tyson subsequently benefited from decisions by Clinton's state government, and Blair and the Clintons remain close friends. Still, the White House says it was not a sweetheart deal because Mrs. Clinton conducted her own trades and was exposed to considerable risk of losses if her investments bombed.

■ **Was Mrs. Clinton aware that her main broker, Robert "Red" Bone of Refco Inc., had been penalized for his business practices?** Bone and Tyson Foods (where Bone was vice president) had been accused in 1970 of trying to rig the price of eggs. Under a legal settlement reached in August 1977 – a year before Mrs. Clinton's commodities venture began – Bone was barred from fu-

Catching up. *The Clintons seek R&R and start planning ways to dig out of their mess.*

Clearing up. *Deputy Treasury Secretary Roger Altman (far left) says he was not subject to improper interference by departing White House counsel Bernard Nussbaum (upper left) and top aides George Stephanopoulos and Harold Ickes.*

which eventually swelled to 26,000 pages.

Carey Dunne, who worked on the case, recalls that toward the end of the trial, disputes about long-ago testimony would arise in court: "Inevitably, Bob would stand up in April and say, 'Most respectably, your honor, witness so and so said X back in October.' If Bob remembered it, it was accurate." While Fiske and his young associates waited for the verdict, they shot pool one night until 3 a.m. Brown was exonerated on 39 of the 40 counts against him, and the remaining charge is being appealed.

In other cases as well, Fiske had an uncanny capacity to immerse himself in technical detail. Among his biggest triumphs was successfully defending the manufacturing giant of Babcock & Wilcox, the company whose machinery was blamed for having caused the Three Mile Island nuclear disaster in 1979. "Bob had to become a nuclear engineer for all practical purposes," says Henry King, managing partner of Davis, Polk.

One interesting thing to watch in coming months is Fiske's demand for secrecy. Back in the 1970s, he made the lawyers in the U.S. attorney's office dealing with one sensitive case sign affidavits that they had not leaked information. And when news reports recently suggested that leaks were coming out of his Little Rock operation, Fiske gave an angry defense of his team, and most doubted that the disclosures were coming from anyone working for him.

More important will be clues about when and where Fiske pursues indictments. He is not likely to do so unless he thinks he can win. As U.S. attorney in New York, Fiske often displayed a good intuitive sense of which convictions would hold up and which wouldn't. He was also fearless about going after tough cases that other prosecutors had found hard to crack.

Years from now, will Fiske's Whitewater staff gather for reunions to talk about the convictions of White House staffers in obstructing justice? With Roger Altman lifting the pall over his colleagues, that seems increasingly doubtful. ■

BY MATTHEW COOPER AND DAVID BOWERMASTER WITH GLORIA BORGER AND GREG FERGUSON

tures trading for 30 days. Later, Bone was accused by regulators of mingling his accounts and allocating profits to favored clients and was subsequently fined for "serious and repeated violations of record-keeping functions, order entry procedures, margin requirements, and hedge procedures." But the White House says Mrs. Clinton knew nothing of the problems and informed industry sources say there is little chance there is a paper trail that could tie her to any questionable trading.

■ **Were the Clintons political hypocrites?** During the presidential campaign, they attacked the "greed" of the 1980s and portrayed themselves as public servants who were not interested in money. Yet Mrs. Clinton plunged into what might be seen as a get-rich-quick scheme.

Mrs. Clinton also brought substantial business to Arkansas's Rose Law Firm, where she was a partner while her husband was governor. For example, *U.S. News* has learned that the Rose firm was paid $101,630 by the Washington-based National Center on Education and the Economy in 1991 for an eight-month stint by Mrs. Clinton during which she helped direct an education-reform program. Mrs. Clinton was also a member of the center's board of trustees, which endorsed the contract. She resigned the day before Bill Clinton announced his presidential candidacy. A spokesman for the center had high praise for Mrs. Clinton's work. Acting White House legal counsel Lloyd Cutler told *U.S. News* it was a "quite conventional" arrangement for any law firm.

To counteract her image problems, Mrs. Clinton has been taking more interest in damage control on her behalf.

Administration sources say she was pleased when White House Chief of Staff Mack McLarty put Whitewater strategy under the talented White House staff secretary, John Podesta. Mrs. Clinton also wanted Cutler, a widely respected figure in Washington, to take a high-visibility role in defending the Clintons, which he has done.

Perhaps the biggest lesson Mrs. Clinton has learned from Whitewater, aides say, is that she must be more open about the issue. President Clinton's recent press conference on Whitewater increased his job-approval rating by 10 percentage points. "What we've learned, and what Mrs. Clinton has learned, is that disclosure isn't the worst thing in the world," says a senior administration official.

BY KENNETH T. WALSH WITH GREG FERGUSON

'VERY P LI IT

Leach Whitewater hearings too narrow

By JANE NORMAN
Of The Register's Washington Bureau

Washington, D.C. — Beginning July 26, the House Banking Committee finally will hold hearings on Whitewater — a development Rep. Jim Leach of Iowa has been advocating for months.

But Leach, the senior Republican on the committee, said in an interview Tuesday that the hearings will be very narrow in scope, and likely will touch on few of the questions he has raised about the controversy.

Leach said he does not know yet whether he will be able to call any witnesses for the hearings. Questions he or other Republicans ask may be ruled out of order by the Democratic chairman of the committee, who has been bitterly opposed to hearings.

"There is a decision by the leadership of the House to hold a hearing on about 5 percent of the Whitewater circumstance," Leach said.

"The hearing that is now tentatively scheduled for July should not be considered a benchmark kind of hearing," he said. "It is basically a very preliminary side issue probe."

Banking Committee Chairman Henry Gonzalez, D-Texas, announced Monday that the hearings will focus on the removal of files from the office of Vince Foster, a White House lawyer, soon after his death. Foster handled Whitewater matters for President Clinton.

Also, Gonzalez said hearings will examine contacts between administration officials and banking regulators. Both of these aspects of Whitewater are known as the "Washington phase" of an investigation by special counsel Robert Fiske.

Jim Leach
Seeks more disclosure

Fiske, who is expected to issue a report soon on that phase of his inquiry, also has been invited by Gonzalez to testify at the July hearings.

Leach said this means the hearings will not examine "the heart of Whitewater and analogous circumstances, which is everything that occurred in Arkansas." Leach and his minority staff have been investigating the failure of an Arkansas savings and loan, Madison Guaranty, and the ties between its owners and the president and his wife, Hillary Rodham Clinton.

Leach said he will respond to Gonzalez with a letter suggesting additional witnesses "as well as a modest broadening of the probe" to at least include contacts between Washington officials of the Resolution Trust Corp. and RTC officials in Kansas City who investigated Madison.

Leach has alleged that improper pressure was placed by Washington RTC officials upon the Kansas City investigators to quash their Madison inquiry.

"Clearly there is a very considered intent to limit the scope" of the hearings, Leach said. "I have argued from the very beginning this is not the world's largest issue. But you have to put it behind, and the way you put it behind is have a full-blown public review through the hearing process."

Democrats "just pique curiosity" by resisting broader hearings, he said.

Leach and Gonzalez have been at odds, with Leach fighting for greater disclosure of Whitewater information on the House floor and in the federal courts. Gonzalez recently filed a complaint with the ethics committee about Leach's ties to an endowed chair at an Iowa college; the panel said Leach violated no House rules.

But Leach said he will not carry any animosity into the hearings.

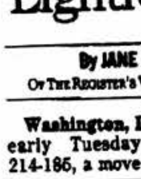
"I will proceed exactly on the facts, exactly with the greatest comity I can possibly muster," he said. "If the chairman wishes to respond in any way he wants, that's his right as a member of Congress."

ATTEMPT TO STRIP U.N. FUNDING

Lightfoot amendment on Haiti defeated

By JANE NORMAN
Of The Register's Washington Bureau

Washington, D.C. — The House early Tuesday turned down, 214-186, a move by Rep. Jim Ross Lightfoot, R-Ia., to strip a $25 million U.S. contribution to United Nations operations in Haiti.



Lightfoot
Opposes policy

Lightfoot, a member of the foreign operations subcommittee of the House Appropriations Committee, is opposed to U.S. involvement in Haiti.

"The Clinton administration has learned nothing from its nation-building venture in Somalia, which cost some of my constituents their lives," Lightfoot said on the floor.

He said the stated goals of President Clinton's policy on Haiti "do not include any American exit strategy."

The New York Times recently reported that the administration is preparing creation of an international peacekeeping force that would involve several thousand American troops, police and civilian contractors. The force would be authorized if and w military leaders leave Haiti and ousted president Ber- tr Aristide is returned to office.

More Haitians are being picked up by the Coast Guard as they flee their homeland. The boat people have overwhelmed American officials and the situation has led to speculation that military intervention in Haiti may be used soon by the Clinton administration to restore Aristide.

Lightfoot asked that the House send back to committee a bill doling out funds for operations of the Commerce, State and Justice departments. The bill included $25 million budgeted as the U.S. share of U.N. peacekeeping operations in Haiti.

"Let's remove funds from this bill for Haitian peacekeeping now, and once the president shows us a plan and demonstrates the national interest, consider adding the money back in," said Lightfoot.

But Rep. Alan Mollohan, D-W.Va., said the amendment was "patently unwise" because it would telegraph U.S. intentions to Haiti's military rulers. "We should not . . . take options away from the president as he deals with this matter," Mollohan said.

All of the Republicans in the Iowa delegation — Jim Nussle, Jim Leach and Fred Grandy — voted with Lightfoot. Rep. Neal Smith, D-Ia., voted against the amendment.

The Des Moines Register

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The Washington Times
SUNDAY, JULY 10, 1994 ★

CLAUDIA WINKLER

Whitewater inquiry's political blinders

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

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

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

As well it should. In all, the independent counsel examined an astonishing "more than 20" face to face meetings and telephone calls between White House and Treasury officials on the subject of the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan. Madison was owned by the Clintons' friend and business partner, Jim McDougal, and its failure cost taxpayers an estimated $70 million. RTC investigators referred Madison to the Justice Department for criminal investigation and named the Clintons as possible beneficiaries of Madison funds.

The facts should be exposed.

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

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

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

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

Claudia Winkler is chief editorial writer for Scripps Howard Newspapers.

Fiske says no ·o House hearings

By Jerry Seper
THE WASHINGTON TIMES

A1

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

The hearings are scheduled to begin July 26.

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

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

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

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

see **FISKE,** ***page A14***

FISKE ✓

From page A1

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

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

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

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

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

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

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

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

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

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

Mr. Fiske approved of calling several regional RTC superv rs and others listed by Mr. Gonzalez as potential witnesses, including U.S. Park Police officials, former FBI Director William S. Sessions, and Clinton campaign advisers Betsey Wright, James Lyons and Jack Palladino.

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

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

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

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

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

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

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The Washington Times
SATURDAY, JULY 9, 1994

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

Special Counsel Says 2 Clinton Appointees Are 'Potentially Involved'

By Susan Schmidt
Washington Post Staff Writer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fiske's request that the committee not call RTC investigators who conducted the Madison probe is a potential blow to Republicans. Rep. Jim Leach (Iowa), the committee's ranking Republican, has released memos written by the lead Madison investigator, L. Jean Lewis, showing she believed officials in Washington wanted to derail the Madison probe.

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

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

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

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

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

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

Staff writer Ann Devroy contributed to this report.

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bc-rosefirm - a1731
(ndy) (ATTN: National editors) (Includes optional trims)
Records: Rose Firm Was Dumped Over Conflict in Foreclosure Case
By Kevin McCoy and John Riley= (c) 1994, Newsday=

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

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

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

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

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

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

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

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

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

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

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

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

Hillary Clinton was not involved in the foreclosure proceedings.

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

(Optional add end)

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

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

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

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Fulbright's Link With Whitewater

For Many Years, Senator Put Trust in Land Developer McDougal

By Susan Schmidt
Washington Post Staff Writer

Of all the curiosities in the Whitewater affair, one of the most puzzling is the relationship between former senator J. W. Fulbright (D-Ark.), a statesman revered around the globe, and developer James B. McDougal, a country banker who prowled for "dirt deals" along Ozark Mountain byways.

Fulbright, long the powerful chairman of the Senate Foreign Relations Committee, was the patriarch of the Democratic "political family" that dominates Arkansas politics. His opposition to the Vietnam War during the 1960s was a beacon that drew to his office some of the state's brightest young people, including McDougal and Bill Clinton.

Fulbright helped McDougal branch from politics into banking and real estate. He was one of the original investors in McDougal's first bank, the tiny Bank of Kingston, and participated in a half-dozen land deals he put together. Some of these have come under scrutiny by special counsel Robert B. Fiske Jr., who is investigating McDougal's business relationship with President Clinton and the Clintons' ties to the now-defunct Madison Guaranty Savings & Loan, which McDougal owned in the mid-1980s.

Fulbright's name also appears on a $3,000 Madison cashier's check made out to Clinton in 1985, a matter Fiske is examining as part of an investigation into whether Madison funds improperly went into Clinton's gubernatorial campaign. There is no public evidence thus far that Fulbright did anything improper or knew about the cashier's check.

Much has been written about the involvement of various political figures with Madison—the Clintons, Arkansas Gov. Jim Guy Tucker, former municipal judge David Hale, onetime Little Rock mayor and associate U.S. attorney general Webster L. Hubbell. But what of Fulbright, now 89 years old?

Fulbright's integrity has been considered above reproach throughout his long career, from his days as a Rhodes scholar and gentleman farmer to his later life as a Senate power and authority on international affairs.

Now living in Washington but incapacitated as a result of several strokes, Fulbright is unable to explain how he landed in what now appears such strange company.

Attorney David Capes and longtime Fulbright aide Lee Williams are handling the ex-senator's affairs with regard to Fiske's inquiry. Capes said they have complied fully with subpoenas for Fulbright's records of land deals with McDougal.

It was during the late 1960s and early '70s that Clinton, Tucker, Hale and McDougal all got to know each other, and some of those early ties began with Fulbright. Clinton worked in Fulbright's 1968 reelection campaign with McDougal and as an intern on the senator's Washington staff. Tucker, who would become a partner in various Madison-financed investments, was McDougal's housemate for a time.

"Fulbright was the star about which all these young planets orbited in the '60s and '70s," said Little Rock lawyer Sandy McMath, who in the '70s was a social friend of Tucker, Clinton, McDougal and Hale.

"It was a political kinship, an intellectual kinship," said Arkansas columnist John Brummett. "It makes sense that they would all be friends."

Williams, Fulbright's longtime top assistant, remembers McDougal as an invaluable aide in the home office who knew everybody in politics around the state and squired the senator to fish fries and political events when he returned to Arkansas. McDougal was a wicked mimic and entertaining companion, able to talk about politics, history and literature.

"On a 60-mile stretch of backcountry road, he could be a very engaging fellow," said Williams.

Fulbright seemed to develop a real affection for McDougal. "I financed McDougal in the real estate business beginning in 1975 shortly after I was defeated in the 1974 election," Fulbright wrote to one of his advisers in 1987. "He had worked for me in the Little Rock office and was in need of something to do after my defeat."

McDougal wanted to buy up agricultural land, subdivide it and sell lots at residential prices. He found a willing investor in Fulbright, whose father started as a bank owner and land speculator. Jay Fulbright parlayed those investments into the beginnings of a fortune that would make the Fulbrights one of the wealthiest families in Northwest Arkansas.

"McDougal was a finder and a financier," said McMath, himself son of an Arkansas governor. "He was thought of as a hail fellow well met, with the good deal and the easy finance." Sometimes McDougal seemed uncertain he had the respect of his friends, McMath said. His attitude seemed to be "he'd show them by crackie—he'd make it big and help them too."

Fulbright invested 50-50 with McDougal in a venture called Rolling Manor, in which Clinton briefly held a small investment as well. Rolling Manor bought several parcels of land around the state and subdivided it.

Federal S&L investigators suspect that Rolling Manor was one of about a dozen "shell corporations" created by McDougal that owned land but had little true business purpose. Fiske is investigating allegations from the Resolution Trust Corp. that those McDougal companies—including the Clinton-McDougal Whitewater Development Corp.—were used in check kiting schemes in the mid '80s that drained money from Madison deposits.

Capes, Fulbright's lawyer, said he has been told by Fiske's staff that Fulbright is not a target of the investigation. The RTC referred Fulbright for criminal investigation last fall based on S&L records in two transactions, but investigators appear to be proceeding on the assumption that if any wrongdoing occurred, Fulbright may have been unaware of it.

Anxious to extricate himself from Madison deals, Fulbright turned to an old friend, the late Witt Stephens of Little Rock's billion-dollar investment banking empire that bears his name. Stephens lent Fulbright $240,000 to pay off the Castle Grande loan. Copies of checks provided by Capes show that Fulbright repaid the Stephens loan with interest the following year.

Fulbright's correspondence shows that he believed he was shortchanged by McDougal on the Castle Grande transaction. "It is a sad tale of misplaced trust, but I expect you have encountered it before," Fulbright wrote his accountant in late 1987.

McDougal later was tried and acquitted on fraud charges arising from Castle Grande.

Harriet Fulbright, in an interview last fall, said that in the end her husband felt his trusted friend and business partner McDougal "just got in over his head."

One area of Fiske's investigation concerns whether Madison funds were diverted to pay off Clinton campaign debts, and in one instance Fulbright's name appears on an April 1985 Madison cashier's check in the amount of $3,000 made out to Bill Clinton. Capes said he has told Fiske's staff that Fulbright does not appear to have provided such a check.

S&L records on a second transaction involving Fulbright show he received $50,000 from a company called Earth Movers, which had received the funds in transfers from the Whitewater account at Madison. Capes said McDougal sold a piece of Fulbright's land for him to Earth Movers, and for reasons the senator knows nothing about, appeared to transfer money through Whitewater.

Capes said Fulbright placed a high degree of trust in McDougal and often gave him the go-ahead to make land investments on his behalf over the phone or by mail.

Fulbright has lived in Washington for decades, and traveled back to his home state only three or four times a year since leaving Congress.

Capes and former Madison employees say Fulbright was taken aback to learn in mid-1986 that McDougal was being forced out of the S&L amid allegations by bank examiners that "sham" loans, insider dealing and reckless real estate projects had run Madison into the ground. That year, McDougal had convinced him to invest in Castle Grande, a planned industrial park and mobile home community near Little Rock. Fulbright took out a $700,000 loan from Madison to finance the venture.

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When I remarked to my brother that I needed to get to a bookstore to buy Bob Woodward's book about the inner workings of the Bill Clinton White House, he said, "Don't bother to buy it. I'll lend you mine. It's not something you'd want to keep."

I bought "The Agenda: Inside the Clinton White House" anyhow, but at Sam's, not at a bookstore, so I didn't pay the $24 cover price. At $14.95, it came pretty close to being worth the money. I will keep it.

As has been reported in news stories about "The Agenda," the book describes Clinton's indecisiveness, his temper tantrums and his willingness to depart from principle to effect compromises that will enable him to claim victory on the issue of the day in ways that surely delight Republicans.

However, I think that, overall, the book should leave anyone able to read between the lines with an impression of Clinton more favorable than the one generated by day-to-day news coverage.

But this is not a book that Friends of Bill who see him as a paradigm of strength and integrity will enjoy, because it reveals that election to the nation's highest office did not change him. He took to the White House all the personality faults that kept him from being a good governor.

Clinton critics will see in "The Agenda" many parallels between the way he operated during his first nine months in the White House and the way the Arkansas statehouse was run during his first year as governor, when he surrounded himself with a squad of squir-

John R. Starr

rels so inept that he was defeated in 1980.

A lot of Clinton's presidential problems have stemmed from his insistence on keeping members of his campaign team as free-lance White House advisers. Often, Woodward reports, he has been torn between conflicting advice from the campaign folks and the White House staff.

Clinton's enemies will delight in reading about the times when Clinton and his campaign advisers cold-bloodedly devised promises that he had no intention of keeping whenever he appeared to be slipping in the polls.

Sauce for the goose

I haven't written much about the Haiti crisis because Clinton's policy on Haiti changes so rapidly that any comments might be outdated before they could be published.

However, let me note that anyone who knows Clinton must have been amused by his criticism of Haiti's military leaders for breaking their promise to leave peacefully.

Clinton, who has broken more promises than any politician in recent memory, seemed genuinely offended that the Haitians had broken their promise to him.

An unexpected trend

USA-Today, quoting the Justice Department, reports that the husband is the assailant in about two-thirds of spousal murders.

Black women are doing better than whites in this particular statistic. While 62 percent of the victims in white spousal slaying were women, only 53 percent of black victims were female.

Researchers said the finding that black husbands and wives kill one another at about the same rate was "one of the unexpected trends found in the study."

A liberal flip-flop

What does it take to make a liberal face reality? Just show him a poll indicating that he may lose the next election.

New York Gov. Mario Cuomo, seeking a fourth four-year term, now says he's willing for the people of New York to decide whether the state will impose the death penalty.

Cuomo, who has vetoed a death penalty bill in each of his 12 years in office, did his flip-flop after a poll showed him trailing Republican state Sen. George Pataki by 40-35. Pataki supports the death penalty.

Could New Yorkers be singing "Arrivederci, Mario" in November?

Maybe Cuomo should have taken the Supreme Court position Clinton wants to offer him.

John R. Starr is the former managing editor of the Arkansas Democrat-Gazette. His column appears every day.

Fiske declines 2nd time to testify

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Special counsel Robert Fiske Jr. declined again Tuesday to testify during this month's congressional hearings into the Whitewater Development Corp. affair.

Fiske objected last week to appearing at House Banking Committee hearings that are scheduled to begin July 26. Banking Committee Chairman Henry Gonzalez, D-Texas, asked Fiske to reconsider his decision.

"I continue to believe that it is inappropriate and could impair my effectiveness as independent counsel to be questioned before Congress while the major part of my investigation is ongoing," Fiske wrote to Gonzalez in a letter released Tuesday.

Fiske, who was appointed in January by Attorney General Janet Reno, is nearing the completion of the Washington phase of his investigation. The more extensive Arkansas phase is in its early stages.

The Washington phase, which will be the focus of this month's congressional hearings, includes the death of Deputy White House Counsel Vincent Foster and meetings between Clinton administration officials and federal officials investigating the failure of Madison Guaranty Savings & Loan Association.

Fiske concluded last month that Foster, a Hope native and former partner in Little Rock's Rose Law Firm, committed suicide on July 20, 1993. Fiske also said no criminal wrongdoing occurred in the meetings between White House aides and Department of the Treasury officials.

The third element of Fiske's Washington investigation involves the removal of documents from Foster's White House office after his death. Fiske is expected to wrap up work on that issue this month.

Gonzalez wanted Fiske to be the first witness at the hearings. He said last week the special counsel's decision not to testify was an attempt to "sidestep explaining his actions" to Congress.

Although Gonzalez and other committee members could try to subpoena Fiske, it is unlikely such an effort would bear fruit.

Several experts, including former independent counsel Lawrence Walsh and former Iran-Contra committee counsel Arthur Liman, said Fiske is following federal law by declining to testify. They said it is unlikely a court would uphold a subpoena.

In other Whitewater developments Tuesday:

- Rep. Jim Leach, R-Iowa, said Richard Leon, a veteran Capitol Hill lawyer, will be the GOP's special counsel during the House hearings. Leach is the Banking Committee's ranking Republican member.

Leon was the deputy chief Republican counsel for the committee that investigated the Iran-Contra affair in 1987. Leon also worked as a special assistant U.S. attorney in New York's Southern District under Fiske, who was the district's U.S. attorney from 1976-80.

Leon will fill a vacancy on the committee staff. Unlike the House, Senate Democrats and Republicans added staff positions for Whitewater hearings.

- Sen. Alfonse D'Amato, R-N.Y., said the Senate Banking Committee's Whitewater hearings likely will begin July 29 — the deadline set by a Senate vote last month.

D'Amato, the committee's ranking Republican, said the Senate hearings could last up to two weeks.

The Scripps Howard News Service contributed to this article.

Arkansas Democrat-Gazette
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Politics & Policy: Leon Is Counsel for GOP In Whitewater Hearings

WASHINGTON -- Iowa Rep. James Leach, the top-ranking Republican on the House Banking Committee, named Richard Leon to be the GOP's special counsel for the panel's Whitewater hearings that begin July 26.

Mr. Leon, a partner in the Washington office of Baker & Hostetler, once worked for Robert Fiske, the special counsel who has been investigating Bill and Hillary Rodham Clinton's Whitewater Development Corp. real-estate investment and related issues since January. Mr. Leon was a special assistant U.S. attorney in New York when Mr. Fiske was the U.S. attorney there.

Mr. Leon was deputy chief minority counsel to the House select Iran-Contra committee in 1987, and in 1992 worked for the GOP side on the House Foreign Affairs Committee's "October Surprise" task force.

Mr. Fiske yesterday declined for the second time to testify at the House hearings, saying he thought an appearance could hurt his effectiveness while most of his inquiry is in progress.

The designation of Mr. Leon follows similar actions by the majority and minority sides of the Senate Banking Committee, which will begin its Whitewater hearings by July 29.

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THE WASHINGTON POST WEDNESDAY, JULY 13, 1994

Congress to Shield Whitewater Papers

White House Counsel, Banking Committees Negotiate Secrecy Terms

By Susan Schmidt
Washington Post Staff Writer

White House counsel Lloyd Cutler has reached an extraordinary secrecy agreement with the Senate Banking, Housing and Urban Affairs Committee to treat documents related to the Whitewater affair as classified materials until hearings begin later this month.

The House Banking, Finance and Urban Affairs Committee also has agreed to give the documents unusual protection. Cutler said yesterday the arrangements were negotiated with committee lawyers and intended to prevent "random leaking of documents out of context."

The documents, which detail contacts between the White House and the Treasury Department about the early stages of the Whitewater investigation, are being kept in safes in secure rooms under guard. The limited number of Republican and Democratic banking committee staff members allowed to see them are being asked to sign confidentiality agreements.

Republicans, who had waged a long struggle with Democratic leaders to schedule Whitewater hearings in both houses, agreed to the unusual terms because they were concerned that they might otherwise be denied access to the documents altogether, GOP sources said.

The thousands of pages of material, already heavily redacted, may contain politically embarrassing material, but nothing in the realm of national security. The secrecy arrangements are intended to prevent leaks in advance of hearings in both houses later this month.

"What's classified about Whitewater?" said Joseph E. diGenova, a Republican who formerly served as chief counsel to the Senate Rules Committee. "I give the White House credit for seeking that kind of protection," he said. "It's highly unusual. Congress doesn't agree to these sorts of limitations . . . such requests absent classified information are taken as an affront."

In a July 1 letter, Cutler said the documents were turned over "with the understanding that, until the time of the Senate Banking Committee hearing, the documents will be treated as if they are classified material."

Cutler's letter laid out detailed requirements about staff access to the materials. Staff members are not allowed to remove anything from the rooms, even their own notes.

The House Banking Committee has agreed to most of the security arrangements agreed to by the Senate committee but refused to go along with language treating the documents as if they were "classified material."

Cutler said House Banking staff members will sign confidentiality agreements before reviewing the materials. Banking Committee Chairman Henry B. Gonzalez (D-Tex.) in the past has refused to have his staff submit to confidentiality agreements. Even past banking investigations that touched on national security issues or those involving sensitive internal information on open banks have not been so closely held.

Gonzalez's spokeswoman said yesterday she would have no comment on any aspect of the committee's investigation, including whether confidentiality agreements will be required of staff viewing the documents.

Rep. Jim Leach of Iowa, the ranking Republican on the committee, said his aides "quite possibly" will sign such agreements. Senate staff members already have done so.

In a letter to Gonzalez yesterday, special counsel Robert B. Fiske Jr. declined for a second time the committee's request that he testify on the portion of his investigation that will be concluded when the hearings begin.

Fiske said he believes appearing before Congress could impede the major portion of his investigation still ahead. Congressional leaders have agreed the committee hearings will be limited to the narrow issues Fiske already has concluded.

Fiske recently issued a report on the death of White House deputy counsel Vincent W. Foster Jr., agreeing with authorities' original assessment that it was a suicide unrelated to Whitewater. He conducted a grand jury investigation of the White House-Treasury contacts, concluding there was no criminal intent to influence the Resolution Trust Corp.'s investigation of an Arkansas savings and loan owned by President and Hillary Rodham Clinton's partner in the Whitewater real estate investment.

He has said he will report in the coming days on whether there were improprieties in the way White House aides handled Foster's papers, including a file on Whitewater, in the days after his death.

June Prices At Producer Level Steady

By Jonathan D. Glater
Washington Post Staff Writer

Prices producers charged for finished goods remained unchanged last month, the Labor Department reported yesterday, providing fresh evidence that inflation remains at bay.

The producer price index, a gauge of inflationary pressures before they reach the consumer, rose at an annual rate of 1.6 percent for the first half of the year, compared with a 1.9 percent rise for the same period of 1993. Producer prices for all of 1993 rose 0.2 percent.

"There hasn't been any wholesale inflation for a year," said Bruce Steinberg, an economist at Merrill Lynch & Co. in New York. "That's pretty darn good."

The government reports on inflation at the consumer level for June today.

The stable index for June is largely the result of a fall in prices of tobacco, apparel, natural gas and residential electricity. The core index, which excludes more volatile energy and food prices, fell 0.1 percent, its first decrease since October.

Most analysts had predicted a slight rise in the overall index for June.

On Wall Street yesterday, the good news helped bond prices rise slightly as the yield on the benchmark 30-year Treasury bond, which falls as prices rise, dropped to 7.68 percent from 7.73 percent.

Stock prices rallied on the price report, but fell later in the day as the dollar continued its decline. The Dow Jones industrial average closed at 3702.66, down 0.33. And in New York trading, the dollar slid to a new postwar low against the Japanese yen for a third session in a row, finishing at 97.50 yen, off from 97.75 yen Monday. [Details, Page D2.]

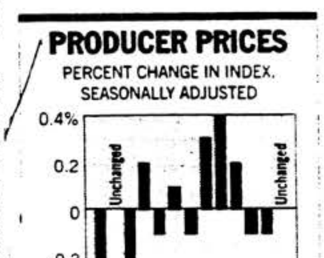
The producer price index measures finished goods prices charged by companies when the items they make—a new car, a loaf of bread, a light bulb or a head of lettuce—are first sold in completed form. While they are in many cases the same as wholesale prices, they often are not, particularly with more and more goods moving directly from manufacturers to retail stores.

The favorable inflation news puts the Federal Reserve in "an interesting bind," balancing exchange rate concerns with domestic economic worries, Steinberg said. The Fed could try to halt the dollar's plunge by raising interest rates, he said. But in the absence of inflationary pressures, the rate increase could slow economic growth.

"There's really no need for them to do much of anything" before August, he said, "but from the point of view of the currency market . . . there's almost a demand for the Fed to tighten."

Currency markets, like bond markets, are "fixated on the belief that inflation's about to accelerate," he said. After three months of falling or stable producer prices, "the evidence doesn't support that very well."

The weakening dollar, which also will make imported goods more expensive in the United States, did not have an impact on producer prices, said David Wyss, research director at DRI/McGraw-Hill Inc. in Lexington, Mass. If it had, it would have shown up in higher apparel prices—which actually fell—because a large proportion of U.S. apparel is imported.



SOURCE: Bureau of Labor Statistics

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Guaranty Savings & Loan and the Clintons.

• On September 26th 1993 Jerry Parks was killed when several bullets were pumped into him on a street corner in Little Rock, Arkansas. 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's son, Gary, says his father carried out private investigations on Bill Clinton during the 1980s. He also says that the material gathered was stolen from the family home in July 1993.

• On June 26th 1992 Gary Johnson, a lawyer, was beaten up so badly that he had to have a ruptured spleen removed. Mr Johnson lived in Quapaw Towers, in Little Rock, in the flat next door to Gennifer Flowers. Miss Flowers claimed during the campaign to have had a 12-year affair with Bill Clinton, which Mr Clinton 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 broking firm controlled by Dan Lasater, a big Clinton campaign contributor. Mr Patrick has recently been in Washington, relating his strange tale to congressmen: FBI agents assigned to Mr Fiske's taskforce also want to talk to him. Meanwhile, Mr Lasater has also 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 23rd when Stanley Huggins, a 46-year-old principal in a Memphis 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 Guaranty Savings & Loan and produced a report said to be 300-400 pages long—copies of which have never been made public.

Strikes

Got you this time

AURORA, ILLINOIS

BECAUSE it is not forbidden by federal labour law, American companies have a powerful weapon in labour disputes: they can threaten to replace striking workers with new ones, and that's that. A lot of people in Congress, who want to outlaw the practice, say the threat is being used too much—nowadays, in one strike in three.

Back in 1992 Caterpillar, a machinery company, used it to end a 5½-month strike. It took one whiff of the idea that the strikers might be replaced before the United Auto Workers union found its members rushing to get back to work. What will happen now the UAW has again called out its 14,000 Caterpillar workers?

Both sides think the outcome this time will be different. Caterpillar, for its part, points out that it has never actually replaced a striking worker, and claims it will patiently wait for its present crew to come back when they are ready. Meanwhile, it says, about a fifth of the union's workers are crossing the picket line and these, together with salaried people, can keep its 11 strike-hit plants in production. Strikers may raise their eyebrows when they hear Caterpillar advertising permanent jobs by radio in Peoria (the site of one plant) and in the newspaper in Aurora (the site of another), with hefty union-level starting rates of $17 an hour. But no existing employee will be replaced, says the company reassuringly.

The UAW feels confident because it reckons that, this time, it has the company where it wants it. In saying this, it is relying on an important distinction in labour law. Whereas employers can replace workers who strike over contracts and pay (which led to the UAW's 1992 debacle), they cannot replace workers who strike over unfair labour practices. So the union has listed as many complaints as possible against the company on this score.

It has not been hard. In a series of smaller disputes since the big 1992 strike the actions of some hot-headed Caterpillar managers may, the union reckons, have delivered the company into its hands. It is alleged, for instance, that the company took unwarranted action against union members for wearing buttons saying "Member in Good Standing" or a T-shirt with the legend "Permanently Replace Fites" (Donald Fites is the company's chief executive). The National Labour Relations Board has issued 92 complaints against Caterpillar, an unprecedented number. The company can appeal but, usually, nine out of ten of the board's complaints are upheld.

Given the UAW's promising line of attack, is there any need for Congress to pass legislation outlawing the replacement of strikers in pay and contract disputes? Yes, say sponsors of the Workplace Fairness Act, who maintain that companies have become over-fond of threatening "the economic death penalty." Congress appears to agree. The House passed the bill last year by 239 votes to 190; in the Senate it is only a few votes short of beating an opposition filibuster. President Clinton has said he will sign the bill if it makes it to his desk.

If the bill does become law this month—it may be coming up for a vote on July 12th—it would give the labour movement a handsome centenary present. A hundred years ago to the month, federal troops were sent to Chicago to break up a famous strike by the American Railway Union. The government argued that its action was justified by the constitution's interstate commerce clause. It seemed to have borrowed that approach from a railroad baron, Jay Gould, who is remembered for arguing that labour problems were best solved by daring "one half of the working class to kill the other half." The Workplace Fairness Act, say its backers, would nicely confirm how much things have changed since then.

Aerospace jobs

Gold-plated?

LOS ANGELES

CRITICS call it the "flying Fort Knox". Ounce for ounce, America's B-2 stealth bomber is more valuable than gold. American taxpayers are having to fork out $2.2 billion apiece for the 20 batwing bombers being built by Northrop Grumman near Los Angeles. Although the last B-2 will not roll off the assembly line until 1998, production will begin to wind down as early as next year. That will throw many of the 12,500 Californians who help to build the stealth bomber on to the region's depressed job market.

In the nick of time, the Senate voted on

It's up to Hillary now

five health bills being bandied around, the finance committee's is the only one that could garner enough votes today to succeed.

When debate moves to the full House and Senate, the centrepiece of the Clinton health-care reforms—mandatory insurance contributions by employers and cost controls to guarantee coverage for everyone—are certain to be tossed out. The administration must soon make the agonising decision over whether simply to declare victory and walk away with the promise of health coverage for 95% of all Americans by 2002, or risk everything by holding out for the universal coverage it has pledged to deliver.

The wild card, as ever, is Hillary Rodham Clinton. No one is quite sure what the First Lady might do. White House insiders say guardedly that, come the crunch, Mrs Clinton will not willingly jeopardise the chance of extending health coverage to another 20m of the 37m Americans who are now without medical insurance. Nor is she prepared to consign her husband's administration to a single term. But between now and then the fireworks will fly.

Death in Florida

MIAMI AND TALLAHASSEE

WHEN Florida legislators came to the state capitol in Tallahassee earlier this month for a special session, they had before them a health-care reform plan that any Republican should love. Among its ingredients were no new taxes: voluntary participation by employers; no new bureaucracy; individual contributions matched by government subsidies; and the chance to insure half of Florida's 2.5m "working poor" who cannot afford today's premiums. So what did the Republicans do? They killed it.

Why did they do so? Because, they said, the bill had a deep flaw: it provided help to working families with earnings as high as $37,000 a year, or more than twice the federal poverty level. This, the Republicans said, was "welfare for the middle class".

Democrats think the real objection lies elsewhere. The author of the Florida Health Security Act happens to be Lawton Chiles, the Democratic governor of Florida. Mr Chiles, a close friend of Bill Clinton and a fellow-founder of the centrist Democratic Leadership Council, is a pioneer at devising programmes to cut the cost of health care. In 1993 he persuaded the legislature to create a state-wide network of insurance-purchasing pools which would include state employees, Medicaid recipients (the poor) and any small businesses that wished to join. By combining their numbers, each alliance could negotiate more effectively with health-maintenance organisations (HMOs) for health-care coverage and lower rates.

That programme, though only just implemented, shows promise already. Whereas national health-care costs rose by almost 10% last year, in Florida they rose by only 2%. And, by putting Medicaid recipients into the alliances, the state estimates that it will save about $1 billion a year. It was this money that Mr Chiles wanted to use, in his new plan, to provide health-care subsidies to the working poor on the basis of income. Such subsidies, he estimated, would allow a family of four to buy health insurance for about $700 a year—down from a typical rate of about $3,000 today.

The Florida Chamber of Commerce, which speaks for 30,000 businesses and for the chains of HMOs, supported the plan. But Republicans noticed that Mr Chiles was up for re-election, and did not want to give him the boost of a legislative victory. According to Mr Chiles, the order to smother his plan came straight from Washington, allegedly from Senator Bob Dole himself.

The governor has promised not to give up: he hints he may even call the legislators back for a special session, just as Tallahassee's summer heat is reaching its blast-furnace worst. If that happens, Republicans in Florida will have to make the same calculation as their party colleagues in Washington: whether, by killing a Democratic bill, they will do themselves a favour, or whether instead they will incur the wrath of uninsured or reform-minded voters in November.

Whitewater

Curiouser

NEW YORK

THE first report by the Whitewater special prosecutor, Robert Fiske, was released on June 30th. The main topic covered was the mysterious death last summer of Vincent Foster, deputy counsel in the White House. Mr Fiske concluded that 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. Jerry Falwell, a leader of the religious right, has lately been peddling videos continuing veiled accusations of murder against the president. The film 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 11th this year Kathy Ferguson, a 38-year-old hospital worker, was found dead in Sherwood, Arkansas. A gunshot had pierced her right temple in what a local police report labelled a suicide. A note was found next to the body suggesting as much. Mrs 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's sexual-harassment suit against Bill Clinton.
- On June 12th Bill Shelton, an Arkansas police officer, was found dead—again in Sherwood, Arkansas—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 August 15th 1993 Jon Walker fell to his death from the top of the Lincoln Towers building in Arlington, Virginia. In March 1992 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

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Henry Gonzalez has a fit

Henry Gonzalez's odd reign on the House Banking Committee got odder yet this last weekend when the chairman turned on Whitewater special prosecutor Robert Fiske. Until then, the Texas Democrat had been happy to hide behind Mr. Fiske, claiming that he could not possibly allow his committee to undertake Whitewater hearings that might in any way jeopardize Mr. Fiske's probe. All was going along amicably until Mr. Gonzalez invited Mr. Fiske to appear at truncated Whitewater hearings scheduled for the end of the month. Mr. Fiske refused, citing the risk that his ongoing investigation might be compromised. This did not sit well with the chairman: "To the extent your work is completed," wrote Mr. Gonzalez in a blistering letter to Mr. Fiske, "I see no reasons why you should not be required to discuss your findings."

Why all the gnashing of teeth? Is it that Mr. Gonzalez is unhappy that the Washington portion of the prosecutor's inquiry marches on? It seems that the chairman, who has been an assiduous apologist for the president on Whitewater, would have liked Mr. Fiske to have come to the Hill to tell the representatives, the assembled press and television audience that the Washington phase of his investigation was complete and had found no evidence of criminal wrongdoing.

But Mr. Fiske will not be doing that. He has instead indicated that the potentially explosive part of his Washington inquiry is still in the works. The prosecutor asked the committee not to interview a variety of players who figure in the question of whether the Clinton Justice Department participated in a Whitewater coverup and perhaps a full-blown conspiracy to obstruct justice. Among those Mr. Fiske would prefer to have all to himself are former deputy attorneys general Webster L. Hubbell and Philip Heymann, Little Rock U.S. attorney Paula Casey and Resolution Trust Corporation investigator Laura Jean Lewis.

"The major part of my work is still in progress," Mr. Fiske wrote to Mr. Gonzalez, explaining that they "are all potentially involved in the investigation . . . which includes issues relating to the handling" of an RTC referral. The referral in question is no doubt the 1992 criminal referral sent by the Kansas City RTC office to the U.S. Attorney in Little Rock. Ms. Casey first turned the request down cold, and then recused herself from deciding a second request only after press reports had revealed her initial action.

The immediate conventional wisdom over the weekend was that Mr. Fiske's desire to build a barrier around the investigation of the criminal referral was a blow to Republicans on the Banking Committee. Led by ranking member Jim Leach, Republicans have sought a forum to explore whether high ranking Washington officials in the Justice Department tried to pressure the Kansas City RTC office to drop its investigation into the Whitewater-enmeshed Madison Guaranty Savings and Loan. And it's true enough that Republicans are frustrated that they won't be allowed to call witnesses whose testimony they believe is crucial. But they are also buoyed by the fact that Mr. Fiske has not backed down from what they consider to be the most important allegations of Washington wrongdoing in the Whitewater affair.

Perhaps for the same reason that the Republicans are buoyant, Mr. Gonzalez is dismayed. The chairman seems to have hoped that he could have counted on Mr. Fiske to provide blanket cover for Democrats trying to avoid embarrassing the president. All Mr. Fiske had to do was come to the Hill and testify that the hearings should be narrow, narrow, narrow in scope and that he had closed out his Washington probe with nothing to report. Then the majority could have smiled and said, "See, we were right all along to balk at this Whitewater nonsense." But now Mr. Fiske is leaving it to the Democrats to make the televised case for why the hearings are truncated, and at the same time has suggested that his probe of administration actions is just getting under way.

All of which will make for a most uncomfortable display for Democrats when the hearings begin. Henry Gonzalez, leaping in to rule out-of-order any Republican question that is even remotely interesting, is a sight that not even Mr. Gonzalez himself relishes. Mr. Fiske could have saved him that embarrassment but chose not to. No wonder Mr. Gonzalez is having a fit.

Robb vs. Right to Work

As early as this afternoon, Virginia Sen. Charles S. Robb may cast a key vote on his state's long Right to Work tradition. Senators such as Majority Leader George Mitchell and Howard Metzenbaum would have him undermine that tradition by voting to cut off debate on the so-called striker-replacement bill. Virginia residents, who have come to take their Right to Work for granted, undoubtedly oppose the idea. Whose side will Mr. Robb take?

In the past, unfortunately, he has sided with the Metzenbaums by voting to cut off debate, and all signs are he is prepared to do it again. He has collected the endorsement of the state AFL-CIO and may feel obliged to reward the organization for its support. But this year, unlike past years, Mr. Robb is also in the middle of what appears to be a long, hot Senate race. And even his fellow Democrat-turned-independent-Senate-candidate L. Douglas Wilder, not to mention the other candidates in the race, has come out strongly against the legislation at hand. In other words, past Robb supporters who like the Right to Work just the way it is have plenty of other places to go come election time.

Mr. Metzenbaum's striker-replacement legislation would in effect prohibit companies from hiring permanent replacements for union workers who go on strike seeking certain economic benefits such as higher pay. The idea is to "level the playing field" for Big Labor, which argues that strike threats are diminished if companies can just go out and hire someone else.

But this legislation has less to do with level playing fields than with expanding organized labor's power in the workplace. What the striker-replacement bill would do is give unions a monopoly over the labor supply at certain job sites. Sure, companies would still be allowed to hire temporary replacements during strikes, but how many workers want to run the gantlet of union picket lines at risk to life and limb — as was the case of those who crossed picket lines during the United Mine Workers strike in Southwestern Virginia a few years ago — for temporary work? Not many.

If you aren't part of the union, following the dictates of union officials, there isn't much point to taking the job. But the state's Right to Work law specifically prohibits requiring union membership as a condition of employment.

The legislation has additional drawbacks. By eliminating the possibility that workers who go on strike could be replaced, the law would encourage union members to resort to strikes to resolve labor disputes. It would make the workplace much more confrontational and make Virginia a less attractive place to do business.

For his part, Mr. Robb says he has "deliberately not taken a position on this litmus test issue in order to facilitate working with both management and labor on other issues where cooperation is essential." Nobody elected Mr. Robb labor mediator. They elected him senator, and in case he hasn't noticed, part of the job requirements include taking positions on litmus test issues of concern to Virginia voters.

They should understand this much. As mentioned here previously, the litmus test is not just how Mr. Robb votes on the bill itself. It is also a question of how he votes on the issue of whether to cut off a Republican filibuster against it. If he votes with the Metzenbaums to end the filibuster, then he is voting to undermine state Right to Work laws. And he is giving his campaign foes more ammunition.

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House Panel Is Rebuffed By Prosecutor

Whitewater Counsel Declines to Testify

By DAVID JOHNSTON

Special to The New York Times

WASHINGTON, July 9 — Robert B. Fiske Jr., the Whitewater independent prosecutor, has rebuffed a Congressional committee that asked him to testify later this month about some of the issues he is investigating.

In a letter dated July 7, Mr. Fiske declined an invitation to testify before the House Banking Committee. The committee's chairman, Henry B. Gonzalez, Democrat of Texas, released his correspondence with the prosecutor.

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

In a separate letter to Mr. Gonzalez, Mr. Fiske discouraged Congressional testimony by some Clinton Administration officials on the grounds that their appearance could compromise his criminal inquiry. Among the officials that Mr. Fiske said could be involved in his inquiry were two former senior officials at the Justice Department, Philip B. Heymann, the former Deputy Attorney General, and Webster L. Hubbell, the former Associate Attorney General.

Mr. Fiske did not explain why he wanted to talk to Mr. Heymann or Mr. Hubbell, but law-enforcement officials have said for months that Mr. Fiske was likely to ask top Justice Department officials how they had dealt with requests from Treasury officials in both 1992 and 1993 to investigate Madison Guaranty Savings and Loan, the failed financial institution owned by a former business partner of President Clinton and his wife, Hillary.

The first Treasury request was rejected in the spring of 1993; the second led to the criminal investigation by the Justice Department that Mr. Fiske took over when he was appointed special prosecutor in January by Attorney General Janet Reno.

Mr. Fiske offered to allow his staff to meet privately with Mr. Gonzalez and other lawmakers to discuss the completed phase of the inquiry, but Mr. Gonzalez declined, saying much of the information should be discussed publicly.

In a letter replying to Mr. Fiske on Friday, Mr. Gonzalez said he was deeply disappointed by the prosecutor's unwillingness to appear. "I see no reasons why you should not be required to discuss your findings," Mr. Gonzalez wrote. The banking chairman also repeated his intention to limit questions of Mr. Fiske to areas that had already been investigated by the special prosecutor, like the circumstances surrounding the death of Vincent W. Foster Jr., the deputy White House counsel who committed suicide in July 1993.

Mr. Gonzalez gave no indication that he would try to force Mr. Fiske or any other witness to appear. And Mr. Gonzalez's past resistance to holding any hearings on Whitewater left some Republicans voicing suspicions this week that he was using Mr. Fiske's reluctance to limit the scope of the banking committee's inquiry.

After months of partisan bickering, Republicans in both the House and Senate finally succeeded in forcing Democrats to hold hearings later this month. But the scope of inquiry will be limited, avoiding issues related to Mr. Clinton's Arkansas real estate dealings.

The hearings at which Mr. Fiske declined to appear are scheduled to begin on July 26. Last week Mr. Fiske made public a report on the initial phase of his investigation, which endorsed a United States Park Police finding that Mr. Foster's death had been a suicide.

The report also concluded that no one broke the law during a series of contacts earlier this year between White House officials and Treasury Department aides concerning an inquiry into Madison Guaranty.

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Fiske refuses to testify at hearings

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Special counsel Robert Fiske Jr. has refused to appear before the House Banking Committee for hearings into the Whitewater Development Corp. affair, saying it would "compromise" his investigation.

In documents released Friday, Fiske also objected to Webb Hubbell, a former associate attorney general from Little Rock, and 12 others testifying at the hearings, which are scheduled to begin July 26.

Besides Hubbell, Fiske opposes appearances by two other Arkansans — Paula Casey of Little Rock, a U.S. attorney, and Little Rock lawyer Chuck Banks, Casey's predecessor as U.S. attorney.

Fiske, who was appointed in January by Attorney General Janet Reno, said testimony from those people might damage his investigation.

Banking Committee Chairman Henry Gonzalez, D-Texas, blasted Fiske's nonbinding recommendations. Gonzalez also said the special counsel's decision not to testify was an attempt to "sidestep explaining his actions" to Congress.

"The committee simply seeks an accounting for the completed phase of Mr. Fiske's investigation," Gonzalez said.

The Banking Committee will hold hearings into the Washington phase of Fiske's investigation. That phase includes:

- The death of former Deputy White House Counsel Vincent Foster, a Hope native and partner in Little Rock's Rose Law Firm.
- Meetings between Clinton administration officials and Department of the Treasury officials investigating the failure of Madison Guaranty Savings & Loan Association.

Fiske concluded last week that Foster's July 20, 1993, death was a suicide. Fiske also said no criminal wrongdoing occurred in the meetings between White House aides and Treasury Department officials.

Gonzalez had invited Fiske to explain his findings to the committee. Fiske would have been the first witness to testify.

The special counsel balked at the request because most of his Whitewater work remains to be done. He said there was "little, if anything" he could add to his initial reports.

"It would be inappropriate and would compromise my ability to function effectively ... (if) I were to appear before Congress to answer questions," Fiske said in a letter to Gonzalez.

Fiske offered to meet privately with committee leaders. Gonzalez said that would not be the appropriate forum.

"Mr. Fiske's thoughts ... should be presented in an open forum to the entire committee and the public," the Texas congressman said.

Gonzalez asked Fiske to reconsider his decision. Fiske also should explain why witnesses should or shouldn't testify, he said.

Fiske had no objection to more than 30 administration officials and others appearing before the committee. But he asked the committee not to hear testimony from 13 people on its list of potential witnesses.

Gonzalez said Fiske's request amounts to an attempt to limit the scope of the Banking Committee's work.

"He wants it both ways," Gonzalez said. "He wants to limit the scope and then sidestep explaining his actions. Mr. Fiske has to be prepared to explain and defend his request. Republicans and Democrats alike will require a fuller explanation."

Bill and Hillary Rodham Clinton were partners with James and Susan McDougal from 1978-92 in Whitewater, a 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.

Allegations that money was transferred illegally between Madison and Whitewater accounts are being investigated by Fiske, whose investigation is based at Little Rock.

All but one of the witnesses Fiske objects to have been linked to either a review of Madison by federal regulators or the subsequent meetings with administration officials.

The other person Fiske didn't want to appear before the committee is identified only as "C.W." for "confidential witness." The unnamed person reportedly saw Foster's body after his suicide.

Whitewater rises at home

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — The legal advisers have been hired.

Documents from the Clinton administration are flowing in.

Witness lists are being written.

Preparations have begun on Capitol Hill for congressional hearings into the Whitewater Development Corp. affair.

In just more than two weeks, House and Senate Whitewater hearings are scheduled to convene. But the hearings will focus only on a few threads of the tangled Whitewater web. Questions will be limited to the Washington phase of special counsel Robert Fiske Jr.'s investigation. The broader Arkansas elements of Whitewater won't be scrutinized until later.

Democrats are expected to allow little deviation from the Washington aspects of the case.

"I do not look for a swashbuckling hearing," admitted Rep. Jim Leach, R-Iowa. "Any questions of terrific interest will be out of order."

Leach will play an important role in the hearings as the House Banking Committee's ranking Republican member. Leach and Banking Committee Chairman Henry Gonzalez, D-Texas, have argued for months over the scope and format of hearings.

House hearings will begin July 26.

Hearings in the Senate Banking Committee are expected to start the same week under the direction of Chairman Donald Riegle, D-Mich., and ranking Republican member Alfonse D'Amato, R-N.Y. The Senate voted last month for hearings to begin no later than July 29.

Congressional aides have started their preparations for hearings. The two committees already are receiving numerous documents requested from the Clinton administration.

In the Senate, both Democrats and Republicans have hired special counsels to represent them at the hearings.

Democrats will turn to William Codinha, a Capitol Hill veteran who served as chief counsel to a Senate select committee on POW-MIA affairs. Republicans have hired Michael Chertoff, a New York lawyer and former U.S. attorney in New Jersey.

Their salaries will be part of a special \$400,000 budget the Senate allocated for Whitewater hearings.

The House will rely on committee staff lawyers rather than special counsels. Hearing expenses will come from the House committee's regular budget.

Additional hearing details are expected to be finalized this week as Congress resumes work following last week's Fourth of July recess.

A flurry of Whitewater developments is expected this week.

Fiske may release his findings on the handling of documents inside deputy White House counsel Vincent Foster's office. There are questions about how Whitewater-related documents in Foster's office were handled after his death July 20, 1993.

I do not look for a swashbuckling hearing. Any questions of terrific interest will be out of order.

— Rep. Jim Leach, R-Iowa

In a report released June 30, Fiske ruled that Foster, a Hope native and former partner in Little Rock's Rose Law Firm, committed suicide.

Fiske also said last month that no criminal wrongdoing occurred in meetings between White House aides and Department of the Treasury officials investigating the failure of Madison Guaranty Savings & Loan Association.

Three topics — Foster's death, the handling of documents in Foster's office and the meetings between administration and Treasury Department officials — will be the thrust of this month's congressional hearings.

Also this week, witness lists may be finalized.

The House invited Fiske as the first witness. The special counsel, who was appointed in January by Attorney General Janet Reno, declined that invitation in a letter to Gonzalez last week.

Forty-five other witnesses could appear before the House Banking Committee. Gonzalez asked Fiske last week to review the list of witnesses to determine whether their testimony might endanger the special counsel's investigation.

The potential witness list includes several prominent Arkansans in the Clinton administration. Among those who might testify are outgoing White House Chief of Staff Thomas F. "Mack" McLarty, senior presidential adviser Bruce Lindsey and White House Administration Director Patsy Thomasson.

Arkansans outside the administration also are on the list, including Webb Hubbell, a former associate attorney general.

Several White House officials are expected to appear at the hearings, administration aides said.

The Senate's potential witness list has not been released.

Whitewater was a 230-acre residential development along the White River in Marion County. Bill and Hillary Rodham Clinton were partners from 1978-92 with James and Susan McDougal in Whitewater. James McDougal also owned Madison, which failed in 1989 at a cost to taxpayers of at least \$47 million.

Allegations that money was transferred illegally between Madison and Whitewater accounts are being examined by Fiske, whose investigation is based at Little Rock.

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Fiske Declines to Appear Before Panel, But Letter Gives Clues to Investigation

By Viveca Novak
Staff Reporter of The Wall Street Journal

WASHINGTON — Whitewater Special Counsel Robert Fiske refused to testify before the House Banking Committee July 26, but he indicated that the Washington portion of his inquiry is broader than previously disclosed.

In a letter sent last week to committee Chairman Henry Gonzalez (D., Texas), Mr. Fiske said it would be inappropriate for him to appear while the bulk of his investigation is still in progress. Mr. Gonzalez asked him to reconsider his decision.

In his letter, which included a review of potential witnesses listed by Rep. Gonzalez, Mr. Fiske gave some clues to previously undisclosed aspects of his wide-ranging probe into the real estate investments of President Clinton and Hillary Rodham Clinton and related matters.

Mr. Fiske asked the panel not to call as witnesses current and former Justice Department officials, including U.S. Attorney Paula Casey and an assistant in her Little Rock office; Webster Hubbell, a former associate attorney general and longtime Clinton friend; former Deputy Attorney General Philip Heymann; a trial attorney from the department's fraud section and a Federal Bureau of Investigation agent.

RTC Referral

Those individuals, Mr. Fiske wrote, "are all potentially involved in the investigation . . . which includes issues relating to the handling of (a Resolution Trust Corp.) referral."

The reference is almost certainly to a 1992 criminal referral regarding now-defunct Madison Guaranty Savings & Loan from the RTC's Kansas City office to the U.S. attorney in Little Rock. Madison had been owned by James McDougal, who, with his wife, invested with the Clintons in a north Arkansas real-estate venture named Whitewater Development Corp. The referral mentioned the Clintons and discussed possibly suspicious transfers of funds among Madison, Whitewater's account there, and the accounts of other McDougal-controlled companies. It was rejected more than a year later by Ms. Casey, but a second referral was taken up and became the basis of Mr. Fiske's investigation.

It had been thought that Mr. Fiske's June 30 report on the death of former White House aide Vincent Foster and a series of contacts between the White House and Treasury Department officials concerning Madison, combined with a report expected this week regarding the handling of Mr. Foster's office immediately after his death, would close the "Washington phase" of his probe. In the first report, he found that no laws were broken, and that is likely to be his conclusion in the coming report as well.

Both the House and Senate Banking panels will hold hearings on those issues, with the Senate's also slated to start by the end of the month. In both chambers, Democrats have said they won't tread into areas that Mr. Fiske is still investigating, and Mr. Gonzalez had submitted the potential witness list to Mr. Fiske so he could say if their testimony could compromise his work.

The potential witnesses whose appearances were nixed by Mr. Fiske came from a group suggested by the banking panel's GOP members. Rep. Gonzalez had added other names to that list.

Laura Jean Lewis, an RTC investigator, and some of her colleagues in the Kansas City office are also among those whose appearance Mr. Fiske disapproved. It was Ms. Lewis who generated the criminal referral to the Justice Department regarding irregularities in Madison's activities. Earlier this year, Iowa Rep. James Leach, the ranking Republican on the committee, released memos written by Ms. Lewis that indicated she believed there may have been efforts to cover up the inquiry.

Approves Most Witnesses

But the bulk of the witness list got the go-ahead from Mr. Fiske, including the requested appearances of former Clinton aide Betsey Wright and Jack Palladino, a private investigator. Both individuals were involved in dealing with sensitive issues in Mr. Clinton's past during the 1992 presidential campaign.

Meanwhile Mr. Gonzalez, who had long resisted holding hearings at all, declined an offer from Mr. Fiske to meet privately with him and Rep. Leach. In a letter to Mr. Fiske, he said he was "deeply disappointed" in Mr. Fiske's refusal to testify and that he saw "no reasons" why the special prosecutor "should not be required to discuss" in an open forum his findings from the parts of the probe on which he has issued reports.

BCCI's Former Chief Pleads Guilty To Fraud, Conspiracy in Plea Accord

By Kenneth H. Bacon
Staff Reporter of The Wall Street Journal

WASHINGTON — A key figure in the rise and collapse of Bank of Credit & Commerce International pleaded guilty to federal fraud and conspiracy charges and agreed to provide evidence in future cases.

Under a plea agreement reached with the Justice Department, Swaleh Naqvi, BCCI's former chief executive, could go to jail for a maximum of about eight years. But he is likely to serve far less time, if he provides detailed information on how BCCI covertly bought and managed the former First American Bankshares and three other banks in the U.S. and bilked money from more than 250,000 depositors in 70 countries.

BCCI, a unit of **BCCI Holdings (Luxembourg)** SA, was seized by regulators in the U.S. and elsewhere on July 5, 1991, amid signs that billions of dollars in deposits had fraudulently disappeared. No U.S. depositors lost money, but American prosecutors, led by Manhattan District Attorney Robert Morgenthau, have played a major role in untangling the case, partly because BCCI allegedly duped the Federal Reserve Board by failing to reveal its interest in First American.

Federal prosecutors also hope that testimony by Mr. Naqvi, backed by information in thousands of documents he has brought to the U.S., will shed new light on BCCI's operations and aid the completion of criminal and civil charges pending as a result of the bank's collapse. Depositors' claims of about $12 billion have been filed against the defunct bank.

The plea was approved by Federal District Judge Joyce Hens Green after a lengthy hearing Friday. In a letter, Mr. Morgenthau opposed the settlement as too lenient for Mr. Naqvi's "long-term, calculated crime of treachery."

Mr. Morgenthau's office intends to proceed with a case it has brought against Mr. Naqvi, but the defendant's lawyers, Joseph diGenova and Victoria Toensing, will argue that the case should be dropped following his plea.

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The tax treatment of the Clintons' legal defense fund

By Lee A. Sheppard

The Clintons, their personal legal problems, and their income taxes are back in the news again — the difference being that this time the president and first lady are getting better tax advice. Lawyers from Sullivan & Cromwell, led by M. Bernard Aidinoff, a previous candidate for assistant treasury secretary, structured the Presidential Legal Expense Trust and advised on tax issues. So while the fact that President Clinton is the first sitting president to have to set up a legal defense fund is mighty embarrassing, the president hopes not to be embarrassed by tax questions raised by the arrangement.

Started with $2,000 from the Clintons, the Presidential Legal Expense Trust is a grantor trust, as other politicians' legal defense funds have been. The trust's income is taxable to the president under code section 671. To avoid a *Crummey* problem, any remainder — the first couple's legal expenses are estimated to be $1 million annually — will revert to the first couple, who have promised to donate it to charity without taking an income tax deduction. White House Counsel Lloyd Cutler told the Wall Street Journal that the trust provided that the corpus could be spent on items other than legal fees because should the president lose in his immunity claims, a hundred other lawsuits could be filed. Mr. Cutler stated that people who have already contributed to the president's legal defense will have their contributions returned and will be told to resubmit them to the trust. (The Wall Street Journal, June 29, 1994, p. B2.)

Donations to the trust are not deductible; the trust has not been qualified as a charitable organization. And to the extent that the donations could be considered political contributions, they are clearly not deductible. The trustees will publish the names of the donors and report on the trust's expenditures. Sullivan & Cromwell believes that the donations to the trust should be considered gifts, so that the president would be able to exclude them from income, but has not furnished a written opinion to that effect. It is not just for public relations reasons that individual donations to the trust have been limited to $1,000 per donor, the presidential election campaign contribution limit; it is also to ensure that they qualify for the gift tax exclusion.

Donative Intent

Can President Clinton or any other politician with a similar problem sustain an argument that contributions to a legal defense fund are gifts and not income? *Commissioner v. Duberstein*, 363 U.S. 278 (1960), stands for the rule differentiating gifts from income. A gift, Justice Brennan wrote, must be made out of the donor's "detached and disinterested generosity," and not with an expectation of an economic benefit in return. In *Duberstein*, the taxpayer received a new Cadillac from a business associate to whom he had provided successful sales leads. Both parties testified that the sales leads were the justification for the taxpayer getting a new car.

Duberstein requires an objective assessment of the donor's intent, that is, the dominant reason for the donor having made the transfer. The question is factual, the Court stated, given that the drafters of the section 102 exclusion meant "gift" in a colloquial sense. No specific set of factors can be prescribed; whether a transfer is a gift requires the use of all of the factfinder's practical human experience. The Court saw itself as distilling and applying existing law to the facts at issue, rather than as announcing a new standard. Why do people give money and time to politicians? They may have any of a variety of motives ranging from the expectation of a financially beneficial political favor to simply sharing the politician's beliefs. (In *U.S. v. Pisani*, 773 F.2d 397 (2nd Cir. 1985), the Second Circuit held that when a politician diverts campaign contributions to personal use, it is a question of fact under *Duberstein* whether the contributors intended to make a gift.)

Rev. Rul. 60-14, 1960-1 C.B. 16, dealt with donative intent regarding, a legal defense fund. An official of an organization was involved in litigation of a personal nature. A committee composed of other officials of the organization was formed to raise funds from members of the organization to pay the litigant's legal expenses. The committee was formed for the express purpose of counteracting the national, negative publicity that the official's personal legal problems had inflicted on the organization. The committee used the organization's offices for its business, and reported its fundraising to the organization's board. Over a period of several years, the committee collected a substantial sum from organization members and spent nearly all of it on the official's legal expenses. The funds not spent for the official's legal defense were returned to the organization.

> ***Transferors need not be looking for strictly economic gain to lack donative intent; in President Clinton's case, they could be seeking a successful term or the enactment of his legislative agenda.***

The IRS held that the amounts spent by the committee for the official's personal legal defense were gross income to him and not gifts. The IRS made an inquiry into donative intent, similar to that of *Duberstein*. The committee's express purpose — to spare the organization from the bad publicity occasioned by an official's problems — was not indicative of donative intent. The IRS also relied on the rule of *Old Colony Trust Co. v. Commissioner*, 279 U.S. 716 (1929). *Old Colony Trust*, in which an employer paid an employee's income taxes, established that the payment of another's obligation is income to the person on whose behalf the payment was made. The IRS noted that the source of the funds to pay the official's legal expenses was the same as that of his salary — the organization members.

Although Rev. Rul. 60-14 does not classify the official's income from legal expenses paid on his behalf as compensatory, that is clear from the official's relationship to the organization and does not appear to be necessary to the holding of the ruling. Otherwise, the Clinton situation is comparable. Although the president's long-term interest is to resolve his legal problems, his short-term interests to ameliorate the bad publicity and attendant damage to his credibility that these problems cause. The president is legally obligated to pay his lawyers the sums they have billed him for services already rendered, and other people will be paying these bills on his behalf. *Old Colony Trust* would deem the contributions to the trust to be income to the president.

Official Duties

According to IRS rulings, when the transferee is a public official, the operative inquiries are whether the transfer helped the official carry out official duties and whether the transferor had donative intent. A transfer made to enable a public official to carry out official duties and without donative intent is income, not a gift. Sullivan & Cromwell takes the position that because the president's legal problems arise out of events the occurred before he took office, the expenses of their resolution cannot be seen as helping him carry out his duties as president.

Or can they? The president's real power is the power to persuade the voters and the legislature. The president cannot just order Congress to produce legislation changing the delivery of medical insurance, for example. To the extent that the president loses credibility, his power to get things done suffers. Polls have shown that the president's credibility has suffered from the appearance of questionable financial dealings in Whitewater. Few prominent members of Congress have defended the president's personal financial dealings, and some are acutely worried about the effect of these problems on the president's legislative agenda. Put another way, a president who was not worried about the effect of Paula Corbin Jones's accusations on his ability to persuade voters might be able to brush them off, rather than scrambling to hire an expensive lawyer. (this is not to imply that hiring a lawyer connotes guilt.)

In Rev. Rul. 73-356, 1973-2 C.B. 31, two members of Congress received subscription fees and solicited contributions that were used solely to defray the costs of publishing and distributing newsletters, reports, and questionnaires sent to constituents. One congressman sold subscriptions to his newsletters, and covered the difference between subscription receipts and the cost of the newsletters from his own pocket. The other

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congressman sent reports and questionnaires to constituents; with the correspondence, he solicited contributions that he held in a separate bank account and used specifically to cover the costs of the reports and questionnaires. The congressman covered any shortfall in contributions from his own pocket. Noncontributing constituents as well as contributors received the publications.

The IRS ruled that the funds received by the congressmen were income in both cases. Regarding the congressman who sold subscriptions, subscription receipts obviously are income to a publisher. As for the congressman who asked for contributions, the IRS conducted a *Duberstein* inquiry. The contributions were not gifts because they were made for the specific purpose of assuring the continued publication of the congressman's newsletters. Informing constituents of his doings and seeking their opinions is part of congressman's trade or business — that is — his official duties, so that any amounts that offset the cost of performing those official duties provide a substantial benefit to him. The IRS further held that the costs of the publications were deductible by both congressmen as trade or business expenses under section 162(a).

Another congressman solicited funds to defray the expenses of employing interns in his office, as described in Rev. Rul. 75-146, 1975-1 C.B. 23. Although the intern program was billed as educational, the interns performed the same duties as the congressman's compensated staff. The congressman solicited contributions specifically to cover the costs of interns who could not pay their own way, and the receipts were kept in a segregated account.

The IRS held in Rev. Rul. 75-146 that the contributions were income to the congressman, who could deduct the cost of employing interns under section 162(a), and that the interns must include in income any funds they receive. Citing *Duberstein*, the IRS found that the supporters of the congressman's intern program hoped to obtain a more efficient public servant, so that they did not give out of detached and disinterested generosity. Nor was the congressman merely a conduit for monies paid to interns, since the latter performed the same valuable services as his staff.

The congressman described in Rev. Rul. 76-276, 1976-2 C.B. 14, set up a trust fund for his travel expenses to the extent that they exceeded his congressional allowance for travel expenses. The trustees solicited contributions to the trust for this purpose, had the power to approve the expenditure of the funds, and were to return unused contributions to the contributors when the trust terminated. Relying on *Duberstein*, the IRS found in Rev. Rul 76-276 a lack of donative intent in that the contribution enabled the congressman to be more accessible to constituents, giving them the opportunity to obtain more effective representation in Congress. The IRS ignored the interposition of the trust between the congressman and the contributors on the ground that the congressman was the primary beneficiary and had effective control of the distribution of the trust funds. The IRS further held that the travel expenses were deductible by the congressman under section 162(a), and that the return of unused trust funds to contributors was a deductible loss under section 165 as a reversal of an income item.

These rulings make it clear that transferors need not be looking for strictly economic gain to lack donative intent; in President Clinton's case, they could be seeking a successful term or the enactment of his legislative agenda. Some observers might argue, of course, that the promotion of good government, in general, is sufficiently detached and disinterested to be a gift. "We believe it is in the public interest to assist the president in meeting a financial burden that could otherwise distract him from performing his public responsibilities," the trustees stated in the White House press release. The IRS rulings also show that the interposition of the trust between the contributors and the Clinton creditors in immaterial to the Clinton's control of the corpus.

Whether the Clinton situation is otherwise comparable to that of the legislators in these three revenue rulings depends on the breadth of the definition of the president's official duties. Certainly the payment of the president's personal legal expenses is not comparable to the payment of the expenses described in the rulings in a nuts-and-bolts sense. The president is not asking for money to buy new White House china so that more dinner guests could be served, as Nancy Reagan had done. The president can certainly physically do his official job without having private contributions cover his personal legal fees.

But the presidency is a bully pulpit, and the president's use of that pulpit, and his accomplishment of his legislative agenda, can be seriously compromised by the appearance of ethical problems. This expansive view of the role of the president is consistent with the trustees' stated reasons for forming the Presidential Legal Expense Trust. Clinton cannot be an effective president if he is distracted by legal problems. It would also be consistent with the president's argument that he cannot be sued while in office.

A Business Expense?

If the president must include contributions to the Presidential Legal Expense Trust in income, can he then deduct the legal expenses attendant to shielding his reputation? Under section 162, it could be argued that the Clintons' legal expenses are not deductible because their origin is clearly personal, even though the consequences could affect the president's job, under *U.S. v. Gilmore*, 372 U.S. 39 (1963). In *Gilmore*, the taxpayer unsuccessfully argued that legal fees paid in divorce litigation were attributable to the conservation of the taxpayer's income-producing property, that is, to keeping it away from his ex-wife. The *Gilmore* origin-of-the-claim test applies to attempts by politicians to deduct legal fees paid while in office.

A politician can deduct the cost of protecting his office. In Rev. Rul. 74-394, 1974-2 C.B. 40, the IRS held that a judge could deduct the costs of defending himself against charges of misconduct while in office under *Gilmore*, because the charges arose out of his conduct in office. Similarly in Rev. Rul 71-470, 1971-2 C.B. 121, a public official was permitted to deduct the cost of defending himself against a recall. The IRS differentiated *McDonald v. Commissioner*, 323 U.S. 57 (1944), in which the Supreme Court denied a deduction for campaign expenses incurred by a sitting judge without ruling that the expenses were personal.

A politician cannot deduct expenses arising out of personal matters even if the expenditures might help him in his office. In *Wells v. Commissioner*, 36 T.C.M. 1698 (1977), the Sacramento county Public Defender attempted to deduct the costs of meals he bought for staff members, during which office business was discussed. He had not asked the county to reimburse him for these meals, and the court assumed that the county would not have done so. The court held that even though the meals may have had some benefit for the public defender's office, they were not ordinary and necessary as to the public defender individually. The court also appeared to believe that the cost of the meals was unreasonable.

Likewise, in LTR 8505003, the IRS ruled that a public official could not deduct the cost of an unsuccessful criminal defense because there were no facts to indicate that his crimes were committed in his capacity as a public official, although his crimes had a political flavor. Obviously, as the trustees of the Presidential Legal Expense Trust noted, the payment of the president's legal fee might marginally improve his performance in office. But under *Gilmore*, the origin of the claims out of which these expenses arise is personal, making them non-deductible. On the other hand, if any of the proceedings were shown to be pursued as a present political concoction to prevent the president's effective execution of his office, the expenses might not be subject to *Gilmore*.

Lee A. Sheppard is a tax lawyer in New York. Her piece, which originally appeared in the July 4 issue of Tax Notes, is reprinted with permission. Copyright 1994 Tax Analysts.

The Washington Times FRIDAY, JULY 8, 1994

PAUL GREENBERG

Whew! . . . minus ethics

That audible sigh of relief you heard out of Washington last week was from Clintonoids celebrating their nonindict- t. "After a review of all the evidence," said the report from Robert Fiske's team of Whitewater rafters, " have concluded that the evidence is insufficient to establish anyone within the White House or the Department of Treasury acted with the intent to corruptly influ- e" official investigation."

The relief approached jubilation in some quarters. "I would charac- te this as much more than moderately good news," said Lloyd Cutler, the White House (defense) counsel. "I would characterize it as very good news." Bring out the champagne.

The administration that promised to bring a new ethical standard to government now indeed has brought forth: not getting indicted.

Robert Fiske, grand inquisitor, revealed that his investigators had ed into "more than 20 different contacts, either face-to-face meetings or telephone meetings," about the Whitewater case between offi- at Treasury and White House staffers. That's more meetings than the administration has yet told the country about. Maybe the number be nailed down in the congres- al hearings to come.

The secretary of the Treasury, Lloyd Bentsen, says the way is now clear for the Office of Government Ethics to determine "whether any ethics issues or conflicts" were raised by the numerous meetings between White House and Treasury officials to discuss the progress of the federal inquiry into the Whitewater affair and its links to the Clintons. Is there really any question that it was unethical for top officials of an administration to know about — and repeatedly confer about — a supposedly confidential investigation of their chief by a supposedly independent agency?

All of which demonstrates, again, the difference between ethics and Government Ethics. Maybe the relation is something like that of music and military music —overlapping here and there, but scarcely synonymous.

Richard Nixon was just born too soon. The post-Watergate morality clearly has faded into something else — the clintonized culture? When morality must be specified as "post-Watergate," it should tell us something about the relativity of values in America circa 1994.

Not that this administration's leaders claim all these meetings were perfectly proper. Counsel Cutler says the confabs were, ahem, "inadvisable in hindsight." Does that mean they were advisable beforehand? Or would have been advisable if nobody had found out about them afterward? Or can Mr. Cutler's comment just be sloughed off as more of the legalese that covers political questions today like a slimy gray patina?

The president himself said these meetings were, uh, inappropriate.

"Inappropriate" used to mean not using the right salad fork. Now it's leaking word to the president, his lawheads and top advisers that he's the subject of a confidential criminal referral. Something tells us that the Justice Department doesn't show quite the same consideration to all those it is asked to investigate.

Inappropriate? Inadvisable in hindsight? The euphemisms are getting mighty deep. After all, Mr. Cutler's predecessor — Bernard Nussbaum — didn't resign as White House counsel for nothing. But then again, all the other top officials who participated in these unseemly conversations seem securely in place.

The president says he was told back in October that he was under investigation, but that he can't remember who told him. A citizen of only average mettle might not be able to forget exactly when, where, how and by whom he was told about being the subject of a criminal referral to the Justice Department, but our president can be remarkably casual about these details. If his ethical sensitivity is less than keen, Mr. Clinton's general cool is phenomenal. An event that might engrave itself indelibly on the memory or conscience of ordinary mortals puts no dent in the calm of this sax player. Not since he couldn't remember whether he was drafted has Bill Clinton's forgettery seemed so formidable.

Cartoon from "Ramparts"/Russell Lay-Steven Miller

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

BC-ND--Editorial Rdp, ADV08, 1300
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Advance for Friday, July 8, and thereafter
By The Associated Press=

Here is a roundup of recent editorial comment from North Dakota daily newspapers.

The Bismarck Tribune

That Bill and Hillary Clinton need a legal defense fund should disturb all of us. But what's a sitting president to do when he gets sued?

The White House was smart enough to restrict donations to individuals and to $1,000 each, but that doesn't restrict people who represent special interests and want something in return from writing the Clintons a check.

The public would be better served if professional lobbyists were also not allowed to donate to the cash pool for the Clintons' defense.

The fund expects to foot the bills for the sexual harassment suit filed against the president and to take care of defending the president and first lady in the Whitewater scandal.

Legal costs, estimated at $2 million, will be deeper than the Clintons can reasonably afford. The president earned $293,000 last year and was worth less than $1.6 million in 1993. If it were citizen Bill Clinton being sued, it's unlikely he would be spending $2 million in his defense. So politics has upped the ante and a legal defense fund makes more sense than having our president go into debt to defend himself.

The United States doesn't need the job of running the country to become anymore of a rich man's game than it already is. And the taxpayer shouldn't have to foot the bill for Clinton's alleged indiscretions.

We haven't had a really squeaky clean president for a long time, if we ever had one.

The Clintons can have their legal defense fund; it appears to be a necessary evil. But Bill and Hillary had best make sure the fund's bookkeeping is above reproach; the American people are forgiving only up to a point.

The Forum

After a brief respite during the July 4th weekend, the O.J. Simpson murder story is back on television: daytime, prime time, all the time.

And the backlash against media ``overkill'' is well on its predictable way.

The story is not driven by the media. It's driven by a public with an insatiable appetite for celebrity sagas, no matter how macabre indeed, the more macabre, the better.

It's driven by the popularity of pseudo-news tabloid programs (Hard Copy, A Current Affair) and the perversions showcased on talk shows (Donahue, Sally Jessie Rafael, et al.) It's a ratings game, the results of which depend on Americans' viewing habits, not on the merits of the story.

Americans by the millions are watching, even as they complain that ``the media'' are overdoing the Simpson story. The broadcast networks are responding to clear signals sent by viewers: Give us more. Disgust us, but give us more. Outrage us, but give us more. Titillate us, but give us more.

The public is getting what it demands, regardless of the quality of the information.

And credit clumsy prosecutors and manipulative defense lawyers with feeding the misinformation mill in order to advance their cases.

Outrageous? Certainly. But no tabloid publisher or TV talk show producer would pay a dime unless they knew that millions of readers and viewers that public feigning indignance with media coverage would be consuming with gusto every juicy morsel of bad information, every factoid, every speculative interview and every sordid detail of Simpson's less-than-heroic life story.

So let's get real. Let's get honest. Don't wag an accusing figure at the media in all its forms for reporting the Simpson story. In the American marketplace, the stuff sells. And guess who's buying?

The Minot Daily News

Colombia is a country out of control. Drug-running terrorists, inspired by insatiable demand from the United States, have created a national culture of violence for the 35 million people in this predominantly Catholic nation in northwest South America.

The ridiculous slaying soccer being what it is in Colombia, let's call it an assassination of soccer star Andres Escobar only reinforces that out-of-whack perception. The 27-year-old Escobar (no relation to murderous Colombian drug king Pablo Escobar) was gunned down in a Medellin parking lot early Saturday. Before riddling him with bullets, his killers had confronted him over his role in Colombia's loss to the United States in the World Cup soccer tournament.

Escobar, considered the gentleman of the Colombian team, wrote a newspaper column a few days before he died. ``Please, let's maintain respect,'' he wrote, signing off with, ``Until later, because life doesn't end here.''

He was speaking figuratively, but was, as it turned out, literally mistaken.

Though Colombia is both literally and figuratively a long way from North Dakota, his message has applications here at home.

The great majority of people involved with small-time athletics are decent and have things in the proper perspective. Still, every sports season we hear tales of coaches whose selfish and idiotic ravings at umpires and referees set an out-of-whack example for the kids they coach. Every season, we hear about cursing fans who can't for the life of them see the game as a game, or about know-everything parents whose abuse of a coach imbues their children with shame and vindictiveness. Every season, we hear tales of athletes who are poorly schooled in sportsmanship and personal responsibility.

Each time this happens, the sport, and the people involved, are the poorer for it.

Grand Forks Herald

Big change broke over Indian country soon after Congress allowed tribes to go after big bucks by opening Las Vegas-style casinos on reservations. Today, there are at least 85 high-stakes casinos in 20 states, including five in North Dakota and 19 in Minnesota.

Not everyone is happy about the boom and it's no surprise that some members of Congress have proposed undoing what the Congress itself allowed.

Before amendments to the Indian Gaming Regulatory Act get too far down the congressional pipeline, however, it would be wise to review both the legal principles that gave birth to Indian gaming and the accomplishments of the act itself.

The Indian gaming act represents a kind of reluctant concession on the part of white lawmakers. It is that American Indian tribes are sovereign and that they can govern their own affairs. Thus, activities that state governments don't allow otherwise might be appropriate on Indian reservations. It's up to Indian people to decide.

Congress will have a legal battle on its hands if it attacks this principle of sovereignty, however unpopular Indian gaming might be in white America.

A far better approach would be the one outlined in the act in the first place. It provides for compacts between state governments and Indian tribes. These compacts set out what types of gambling will be allowed in each state.
-END-OF-AUTOBREAK(1)-
-AUTOBREAK(2)-FOLLOWS

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Analys : C o egal fund may be taxed

By Frank J. Murray
THE WASHINGTON TIMES

A prominent tax law analyst yesterday challenged the claim of attorneys for President and Mrs. Clinton that they need not pay income taxes on millions of dollars sought by their legal defense fund.

New York lawyer Lee A. Sheppard, writing in Tax Notes, also questioned the absence of a written ruling from the Internal Revenue Service or a formal opinion from the Washington law firm of Sullivan & Cromwell, which prepared the trust fund.

Michael Cardozo, executive director of the trust, said yesterday there is no formal opinion "in the classical sense ... with footnotes and citations." He said he does not know of a request for an IRS ruling. He said trustees have raised no such questions.

A new CNN-USA Today-Gallup poll found that 80 percent of those interviewed think the defense fund is inappropriate and that 92 percent would not donate.

Sixteen percent said raising money to defend Mr. Clinton against Paula Corbin Jones' charges of sexual misconduct or Whitewater-Madison allegations is appropriate. Of the 7 percent who said they would contribute, most were willing to give more than $750 rather than limit their gift to under $10.

If the donations were ruled taxable income, the Clintons would have to pay $396,000 for each $1 million donated and would be sure to face arguments on whether the donations could be used to pay the taxes.

M. Bernard Aidinoff of Sullivan & Cromwell insisted last week the donations would be considered gifts and would not be counted as income. He is in France this week and unreachable for comment on Miss Sheppard's article.

Although a written opinion is not required, tax experts interviewed were divided on whether it is abnormal to proceed without one.

A Washington tax expert who asked not to be identified said withholding written assurances might be an attempt to limit intrusive public scrutiny.

"The absence of a written opinion in my mind is not sinister. But I agree with Lee Sheppard that it would be helpful," he said. "The Clintons must have a letter. Did the Clintons receive a letter that stated their tax consequences and that didn't rise to the level of an opinion?"

Like others, however, he said an IRS opinion should be sought in such a prominent case.

Rick J. Taylor, national director of the estate and gift tax unit at the accounting firm of KPMG Peat Marwick, which the Clinton White House has used, said Mr. Clinton could protect himself with such an ruling.

"I don't think IRS would give them a favorable ruling," Mr. Taylor said, seeming to agree with Miss Sheppard, who listed several factors that could exclude the donations from the definition of tax-free gifts.

Mr. Taylor said a formal opinion from the law firm would cushion the Clintons from penalties if the IRS demanded taxes on the fund.

IRS spokesman Frank Keith said the agency would respond and be bound by its opinion if such a written ruling were requested, but he declined yesterday to say if it had been requested, citing privacy.

Several factors could lead the IRS to rule donations are not gifts, Miss Sheppard said in Tax Notes, a publication circulated nationally among accountants and lawyers specializing in tax matters.

Basically, the donations would become taxable if the IRS determined the gifts were given in hopes of reaping personal benefit or if they were intended to help Mr. Clinton do his job by increasing his credibility with Congress or his chances for re-election.

"Put another way, a president who was not worried about the effect of Paula Corbin Jones' accusations on his ability to persuade voters might be able to brush them off, rather than scrambling to hire an expensive lawyer," Miss Sheppard said.

If the money becomes taxable on grounds the donations are business-related, the Clintons might not be allowed to deduct legal bills as business spending, Miss Sheppard wrote.

In an interview yesterday, Miss Sheppard said her article straddled the questions in the absence of a formal legal opinion.

"It's not a flat contradiction, but I can't make a flat contradiction because they didn't give an opinion," she said.

Thomas Field, founding publisher of Tax Notes and a lawyer who worked in the Justice Department's tax division, said he expects significant response to the article, which he called solely Miss Sheppard's view.

Clinton deadline in suit extended

LITTLE ROCK, Ark. (AP) — A federal judge yesterday extended the deadline for President Clinton to respond to a sexual harassment lawsuit.

U.S. District Judge Susan Webber Wright moved the deadline back five days, to Aug. 10, after also moving back a deadline for the plaintiff, Paula Corbin Jones.

Attorneys for Mrs. Jones had asked for an extension of their Friday deadline for responding to a motion that Mr. Clinton's attorneys filed on June 27. Judge Wright yesterday extended that deadline by five days, until Wednesday, because of a death in the family of one of Mrs. Jones' attorneys.

The June 27 motion by Mr. Clinton's attorneys asked the judge to allow Mr. Clinton to file only papers related to the question of whether the president has to respond to civil lawsuits while in office.

Mr. Clinton's attorneys are asking to be allowed to put aside other issues, including the normally required response to the suit's allegations, until the immunity question is settled.

Last month, Judge Wright gave Mr. Clinton until Aug. 5 to file a detailed response to the charges but said she planned to decide before that date whether to permit the president to deal solely with the immunity question.

Mrs. Jones charged in her suit filed May 6 that Mr. Clinton asked her for sex in 1991, while she was an employee of the Arkansas Industrial Development Commission, a state agency. She claimed she suffered retaliation on the job after refusing the advances of Mr. Clinton, who was governor of Arkansas at the time.

The Supreme Court has ruled that presidents cannot be sued for official actions taken while in office. But it has not been determined whether they can be sued for actions taken before assuming the presidency.

NEA takes even harder line against standardized testing

Union wants exams to be 'diagnostic' – not 'high-stakes'

By Carol Innerst
THE WASHINGTON TIMES

The National Education Association (NEA), responding to a push to hold educators responsible for low student test scores, yesterday stiffened its long-held opposition to standardized testing of students.

The 2.2-million-member teachers union, concluding its annual convention in New Orleans, voted to battle "high-stakes testing," and the use of test scores to compare students, schools and districts.

"High-stakes" means tests with consequences, such as promotion to the next grade, qualifying for a high school diploma, getting into a gifted-and-talented program, or getting into college. Some schools use test scores as a measure of a teacher's ability and to make determinations about programs and resources.

"We think high-stakes testing is wrong, and we want to see it eliminated," said Michael Cecil, who teaches language arts at a middle school in Kirkwood, Mo.

Mr. Cecil was chairman of the subcommittee on testing and assessment of the NEA's Resolutions Committee, which drafted the language of a resolution on testing adopted yesterday without floor debate by the 10,000-member Representative Assembly.

The union, which has traditionally opposed mandated state and federal standardized tests, included local tests among their concerns.

"It seems like a race out there to establish some kind of test or measurement to justify accountability," Mr. Cecil said. "So you have three levels of people out there trying to respond to public expectations."

"The purpose of testing should be to improve student learning, gauge where a student is and help teachers figure out instructional strategies," said NEA spokeswoman Nancy Kochuk. "Testing should be a diagnostic tool."

The NEA favors "more authentic ways of gauging and measuring what students have learned," including portfolios that showcase a child's best work and other performance-based assessments, currently in vogue.

Myron Lieberman, senior research scholar with the Social Philosophy and Policy Center in Bowling Green, Ohio, said: "They [the NEA] don't want to be held accountable and don't want any form of competition to be involved here. ...

"Even for them, it's an extreme statement," said Mr. Lieberman, co-author with Charlene K. Haar and Leo Troy of the newly-released book "The NEA and the AFT: Teachers Unions in Power and Politics."

"It's interesting that standardized testing grew out of the fact that other ways of testing — evaluation, for example — proved so unreliable," he added.

The NEA's position on high-stakes testing is poles apart from the stance taken by Albert Shanker, president of the rival American Federation of Teachers (AFT), who has backed rigorous academic standards and assessments to measure what youngsters learn in school.

"Standards, assessments, and stakes ... if it doesn't count, nobody will take it seriously," Mr. Shanker said yesterday.

At a recent education conference at Brookings Institution, he predicted that the lack of stakes will doom education-reform efforts.

Because anybody can get into a college regardless of grades or test scores, "none of this is going to work unless we put stakes [consequences] in the picture," Mr. Shanker said. "Without stakes, you can throw out [national] Goals 2000 standards."

Mr. Shanker, a former teacher, does not think portfolios are any substitute for standardized tests. He prefers essay tests that require students to write.

Testing philosophy aside, the NEA and AFT are in the midst of merger discussions.

The AFT, which meets biennially, will open its convention in Anaheim, Calif., a week from tomorrow.

THURSDAY, JULY 7, 1994 The Washington Times

Illegal defense fund — Part Two

At least we are getting some answers to the questions posed in an editorial here last week in response to the announcement of the unprecedented creation of a "Presidential Legal Expense Trust." The answers are lousy, but they *are* answers.

The most important series of questions is this: Did anyone in the executive branch set anything to paper purporting to assert that President Clinton can do what he has done — namely, set up a legal defense fund in which any person can contribute as much as $1,000 a year to help out with Mr. Clinton's sky-high legal bills? How about the Office of Legal Counsel at the Justice Department, which serves as the executive branch's principal legal adviser and whose opinions, published and unpublished, are accepted as binding within the executive branch? How about the Office of Government Ethics, which has the responsibility to police ethics regulations throughout the executive branch? How about the Treasury Department and the Internal Revenue Service, which routinely issue advisories and opinions on the application of tax law in novel situations?

The issue of written opinions, memoranda and advisories is important because, quite simply, that is how the executive branch does business. Such opinions first of all demonstrate that the law as it applies to the subject in question has been thoroughly researched. Second, they contribute to a body of law that in turn serves as precedent for future legal decisions by the executive branch. Third, they provide accountability, in that they are signed by an appropriate official of the government, whether it's the assistant attorney general who heads the Office of Legal Counsel or the director of the Office of Government Ethics.

And the answer, in the case of the president's legal defense fund, is no: There is nothing in writing. Not even the president's own private attorneys have produced a written opinion attesting to the propriety of this arrangement.

This is extraordinary. There would seem to be three possible explanations, and none is reassuring. Either it did not occur to the president's lawyers, both those in government starting with White House Counsel Lloyd Cutler and those who represent the president in private matters, that thorough research culminating in a written opinion was important — in which case the president has been ill-served by his lawyers and has been placed in a position of considerable risk by them. Or the president's lawyers concluded that they need not ask and could rely instead on the verbal assurances they have apparently obtained in the course of meetings with officials at the Office of Government Ethics (the only apparent attempt to assess the propriety of this adventure) — in which case, once again, the president has been ill-served. Or the president and all his men decided it would be better not to ask, because of concerns that they wouldn't like the answer, and instead to bull-dog their way forward in hopes of getting away with it — in which case we have a president who thinks, or whose lawyers are advising him to act as if, he is above the law.

Both the director and the deputy director of the Office of Government Ethics have stated that the president's legal defense fund is hunky-dory, based on their reading of a regulation (5 C.F.R. 2635.204(j)) written to implement the law governing gifts to government employees (5 U.S.C. 7353). The statute says, "Except as permitted by subsection (b), no Member of Congress or officer or employee of the executive, legislative, or judicial branch shall solicit or accept anything of value from a person — . . . (2) whose interests may be substantially affected by the performance or nonperformance of the individual's official duties." The term "officer or employee" is defined to include among others "an individual holding an . . . elective position in the executive . . . branch," and is thus applicable to the president. The crux of the matter, however, comes from that "subsection (b)," which authorizes the appropriate ethics office — the Office of Government Ethics, in the case of the president — "to issue rules and regulations implementing this section and providing for such reasonable exceptions as may be appropriate."

That takes us to 204(j), the exception on gifts to the president and vice president, which 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, provided that such acceptance does not violate 2635.202(c) (1) or (2), 18 U.S.C. 201(b) or 201 (c)(3), or the Constitution of the United States."

The argument emanating from the Office of Government Ethics seems to be this: The presidential legal defense fund is related to the conduct of the office in that its establishment allows the president to fulfill his official duties without worries about paying lawyers representing him while he is president; therefore, the establishment of the fund is exempt from the prohibition on gifts.

If this is the depth of the analysis the president has relied on, he's in trouble. For one thing, as last week's editorial noted, it is not obvious that an exception written to cover the gift of a tribal mask from a visiting African head of state would extend far enough to cover a multimillion-dollar gift fund. And are the president's private legal difficulties, ranging from questionable financial transactions to allegations of the crudest sort of sexual harassment, really anything other than private?

More important, however, is the fact that the exception in 204(j) to the rule on gifts refers only to accepting gifts. It does not create an exception for *soliciting* gifts. It's the difference between a president who is allowed to accept a gold pen and a president who is allowed to use the full resources of his office, including his press and communications aides, in addition to private direct-mail consultants, to *ask* Americans to send him gold pens. There is no exception for the latter in 204(j).

This is apparent not only from the omission of "soliciting" from 204(j), but also by its very terms, which specifically state that acceptance must not violate 202(c)(1) or (2), provisions detailing the "Limitations on use of exceptions," which say: "Notwithstanding any exception provided in this subpart, other than 2635.204(j), an employee shall not: (1) Accept a gift in return for being influenced in the performance of an official act; (2) Solicit or coerce the offering of a gift." In short, no soliciting gifts.

(It's odd that there appear to be cross-exceptions: 201(c) says "notwithstanding any exception . . . other than . . . 204(j)," whereas 204(j) says gifts may not violate 202(c)(1) or (2). The explanation may lie in the fact that there is also a 202(c)(3) that goes unmentioned as an exception to 204(j). It prohibits acceptance of "gifts from the same or different sources on a basis so frequent that a reasonable person would be led to believe the employee is using his public office for private gain" — a test regulators might have deemed inappropriate to apply to the president and vice president. It's also quite clear that the cross-references do not somehow *permit* a president to "accept a gift in return for being influenced in the performance of an official act," since that is absurd on its face.)

The bottom line here is that the president, directly and indirectly, is soliciting gifts. He can't do that, and there is nothing in the law to suggest otherwise.

THURSDAY, JULY 7, 1994 The Washington Times

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according to Jones, who spoke in a telephone interview. Tuesday, 2,862 were picked up, and Monday the number was 3,245 the most for any single day.

"It sounds low to me," said Embassy spokesman Stanley Schrager, when he heard Wednesday afternoon's figure of 665 boat people. "I'd love to believe it's the new policy."

He was referring to Clinton's policy, announced Tuesday, of sending rescued Haitians to an island off Panama instead of allowing some into the United States.

Making sure Haitians get the word about the policy change, the U.S. Embassy bought radio time Wednesday and told listeners in the native language, Creole, "If you take a new boat one thing is certain: You won't get to the United States."

The latest boat people crisis began almost two weeks ago, when Haitians began leaving en masse in small vessels. Clinton's special adviser on Haiti, William Gray, said the huge outflow was due to increased repression in the country.

But others, including Coast Guard officials, said it was clearly related to the refugee program begun by Clinton June 16, when the United States began interviewing boat people at sea and granting asylum to roughly a third of them. Those with asylum were eligible to enter the United States.

Hopeful for the chance to get to the United States, poor, desperate Haitians began streaming out of the country. Often the boats were so flimsy the passengers could not have harbored any intentions of reaching Miami, Coast Guard officials said. Rather, they only wanted to reach Coast Guard cutters that would take them to the special U.S. immigration processing ship off Kingston, Jamaica, or to a special center set up last week on the U.S. naval base at Guantanamo, Cuba.

Between June 16 and Tuesday, more than 13,800 boat people were picked up.

(Optional add end)

U.S. Embassy spokesman Schrager cautioned late Wednesday that more Haitians might be picked up. He said he would like to see consistent daily reductions in the number of rescues before he is ready to declare the massive exodus is coming to an end.

Trying to discourage Haitians from fleeing in boats, the United States has been encouraging them to apply for asylum at U.S.-sponsored in-country processing centers for refugees. But the acceptance rate at the centers is only about 6 percent. What's more, those lining up to request refugee status risk being seen by spies for the army or for the attaches, who have a reputation for frightful brutality.

Citing poverty made worse by economic sanctions and widespread repression against supporters of Aristide, poor Haitians around the country say they do not want to remain there.

More than 40,000 boat people left Haiti after the 1991 army coup against democratically elected President Jean-Bertrand Aristide. That exodus effectively came to a halt in May 1992, when then-President Bush issued an order to return all Haitian boat people. Clinton, as a Democratic presidential candidate, condemned the automatic repatriations as inhumane. But then he decided to retain the policy.

Distributed by the Los Angeles Times-Washington Post News Service

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Records: Rose Firm Was Dumped Over Conflict in Foreclosure Case By Kevin McCoy and John Riley= (c) 1994, Newsday=

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

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

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

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

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

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

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

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

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

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

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

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

Hillary Clinton was not involved in the foreclosure proceedings.

The Maumelle case represents the third time the Rose firm was at the center of an apparent conflict of interest

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in its representation of federal agencies.

(Optional add end)

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

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

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

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

Justice Ginsburg Steers Middle Course in 1st Year (Washn)
By Timothy M. Phelps= (c) 1994, Newsday=

WASHINGTON Justice Ruth Bader Ginsburg did something in her first year at the Supreme Court that no other justice in history has ever done.

She moved upstairs.

Ginsburg, who has sometimes been accused of being intellectually and personally aloof, turned up her nose at the small chambers being vacated by Justice Clarence Thomas on the marble-lined first-floor hallway, traditionally occupied by the junior justice.

Instead, Ginsburg moved into modest but more spacious chambers for retired justices upstairs, a flight away from her eight colleagues.

The 61-year-old, New York-born jurist displayed the same kind of independence in her rulings, which were neither as liberal as White House officials expected nor as conservative as many liberals had feared.

Shortly after Ginsburg was confirmed, 96-3, by the Senate, a White House official bragged of having put one over on conservatives. He predicted Ginsburg would be more liberal than Justice Harry Blackmun.

But in the term that ended last week, Ginsburg was almost as likely to vote to the right of Blackmun as to vote with him on cases that had a discernible liberal-conservative divide.

In fact, in 54 of the 84 cases decided during the term, some of which had no clear ideological bent, she voted with the court's most conservative member, Thomas.

Although Ginsburg's place in the dead center on a generally conservative court may have surprised some in the White House, liberals concerned that she would ally herself more with conservatives are so far breathing a sigh of relief.

``She has been somewhat more liberal than some of us feared," said Herman Schwartz, a law professor at American University in Washington. But Schwartz said Ginsburg has yet to be tested on some key issues, such as state regulation of abortion rights.

The court in the term just past managed to please civil libertarians as well as pro-business conservatives while deciding fewer cases than any court in 40 years. But the expected replacement of Blackmun with a somewhat more conservative Stephen Breyer could mean different results in the term that begins in October. Breyer's confirmation hearings begin Tuesday.

Ginsburg voted the liberal side of several key issues decided this term. In perhaps the court's most important ruling, she voted with Blackmun, John Paul Stevens and David Souter against a majority decision granting broad new rights to property owners against zoning or environmental regulations that require them to give up land or money.

The court said property rights will be accorded the same deference as any other fundamental liberty protected in the constitution, a pronouncement that the dissenters said could lead to a wholesale redefinition of government's right to regulate the economy.

She took a strong stand against mixing church and state, joining a concurring opinion by Stevens likening New York's creation of a special school district allowing Hasidic Jews to run their own public school in Kiryas Joel, N.Y., to government-backed ``segregation." The court ruled 6-3 that the special district was unconstitutional.

But in other areas, conservatives were more likely to be pleased with Ginsburg's record. ``I think she made solid contributions to the court," said Alan Slobodin of the Washington Legal Foundation, a pro-business group.

She voted against organized labor in two important decisions, one saying that government employers can under some circumstances fire employees simply for expressing opinions, and another reversing a 50-year-old Department of Labor rule that gave longshoremen and mineworkers the benefit of doubt in disability cases. But she voted on the other side in two other labor cases, dissenting from decisions that staff nurses are supervisors under the labor laws and that railroad employees could not collect damages for negligent infliction of emotional distress.

In civil rights, Ginsburg's voting was also mixed, despite her history of crusading for the legal rights of women. She voted with the majority against a requirement that Florida maximize the number of seats for Latinos in the state Legislature, but dissented when the court ruled that a Georgia county's single (and always white) commissioner form of government was legal.

She signed the court's unanimous decision making it easier for women to sue their employers for sexual harassment (whenever a reasonable person would perceive the conduct as hostile or abusive), but she agreed with the majority that the 1991 Civil Rights Act protecting women and minorities should not be applied retroactively. She was in the majority that ruled that people could not be kept off a jury just because of their gender.

(Begin optional trim)

Ginsburg disappointed those liberals who had predicted she would oppose capital punishment, voting to uphold the California death penalty and to affirm the death sentences of two prisoners even though the judge had given their juries an incorrect definition of the ``reasonable doubt" needed to convict. But she joined in a broad ruling by the court that said condemned prisoners have a right to a stay of execution and a lawyer while they appeal their state convictions in federal court.

In other criminal cases Ginsburg was very difficult to predict, voting as often with the prosecution as with defendants.

In several major cases this term, liberals and conservatives united to produce unanimous decisions. All the justices agreed that a suburb of St. Louis had violated the First Amendment right of free speech when it prohibited signs in residential neighborhoods. They also united to hold that abortion clinics could sue Operation Rescue and other antiabortion groups using obstructionist tactics for

GOP picks tough Whitewater counse

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — Senate Republicans have hired a former U.S. attorney to spearhead their efforts during hearings into the Whitewater Development Corp. affair.

Michael Chertoff, a New York lawyer, will serve as special counsel for GOP members of the Senate Banking Committee, Sen. Alfonse D'Amato, R-N.Y., said Wednesday.

The committee will begin Whitewater hearings no later than July 29.

D'Amato, the committee's ranking Republican, said Chertoff will be a "great asset."

Chertoff, who was a federal prosecutor in New Jersey, handled cases involving officials with the state's largest savings and loan institutions. He also handled cases involving white-collar crime.

In 1991, Chertoff won a conviction against the mayor of Jer- City for bank fraud and tax evasion. In 1992, he successfully prosecuted a couple accused of kidnapping and killing an Exxon Corp. executive.

Chertoff was a U.S. attorney from 1990-94. Previously, he was an assistant U.S. attorney in New Jersey and in the Southern District of New York.

The Whitewater special counsel, Robert Fiske Jr., was the U.S. attorney in New York's Southern District from 1976-80, several few years before Chertoff joined the office.

Like Fiske, Chertoff comes to the Whitewater case after working for a New York law firm. Chertoff left his U.S. attorney's post to join the firm of Latham & Watkins in May. He headed the firm's white-collar crime division.

Senate Democrats have hired William Codinha to be their special counsel during the committee hearings. Codinha once was chief counsel to the Senate Select Committee on POW-MIA Affairs.

Separate House hearings into Whitewater will begin July 26.

Both sets of hearings will focus on the Washington aspects of Fiske's Whitewater investigation, which encompasses the death of deputy White House counsel Vincent Foster and meetings between White House and Department of the Treasury officials.

Fiske concluded last week that Foster, a Hope native and former partner in Little Rock's Rose Law Firm, committed suicide on July 20, 1993. Fiske also said no criminal wrongdoing occurred in meetings between White House aides and federal regulators investigating the failure of Madison Guaranty Savings & Loan Association.

Arkansas Democrat-Gazette
7/7/94

Clinton, accuser granted more time to file responses

Democrat-Gazette Press Services

A federal judge Wednesday extended the deadlines for President Clinton and Paula Corbin Jones to file responses in Jones' lawsuit accusing Clinton of making unwanted sexual advances.

U.S. District Judge Susan Webber Wright gave Jones until July 13 to respond to Clinton's request that her suit be put on hold until after he leaves the White House. The original deadline was Friday.

In a motion filed last week, Clinton said he will invoke presidential immunity to delay action in the suit. Clinton said the Constitution gives presidents this immunity so they can concentrate on their duties without the distraction of private litigation.

Wright on Wednesday also changed the deadline for Clinton to respond to the allegations in Jones' lawsuit, from Aug. 5 to Aug. 10.

Wright extended the deadlines after one of Jones' attorneys asked for more time to prepare a response. The attorney, Gilbert K. Davis of Fairfax, Va., said he needed an extension because of a death in his family.

The June 27 motion by Clinton's lawyers asked the judge to allow Clinton to file only papers related to the question of whether the president has to respond to civil lawsuits while in office.

Clinton's lawyers are asking to be allowed to put aside other issues, including the normally required response to the suit's allegations, until the immunity question is settled.

Last month, the judge gave Clinton until Aug. 5 to file a detailed response to the allegations but said she planned to decide before then whether to let the president deal solely with the immunity question.

Jones alleged in her suit filed May 6 that Clinton asked her for sex in 1991 while she was an employee of the Arkansas Industrial Development Commission, a state agency.

She claimed she suffered retaliation on the job after refusing the advances of then-Gov. Clinton. Clinton has denied her allegations.

The Supreme Court has ruled that presidents cannot be sued for official actions taken while in office.

But it has not been determined whether they can be sued for actions taken before assuming the presidency.

ATLANTA JOURNAL/CONSTITUTION 7/7/94

WE'LL HAVE TO GUESS WHO GAVE: The Paula Jo legal fund, for her sex harassment suit against **President Clinton**, reportedly has brought in "something under" $100,000 so far since it was set up June 1. The average contribution has been $18, and the biggest chunk of the money is $25,000 from Guess jeans. But other donors will not be disclosed, unlike the disclosure list Clinton has promised for his defense fund. **Cindy Hays**, the former Republican fund-raiser who is managing Jones's fund, says that keeping mum protects donors' anonymity and prevents retaliation against those who might have business with the government. Meanwhile in Arkansas, U.S. District Judge **Susan Webber Wright** extended the deadline five days, to Aug. 10, for Clinton to respond to Jones's lawsuit.

Paula Jones

ELSEWHERE

Winners of last year's House travel derby, according to Roll Call Report Syndicate, were Rep. **Floyd Spence** (R-S.C.), who took five trips over 37 days to 19 countries, and **Eni Faleomavaega**, a Democratic delegate from American Samoa, who took five trips over 41 days to 14 countries. ... Republican National Committee Chairman **Haley Barbour** said conflict between traditional party activists and the Christian right "is not a problem" for the GOP and charged that the controversy has been manufactured by Democrats. ... Sixteen members of the FBI crime lab who searched Fort Marcy Park didn't find the suicide bullet that killed White House aide **Vince Foster**, but they did come up with a collection of likely Civil War artifacts, including the lip of a canteen, horseshoes, nails, a military button and eight lead minie balls. ... New Republic journal editor **Michael Kinsley**, fascinated by the transfixion of editors and reporters throughout the media with **Jackie Onassis's** televised funeral, says he got the idea for a new cable funeral channel, in which "the network would broadcast all funerals, all the time."

Floyd Spence

IT'S A FACT

Bill Clinton wears two kinds of shoes for running: New Balance model 1500 athletic shoes, size 12EE, made in Maine with the words "Mr. President" stitched in them, retailing for about $160; and Asics GT-2 sneakers, which are made in Asia and retail for about $50. He gets both as gifts from the manufacturers.

GEBBIE ON WAY OUT? Just barely a after she was named national AIDS policy director, the search reportedly is on for **Kristine Gebbie's** replacement. The Washington Post says she will stay around only until a successor is found. Gebbie, who was health secretary of Washington state, has maintained a low profile as AIDS czar, and her tenure has been marked by little apparent accomplishment. Word is that the administration is looking for someone of stature who can command respect from all interests: the administration, Congress, AIDS workers and activists, the National Institutes of Health, the Centers for Disease Control and Prevention and the Food and Drug Administration. One possibility is Oregon Gov. **Barbara Roberts**, a Democrat, who is not seeking re-election.

Kristine Gebbie

LEON LEAVES 'EM LAUGHIN': He's baaack, and then some! New White House Chief of Staff **Leon Panetta** says he hasn't read **H.R. "Bob" Haldeman's** recently published diary from his days as President **Richard Nixon's** chief of staff. But he does, however, speak gleefully about being fired by Nixon. Panetta told a senior staff meeting Wednesday that he was canned as civil rights director for the old Department of Health, Education and Welfare because he refused to stop pushing for swift racial integration of public schools. This was in Haldeman's diary for Feb. 4, 1970: "Panetta had successfully resisted earlier efforts to remove him, so P [president] took the route at this time of simply announcing Panetta's resignation at a meeting." Three weeks later, Haldeman wrote that Nixon "feels the only good thing we've done in this area is to fire Panetta."

'Special wrongs' in the workplace

While most Americans oppose legal recognition of homosexual marriages, poll after poll shows the great majority believe gays and lesbians have the right to work. In fact, most people assume it's against the law to fire a good employee just for being gay.

Unfortunately, that is not true. Except in a few states and communities with antidiscrimination laws, it is legal to dismiss an employee for no reason other than sexual orientation. It has happened numerous times in Georgia in recent years. The most celebrated case involved the Cracker Barrel restaurant chain. In 1991, the chairman ordered his managers to fire any worker suspected of being gay. About a dozen people, including several in Georgia, lost their jobs.

To stop such unfairness, a bill has been introduced in Congress. The Employment Non-Discrimination Act of 1994 would extend many protections of Title VII of the 1964 Civil Rights Act on the basis of sexual orientation.

Anti-gay hysterics will try to make the tired "special rights" argument again, claiming that this bill would somehow put gays ahead of others and force employers to hire gays. Such arguments are lies.

The bill explicitly prohibits gay quotas. It also exempts small businesses with fewer than 15 workers. It would not require employers to provide benefits for same-sex partners. It would not apply to uniformed members of the armed forces. The bill exempts religious organizations, including church-run schools. It won't take effect retroactively. The remedies for job discrimination would be the same as those permitted under Title VII and the Americans with Disabilities Act.

Let's recap that: No, this bill would not put gays into the military or force churches to hire gay ministers. No, employers would not have to recruit gays. The only thing that would change is that hard-working Americans could not be fired on a homophobic whim, as happened to cooks and waiters at Cracker Barrel.

Coretta Scott King endorsed the bill, saying it would be a "logical extension" of the Bill of Rights. "For too long, our nation has tolerated ... discrimination against this group of Americans who have worked as hard as any other group, paid their taxes like everyone else and yet have been denied equal protection under the law."

She is exactly right and helps make it clear that this bill is not about "special rights." It's about ending special wrongs.

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A clothes call for Paula Jones

My two cents ... Boy, **Paula Jones** becoming a No Excuses jeans model was some surprise, wasn't it? ... **Jim Bouton** and **Eliot Asnof's** new novel *Strike Zone* (Viking, $21.95) is a terrific read.... I hope everybody looks in on ABC's *In a New Light* AIDS special Saturday night.

The Larry Sanders Show is one of television's all-time great treats.... I don't love it yet, but I must admit the more I watch the World Cup, the more I like soccer.... If I were on the Senate Judiciary Committee, I'd have voted to remove baseball's screwy exemption from antitrust laws.

LARRY KING'S PEOPLE

News & Views

There has never, repeat never, been a funnier or wackier cartoonist than *The Far Side's* **Gary Larson**. ... Anybody notice that in all three of the Knicks' wins in the NBA championship, they scored 91 points each time? ... I know I'm getting old because I can remember changing television channels by actually turning the knob on the set.

Jeff Bagwell of the Houston Astros is the least-known superstar in sports.... I have yet to meet anyone of either gender who intellectually chose his or her sexual preference.... I never thought I'd see the day when a $20,000 car would be described as "low-priced."

Boy, I'm glad we added that extra second last week, making my year longer.... The religious right, being very religious, loves their enemies, right? ... Would you believe there are actually some people who believe homeless people want to be homeless?

The trouble with *Time's* **O.J. Simpson** cover is that it didn't look like an artist's work at all.... When it's winter, I complain about missing summer and now vice versa.

Greats in all fields

How would you like to show up to an audition for a voice-over commercial and find **James Earl Jones** waiting to go in the room? ... To me, the definitive big league ballplayer is **Roberto Alomar** of the Toronto Blue Jays. ... I'm looking forward to flying in the new Boeing 777.... If **Tommy Lee Jones** is on the screen, so are my eyes.

Taking nothing away from Tabasco Cat, I still think a healthy Brocco is the best 3-year-old thoroughbred in the USA.... **Lawrence Block's** *The Burglar Who Traded Ted Williams* (Dutton, $19.95) is one fine summer read. ... When you make up your list of great final scenes in movies, don't forget Edward G. Robinson and Fred MacMurray in *Double Indemnity*.... Wow, it's almost Labor Day.

Larry King Live *is seen nightly on CNN and simulcast on the Westwood One radio network.*

WASHINGTON

Report: McLarty ready to push closer to president

Outgoing White House chief of staff Thomas "Mack" McLarty may push other staffers out of his way in order to get closer to the president, *Newsweek* magazine reports. It says McClarty, who becomes a senior counselor after being replaced by Leon Panetta, may oust advisers George Stephanopoulos or Bruce Lindsey from their current offices; or McLarty could take over the president's private dining room, eliminating Stephanopoulos' short cut to the Oval Office; or McLarty could take David Gergen's old office.

CAREER MOVE: Sen. Nancy Kassebaum, R-Kan., may be leaving the political arena to pursue chancellorship of the University of Kansas. Kassebaum reluctantly ran for re-election in 1990. She has said she did not intend to stay in the Senate for an extended period. "There is truly a life after the Senate," Kassebaum said. "I've always said I'm looking forward to going back to Kansas."

By Doug Mills, AP

KASSEBAUM: May leave politics

She has not been offered the position, which is currently held by Gene Budig. He leaves the university Aug. 1 to become president of major league baseball's American League.

NUKE MILESTONE: An Air Force nuclear missile wing in South Dakota is going out of business, the first to deactivate since the end of the Cold War. Three years ago, the 44th Missile Wing at Ellsworth Air Force Base, the "Black Hills Bandits," had 150 multiple-warhead rockets aimed at the former Soviet Union. The last was removed April 7.

Written by Charmagne Helton

ELSEWHERE IN THE WORLD

U.S. opens new embassy in Bosnia with garden party

The United States opened its new embassy in Bosnia-Herzegovina on the Fourth of July with a garden party that doubled as an Independence Day celebration, minus fireworks that might have been interpreted as shelling amid a three-year-long civil war in the former Yugoslav republic.

"We agonized over having a party but finally decided do something like this in a modest way with taste and bring a bit of Americana to Sarajevo, said U.S. Ambassador Victor Jackovich. The fare for 700 guests: grilled hot dogs and hamburgers with potato salad, cold sodas and beer.

Despite the holiday spirit, fighting persisted in Bosnia. International mediators geared up for meetings that could determine whether there is peace or more war in Bosnia, where majority Muslims declared independence from Serb-dominated Yugoslavia. **(Fourth of July poll, 2A)**

VIETNAM MIAS: U.S. officials trying to resolve the fate of U.S. servicemen missing in action in the Vietnam War have discussed the issue with officials from neighboring Laos. The delegation, led by U.S. Assistant Secretary of State Winston Lord and Deputy Secretary for Veterans Affairs Hershel Gober, met Lao Foreign Minister Somsavat Lengsavat in Ho Chi Minh City then flew to Laos, where investigators believe more than 500 U.S. troops may have died. The officials are on a four-day visit to press Hanoi for more cooperation on the MIA issue, the biggest remaining hurdle to normalization of U.S.-Vietnamese relations.

MEXICAN QUAKE: Two people were reported killed Monday when an earthquake measuring 5.9 on the Richter scale struck the Pacific coast of the southern Mexican state of Oaxaca, Mexico's National Seismological Service said.

YEMEN FIGHTING: Northern Yemeni forces said they captured the eastern port of Mukalla, a key base for their southern civil war enemies. Southern officials denied this.

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BC-WHITEWATER-WITNESSES
CONGRESS PANEL SEEKS FISKE ADVICE ON WHITEWATER
WASHINGTON, July 5 (Reuter) - The powerful chairman of a House committee has asked the Whitewater special counsel if calling top administration officials before Congress would compromise his investigation.
House Banking Committee Chairman Henry Gonzalez wrote Robert Fiske and attached a list of 44 current and former administration officials he said were potential witnesses before the committee when it begins hearings late this month.
Among potential witnesses were outgoing White House chief of Staff Thomas McLarty, senior advisor George Stephanopoulos, Treasury Secretary Lloyd Bentsen and Deputy Treasury Secretary Roger Altman.
``Please review the list to determine if testimony from any of the individuals potentially would compromise your ongoing probe,'' Gonzalez, a Texas Democrat, wrote Fiske. The letter, written Friday, was made public Tuesday.
Gonzalez has scheduled Whitewater hearings to start July 26, but told Fiske that he would ``do everything in my power to ensure that the committee's proceedings to not jeopardise your investigation.''
Gonzalez's first session will cover the removal of Whitewater files by aides to Clinton from the office of deceased White House aide Vincent Foster.
Ranking Republican Jim Leach of Iowa and other Republicans want to expand the investigation beyond the narrow limits set by Gonzalez.
Fiske finished looking into matters involving Foster without finding anything politically damaging to Clinton.
Fiske is still investigating the ties of Clinton and Hillary Rodham Clinton to James McDougal, who owned a failed savings and loan in Arkansas.
Leach wants to investigate if Washington officials of the Resolution Trust Corp interfered with an investigation of the savings bank, Madison Guaranty Savings and Loan, by the regulatory agency's officials in Kansas City, Missouri.
REUTER

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WASHINGTON

Clintons' legal defense fund inappropriate, taxpayers say

President Clinton's legal defense fund is a dud with taxpayers: 80% say it's inappropriate, 52% say lobbyists' donations should be banned and 92% say they wouldn't contribute, according to a USA TODAY/CNN/Gallup telephone poll of 942 adults last weekend. The fund, accepting maximum individual donations of $1,000, has been established to help pay legal costs for Clinton and Hillary Rodham Clinton regarding their Whitewater land deals and a sexual harassment suit against the president.

Of potential contributors, most, 21%, would give between $11 and $25, with $50 as the median donation. The poll, with a 3 percentage point margin of error, records Clinton's lowest approval rating since last July, 43%, down from June's previous 44%.

Meanwhile, House Banking Committee Chairman Henry Gonzalez, D-Texas, said Tuesday he may call administration officials to Whitewater hearings July 26.

ESPY PROBE: An independent counsel may investigate Agricultural Secretary Mike Espy's dealings with Tyson Foods Inc., the largest U.S. poultry processor, Justice Department officials say. They've been probing whether Espy illegally accepted free travel, tickets to sporting events, including football playoff games, and other gifts from Tyson, which has longstanding ties to President Clinton.

Meanwhile, the Agriculture Department announced new standards for inspecting poultry to reduce bacteria.

Written by Charmagne Helton

ELSEWHERE IN THE WORLD

Craxi corruption trial opens — with Craxi in absentia

Italy's biggest corruption case started Tuesday, putting on trial a political clique that ruled for more than a decade.

A parade of witnesses are expected to testify about an era of cozy relationships among Italian political parties, public administration and business through the 1980s.

Former Premier Bettino Craxi, the best-known of the 32 defendants, refused to budge from his villa in Tunisia. The court, saying he would be tried in absentia, rejected defense arguments the former socialist leader was ill with diabetes.

Prosecutors accuse Craxi of taking $7 million in kickbacks. Craxi says he is a victim of political vendettas.

U.S.-KOREA TALKS: A North Korean delegation left for high-level talks, beginning Friday in Geneva, with U.S. officials that could prove crucial to resolving the long-running dispute over the North's nuclear program. North Korea's Communist government told former President Jimmy Carter last month that it was willing to take steps to resolve the nuclear dispute. After that pledge, North and South Korea agreed to hold their first-ever presidential summit, set July 25-27 in the North's capital of Pyongyang.

S. AFRICA POLITICS : President Nelson Mandela moved quickly to appoint white banker Chris Liebenberg, 59, to replace Derek Keys, 62, the respected finance minister who shocked the nation by announcing his resignation. Keys was a holdover from the former apartheid government who helped make African National Congress rule palatable to business. He cited personal reasons for stepping down but said he would stay in his post until October.

Summit ocus for Clinton Jobs at home

From wire reports

President Clinton has a one-word focus for the upcoming economic summit: jobs.

In a speech Tuesday before embarking on an eight-day foreign trip including the Group of Seven summit in Naples, Clinton said he would press allies to do more to encourage global economic growth.

The goal, he said, would be to "create jobs in a world of prosperity."

"For a decade, our out-of-control budget deficit robbed us of the standing to press our partners to act," Clinton told business leaders. "Well, now instead of having the biggest deficit in the G-7, we have among the smallest. ... We now have the standing and the credibility to speak and to be heard.

"And we will say to our partners: We have done our part; you must do yours."

One step, he said, would be implementation of the General Agreement on Trade and Tariffs — a gentle nudge to C gress to approve the international trade rules.

Congress also has a merlock on Clinton's other domestic initiatives — health care and welfare reform and a crime bill.

So he insisted his trip would carry domestic benefits. "If global markets grow, our exports boom, and that means high-paying jobs in America."

He also will stop in Latvia today, Poland and Germany — with a speech in the former East Berlin — in an effort to bind former communist bloc nations closer to the West at a time of economic and political insecurity.

Clinton will meet Russian President Boris Yeltsin at the economic summit, where he'll again be an observer.

Clinton off to Economic Summit

President Clinton is in Latvia today to start eight-day trip with stops in four countries around the Group of Seven Economic Summit in Naples, Italy. He's accompanied by first lady Hillary Rodham Clinton. The schedule:

- **Today** - Riga, Latvia: Meets presidents of Latvia, Estonia, Lithuania; speaks to Latvians.
- **Thursday** - Warsaw: Meets President Lech Walesa, visits World War II historic sites.
- **Friday-Sunday** - Naples: Group of Seven Economic Summit; also meets Russian President Boris Yeltsin, attending as observer.
- **July 11** - Bonn: Meets Chancellor Helmut Kohl.
- **July 12** - Berlin: Speaks at Brandenburg Gate.

Source: USA TODAY research — USA TODAY

USA SNAPSHOTS®

A look at statistics that shape the nation

Summit inflation deflated

One problem President Clinton and other leaders won't have to worry about at the July 8-10 Group of Seven economic summit in Italy is inflation:

Source: Blue Chip Economic Indicators — By Marcia Staimer, USA TODAY

Whitewater probe by Hill bank panel to call top officials

By Jerry Seper
THE WASHINGTON TIMES

A1

Rep. Henry B. Gonzalez plans to call as many as 45 witnesses — including 15 White House officials — for Whitewater-Madison hearings, scheduled to begin July 26 before the House Banking Committee.

The proposed witness list is outlined in a letter to Whitewater-Madison special counsel Robert B. Fiske Jr. in an effort by Mr. Gonzalez, the committee chairman, to "determine if testimony from any of the individuals potentially would compromise your ongoing probe."

"The Banking Committee is committed to holding hearings based on the bipartisan House leadership agreement," wrote the Texas Democrat. "Rest assured, I will do everything in my power to ensure that the committee's proceedings do not jeopardize your investigation."

The potential witness list has some surprises, including:

- U.S. Attorney Paula J. Casey in Little Rock, a friend of President Clinton's who declined to investigate an initial criminal referral by government regulators in the Whitewater-Madison case and then recused herself.
- Former FBI Director William S. Sessions, who was fired last July 19, the day before White House Deputy Counsel Vincent W. Foster Jr. killed himself, and has said the investigation of his death was "compromised from the beginning" by White House interference.
- Former Clinton campaign adviser Betsy Wright and private investigator Jack Palladino, who were actively involved in heading off reporters looking into the Whitewater-Madison affair after it surfaced as a campaign issue in 1992.

Mr. Gonzalez also listed former Associate Attorney General Webster L. Hubbell, a former law partner of first lady Hillary Rodham Clinton's at the Rose Law Firm in Little Rock whose involvement in a federal lawsuit involving a failed Arkansas thrift has been challenged, and Donald B. Mackay, a Justice Department prosecutor who took over the Whitewater-Madison case after Mrs. Casey recused herself and later relinquished it to Mr. Fiske after his Jan. 20 appointment.

The House leadership, with bipartisan support, agreed June 15 to hold Whitewater-Madison hearings but to limit them initially to the "Washington phase" of the Fiske investigation. That would include a review of the Foster death, the handling of his papers, and meetings between White House officials and regulators looking into a failed Arkansas thrift owned by a former business partner of Mr. Clinton's.

Mr. Fiske, who also has been invited to testify before the committee, has asked the House and Senate not to proceed with hearings until his investigators have completed their inquiry and had an opportunity to interview witnesses and review documents.

The potential witness list includes former White House Counsel Bernard W. Nussbaum; Patsy L. Thomasson, special assistant to the president; and Margaret A. Williams, Mrs. Clinton's chief of staff.

They entered Mrs. Foster's office less than three hours after his body was found at Fort Marcy Park in Virginia and took documents on Whitewater Development Corp., a partnership involving the Clintons and James B. McDougal, owner of Madison Guaranty Savings and Loan Association.

Mr. Nussbaum has said that he, Miss Thomasson and Ms. Williams were in the office for about 10 minutes. Park Police investigators, who looked into the death and ruled it a suicide, said the visit lasted at least two hours.

It is not known what the Clinton aides expected to find. Thomas F. "Mack" McLarty, who was White House chief of staff, had ordered the office sealed after learning Mr. Foster was dead, telling Park Police he wanted to make sure no papers were removed. The office, however, remained unlocked overnight and was sealed only the next morning.

Citing executive privilege, Mr. Nussbaum prevented Park Police and FBI agents from looking through Mr. Foster's papers or belongings when they went to the White House on July 22. FBI agents were ordered to sit on chairs in a hallway while Mr. Clinton's aides went through the documents, and when one agent attempted to look into the room he was ordered back to his chair.

When an agent attempted to look into the room he was ordered back.

As the Clintons' personal lawyer, Mr. Foster handled the sale of their half-ownership of Whitewater, a real estate development on the White River in northern Arkansas, and filed tax forms when he discovered the partnership did not file corporate tax returns over a three-year period when the Clintons were half-owners.

Other potential White House witnesses are Mr. McLarty; White House Counsel Lloyd N. Cutler; Betsy Pond, Mr. Nussbaum's former secretary; Stephen R. Neuwirth, associate counsel to the president; Mark Gearan, White House communications director; and Lisa Caputo, press secretary to Mrs. Clinton.

Also listed are Harold Ickes, deputy White House chief of staff; senior adviser Bruce R. Lindsay; assistant John D. Podesta; senior adviser George Stephanopoulos; associate William H. Kennedy III; and former assistant David Watkins, who resigned last month over the use of a White House helicopter on a golf trip.

Others on the Gonzalez list include Treasury Department and Resolution Trust Corp. (RTC) officials connected to the Whitewater-Madison probe or involved in controversial meetings with the White House, which Mr. Fiske has numbered at 20 separate incidents.

They are, among others, Treasury Secretary Lloyd Bentsen; Deputy Secretary Roger C. Altman; General Counsel Jean Hanson; Chief of Staff Joshua Steiner; and senior RTC investigator L. Jean Lewis, whose inquiry into the Whitewater-Madison case resulted in the RTC criminal referral to the Justice Department.

Mr. Fiske heads an investigation into suspected illegal financial ties between Madison and Whitewater. The former federal prosecutor is trying to determine if Madison funds were improperly diverted to Whitewater and to Mr. Clinton's 1984 gubernatorial campaign. Madison was seized by federal regulators in 1989 at a cost to taxpayers of $50 million.

The Senate voted 56-44 last month, along party lines, to begin Whitewater-Madison hearings by July 29, but only after limiting the scope of the inquiry and assigning it to the Democratic-controlled Senate Banking Committee.

The Senate panel of 11 Democrats and eight Republicans will focus on meetings between White House officials and federal banking regulators, the handling of the Foster papers, and the Foster death.

Senators, under terms set out in the resolution offered by Senate Majority Leader George J. Mitchell of Maine, will be precluded from asking questions about Whitewater or Madison.

The Washington Times WEDNESDAY, JULY 6, 1994

INSIDE THE BELTWAY

By John McCaslin

Ship adrift

We told you last week how more than 80 Republican congressman had written to President Clinton asking for the resignation of Surgeon General Joycelyn Elders.

Dr. Elders, the lawmakers reminded the president, "has repeatedly made remarks and taken stands outside the mainstream of American thought" on such issues as drugs, condoms and homosexuality.

Now the congressmen have heard from the White House, in a letter sent to each dated June 29 and signed by Susan Brophy, deputy assistant to the president for legislative affairs.

Ms. Brophy explained to the lawmakers that Dr. Elders is "attempting to accentuate issues, central to the health and welfare of many Americans, that have been often overlooked or ignored by the mainstream."

The Clinton aide closed her one-paragraph White House letter with a rare admission:

"Moreover, while the opinions expressed by the surgeon general do not necessarily reflect those of the president or his administration as a whole, the president remains confident in Dr. Elders and her ability to perform the tasks of the surgeon general."

Dr. Joycelyn Elders' job is apparently safe, even though her boss disavows her remarks.

Asking for it

Thanks to President Clinton (and his newly created Presidential Legal Expense Trust Fund), our mailbox after the Fourth of July holiday was crammed with letters sent by ordinary folks from all over the country offering to help the him and his wife pay their legal fees.

Steve Tremper, an analyst in Woodbridge, sent a check to the Clintons made out in the amount of 6 cents — "one cent each for Bill and Hillary" from him, his wife and 10-year-old son.

Ernest Lefever of Chevy Chase was more charitable, enclosing a contribution of $5 for the fund. He added the P.S.: "Is this contribution tax deductible?"

Rick and Christyanne Dickson of Nacogdoches, Texas, actually wrote the Clintons a check for the amount of $00.00, writing on the dollars line beneath, "Not one damn dime & zero cents."

Uh-oh

Thanks, we think, to Citizens for a Sound Economy for sending us their latest T-shirt listing the top 10 reasons government-run health care is a bad idea.

Reason No. 3: "Post office service at Pentagon prices."

Women in the woods

Inside the Beltway has obtained a copy of a U.S. Forest Service Region 5 (Pacific Southwest Region) class-action complaint, filed by more than 60 foresters, all women, who claim to be victims of "sexual harassment, sex-based harassment (also known as gender harassment), hostile work environment and reprisal."

The complaint, which numbers several pages, charges that the Forest Service region "has created a class of women who have suffered backlash and retaliation."

"Over 60 Region 5 women have identified themselves as qualifying under the above-stated complaint issues and bases. The problems are rampant, pervasive and endemic," the complaint states, listing numerous "documented incidents" that have been perpetuated against women.

Women, according to the complaint, have been called sexually derogatory names and have been subjected to sexually derogatory written comments — "with [written] statements regarding 'PMS,' 'Whore,' etc. Women have been incorrectly labeled 'lesbian' as a derogatory term.

"Women have been sexually harassed in physical situations (physically assaulted), have had requests for sex, and promises of jobs and awards/career advancement. Women have been stalked. Supervisors have had sexual relationships with their permanent and temporary subordinates with no accountablity for their actions."

The complaint concludes that "women have been made to sit in miserable silence in hostile work environments because they [have] observed others being retaliated against, transferred out, or forced to quit, and they fear it may happen to them."

We phoned Forest Service headquarters in Washington yesterday, which had no immediate comment. But the women say, "If we fail to get a resolution through the agency process, we will let the court decide the resolution."

Death and liberals

We were sent a copy of a letter written by Thomas N. Edmonds, president of Edmonds Associates Inc., a Washington political consulting firm, to Richard B. McKenzie, an adjunct fellow at the Center for the Study of American Business.

Mr. Edmonds was writing in response to the June 1994 study Mr. McKenzie wrote for the business center, titled "The U.S. Senate and the Media: Is There a Political Bias?"

Mr. McKenzie's study concluded there is no liberal bias in newspaper coverage of the Senate.

"In one sense, you're correct — it's tough to objectively define liberal bias. But, like pornography, most people know it when they see it," notes Mr. Edmonds in the letter, adding "there are three things in life you can count on — death, taxes, and liberal bias in the media."

UPDATE/PEROT

Offer helps Republican campaigns

By Peter A. Brown
SCRIPPS HOWARD NEWS SERVICE

There was never much question Republicans would eventually try to enlist Ross Perot in their fight against President Clinton. The surprise is that he volunteered.

By accepting Mr. Perot's offer of $1 million to put on a network TV program to rebut the president on health care, the GOP hopes to win over the nation's biggest bloc of swing voters: The 20 million who voted for the Texas billionaire for president in 1992.

The decision comes as Mr. Perot's personal popularity has dropped sharply from 1992, when he won 19 percent of the presidential vote.

If he were to appear on such a show — that detail has yet to be worked out — the symbolism and potential bridge-building ramifications could be a major development for the GOP's efforts to unseat Mr. Clinton in 1996.

The Republican candidate stands a much better chance in 1996 if Mr. Perot doesn't run again because the Texan's supporters in 1992 were people who had mostly voted for GOP presidential candidates in the 1980s.

Frank Luntz, a GOP pollster who worked for Mr. Perot in 1992, said the Perot supporters tend to agree with Republicans on economic issues, but [les]s so on social matters like abortion.

Support for Mr. Perot personally is ebbing. An April 1994 Gallup poll found that 37 percent of Americans view him favorably, 54 percent unfavorably. Just over a year before, in March 1993, the same poll showed 66 percent viewed him favorably, 28 percent unfavorably. In November 1992, Gallup found the country split, with 46 percent viewing him favorably and 46 percent unfavorably.

Membership of his organization, "United We Stand America," is declining, Mr. Luntz said.

Given that drop, the question for the GOP, said Bill Kristol, former chief of staff to Vice President Dan Quayle, is "to what degree do we as a party want to formally work with him" because of a potential backlash caused by Mr. Perot's "cult of personality."

But Mr. Luntz said that didn't affect the importance of the Perot voters.

He said these voters agree with GOP criticism of the federal government as inefficient and wasteful. With Democrats controlling the White House and Congress, the Perot voters' anti-incumbent bias could be a powerful tool for GOP candidates this November.

Although some may have become disillusioned with Mr. Perot, their sentiments about the federal government haven't changed, and he remains a powerful figure.

Mr. Luntz added, "If Ross Perot got on TV the night before the election and said vote out every incumbent, I believe that could lead to a dozen seats changing hands by itself."

The Washington Times WEDNESDAY, JULY 6, 1994

The Stephanopoulites

Ruth Shalit's article in the New Republic suggests at l st some of the Clinton youth are "the backbone" of the administration, cooling the clash of personalities, muffling the clash of ideas.

Kevin Thurm, for instance, is credited with helping to end the war between his boss, Health and Human Services Secretary Donna Shalala, and Hillary Rodham Clinton over cutting the former out of health care reform.

Speaking of Mr. Thurm at HHS, Joshua Steiner at Treasury and Ronald A. Klain at Justice, Ms. Shalit says, "The nature of the Stephanopoulites' success is more revealing than their age.

"For these are the new breed of professional meritocratic politicians, obsessed with process and bureaucratic agility. They are politically partisan, but they are unencumbered by philosophy. ...

"Under their watch, things get done. ... Because of them, the administration is more effective, less incoherent. ... They are the president's perfect children."

Today's prediction

The Chicago Tribune's Clarence Page: "Jesse Jackson will run against Bill Clinton in '96."

Gebbie ready?

The administration is "taking the first steps toward ousting" AIDS czar Kristine Gebbie by creating a short list of possible replacements, says Newsday.

But sources warn there is tension over whether the next AIDS czar should be a charismatic voice who can better sell the program to the public, someone better able to work with Congress on policy, or whether the post should be abandoned in favor of a special staff position at Health and Human Services.

Until that is settled, no official announcement about her fate will be forthcoming. One official was quoted as saying, "The White House is determined to get it right this time."

Today's quote

On "The McLaughlin Group," Jack Germond said, "You don't change Bill Clinton by putting Leon Panetta in as chief of staff."

Futures

Formally ending rumors that he too would run, Rep. Ernest Jim Istook, Oklahoma Republican, endorsed another Oklahoma Republican, Rep. James M. Inhofe, for the seat of retiring Sen. David L. Boren, a Democrat.

Emotional opposition

At least a quarter of the population tells pollsters they "strongly disapprove" of President Clinton — a measure of presidential opposition almost unheard of during a period of peace and moderate prosperity, said the Los Angeles Times.

"Within this group, pollsters estimate that perhaps half — about 30 million Americans — nurture a dislike of Clinton that burns with the pure flame of hatred," the Times' David Lauter added.

He said Mr. Clinton's background of draft avoidance and alleged marital infidelity make him an inviting target. But both conservative and liberal analysts say the intensity and extent of attacks signal something more.

Democratic pollster Mark Mellman told Mr. Lauter, "We've entered an era in which people are more shrill, more negative. Clinton is just an example of that. There is, today, a new-found institutionalization of hate — of antipolitician hatred."

Ol' B e revisited

In the Wall Street Journal, Tim W. Ferguson tells of his researches into the "speculative hayride" taken by that Yale tyro, Hillary Rodham Clinton, with Robert Lee "Red" Bone, "one of the gamiest futures players outside of Chicago."

Regretting that Mrs. Clinton's "cattle jackpot" will not feature in this year's Whitewater-Madison hearings, Mr. Ferguson quoted Mr. Bone's attorney, James Blair, as remarking to Commodity Futures Trading Commission interrogators, "You might observe there's a difference between the Ozark hills and the big urban cities as to how people do business."

"So true," said Mr. Ferguson. "Which is why, in fathoming the thought of today's first lady mixed up with this crowd, it might have been useful to see some of these folks appear before a bank of congressmen and their aides. How useful, we are left to speculate."

All aboard — sort of

Better duck, Bill, Jay, Bob & Al: The new Senate subway system that is supposed to open this week, coming in at a cool $18 million, isn't for everyone, discovered the Boston Globe's Jill Zuckman.

The high-tech trains were designed for standard-size folk. That means riders who are over 6 feet 4 inches tall will have to scrunch down: Sens. Bill Bradley, John D. Rockefeller IV, Robert F. Bennett and Alan K. Simpson.

Mr. Bradley said merely, "I'm used to ducking." At 4-foot-11, however, Sen. Barbara A. Mikulski, who is on Capitol Architect George M. White's case, was outraged. "The architect of the Capitol strikes again. He continues to miss the mark."

Now, the blitz

With health care battle lines clearly drawn between Democrats and Republicans, the voice of the people may prove paramount, says USA Today. That's why both sides plan a blitz:

Administration officials hit the road this week with a new message, focusing on the medical insecurities of the middle class. TV ads and a bus excursion for reformers will also be created.

Opponents of comprehensive reforms plan heavy advertising. They will be led by the health insurance industry's reinvigorated "Harry and Louise" campaign, now at $10 million and counting, said USA Today.

Hillary's choice

Health care reform legislation has become a contest of politics and principle and "it is a mark" of Hillary Rodham Clinton that "principle remains a contender," says Michael Wines in the New York Times.

Mr. Wines adds, "It is also why some suggest that Mrs. Clinton, whose tenacity many credit with pushing health care to the House and Senate doorsteps, is less suited for the double-jointed bargaining that is probably needed if an insurance plan is to become law."

Clinton's dandy

Contemplating the k just past, the Boston Globe reported that it "looked particularly sweet when Clinton's aides pondered the bullets they had dodged."

"The mood of the capital would be strikingly different ... if the new chief of staff had been jeered, if health care reform had sagged to a halt, or if [special prosecutor Robert] Fiske had sought indictments of Clinton's staff or found skullduggery in the death of lawyer Vincent Foster.

"Clinton critics, however, were not chastened. 'This is very good news for a president who believes the standard by which his presidency should be judged is that he is never found guilty of a criminal act,' said a sarcastic Rep. Richard Armey, the Republican from Texas who chairs the House GOP caucus."

Mum Jones

Don't expect Paula Corbin Jones to follow the president's lead and disclose the names of donors to the fund set up to help pay legal costs in her sexual misconduct suit against President Clinton, says Scripps Howard News Service.

Cindy Hays, the former GOP fund-raiser who is managing Mrs. Jones' fund, says keeping mum protects donors who prefer anonymity and prevents retaliation against those who might have business with the government.

Since it was set up June 1, the Jones fund has brought in "something under" $100,000, Ms. Hays said. The average contribution has been $18; the biggest was a $25,000 check from Guess jeans.

Ridge seeks unity

Pro-choice Rep. Tom Ridge, GOP gubernatorial candidate, denies pro-life activist Marguerite "Peg" Luksik's claims that his people made "promises" and "threats" in an effort to get her to give up a bid for governor of Pennsylvania.

Mrs. Luksik had contended that she had been offered the post of state secretary of education if Mr. Ridge were elected and that her day care center would be scrutinized if she persisted in running as an independent.

Meanwhile, Mr. Ridge's primary opponents told the Republican State Committee that they are endorsing him for governor. Attorney General Ernie Preate, runner-up in the primary, said he had "bonded" with Mr. Ridge.

There were also reports of support from pro-life forces. Rick Schenker, executive director of the Christian Coalition, said, "Most of our people are unifying behind the entire ticket."

Looking for Pat

The Manchester Union-Leader reports that commentator Pat Buchanan's "organization is alive and well — and in Iowa, of all places, where he barely campaigned" in 1992.

While Mr. Buchanan "did poorly" in the recent Iowa GOP straw poll, his organization impressed some top Republicans, the Union-Leader said. At the same time his New Hampshire supporters hunger to be in touch.

They understood campaign-style Buchanan appearances were forbidden by his CNN contract. What was he doing in Iowa? they ask. And if the contract in fact allows political activity, when's he coming their way?

Kemp's big tent

Jack Kemp told a Charleston Republican fund-raiser last week that the GOP's "emergence as the country's dominant political force hinges on whether it can open its doors wide enough to attract black, Hispanic and Asian voters."

The Charleston Post & Courier quoted him: "George Bush lost the race, in my opinion, because he got only 10 percent of the minority vote. I think it's possible to get close to 40 or 50 percent given the fact that the Democratic Party has become so elitist. It takes the black vote for granted."

Mr. Kemp said such issues as "self-sufficiency and being tough on crime are key promotional elements as an appeal to attract minorities eager for a piece of the American Dream."

Double your pleasure

In Obetz, Ohio, Mayor Mark Froehlich isn't just another two-faced politician, says Associated Press. He has a matching body to go with his second face.

Mr. Froehlich, mayor of this Columbus suburb and a candidate for Franklin County commissioner, tapped his identical twin, Michael, to help him get recognized on the campaign trail.

The obliging brother traveled from his Georgia home to stand in for Mark at one of three Independence Day parades running simultaneously around the county. "That way, we can be on both sides of the street," Mark said.

The Washington Times WEDNESDAY, JULY 6, 1994

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(bal) (ATTN: Editorial page editors)
Fiske on Whitewater

 The following editorial appeared in Sunday's Baltimore Sun=

Legally speaking, Bill and Hillary Clinton are surely pleased with Special Prosecutor Robert B. Fiske Jr.'s first report on his investigation into their Whitewater real estate interests and Whitewater-related matters. On a personal level, it was surely not pleasant to read the investigator's detailed report on Vincent W. Foster Jr.'s depressed state and attendant miseries prior to his suicide.

Foster, the deputy White House counsel, old friend of the president and law partner of Mrs. Clinton, killed himself, Fiske concludes. That will surely cause distress among the most perfervid of the Clintons' attackers, who have been suggesting Foster may have been murdered to cover up some Whitewater crime. Not only was there no foul play, says Fiske's report, but there is no evidence that the suicide was related to Whitewater in any way. That undercuts another widespread rumor: Foster killed himself out of guilty knowledge of the Clintons' illegalities involving Whitewater and its links with the failed Madison Guaranty S&L in Arkansas.

The Clintons should be pleased with a third aspect of this report. Fiske and his staff looked into reports that administration officials had improperly pressured Resolution Trust Corporation officials who were investigating a possible Whitewater-Madison link. There is ``insufficient'' evidence of corrupt intent or criminal violation by anyone at the Treasury Department or at the White House, the special prosecutor concluded.

This report is not going to end the Whitewater story certainly not the so-called Arkansas phase of it, to which Fiske will turn his full attention now, nor even the Washington phase with which his Thursday report dealt. The Senate and House both have plans to look into the Washington phase this month. These hearings will almost certainly be highly politicized.

That was evident in the way the Senate arrived at its decision to authorize its banking committee to look into the matter. So partisan was the debate that usually mild-mannered, moderate Maine Republican Sen. William Cohen charged that the Democrats were ``hardening the hearts and the spirits of some of us who have dedicated their careers toward seeking compromise.''

The Senate had rejected on a straight party-line vote a Republican resolution calling for a probe of any Whitewater-related administration activities. Then it passed a resolution, also on a straight party-line vote, to limit its probe to the specifics Fiske had already investigated.

Division in the House, where a similar committee investigation will be held, is equally partisan, and likely to be even more contentious. The principal congressional critic of Whitewater matters is the ranking Republican on the House Banking Committee, and the most dogged protector of the president is the Democratic chairman.

Expect more heat than light. That is a pity, but it has ever been thus. Politics is politics.

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Inside Politics

Compiled by Alan McConagha

Hillary's 'cheap shot'

Roll Call was moved to editorialize: "Taking a leaf from Rush Limbaugh's Congress-bashing book, first lady Hillary Rodham Clinton has enraged members of both parties by suggesting that Congress is giving itself a perk with its own health coverage."

"Dishonest on two counts," declared the Capitol Hill newspaper. The members' plan is available to 2.4 million other federal employees, including Mrs. Clinton. It requires higher employee costs than workers face in many large corporations. It also offers more options than the Clinton plan.

"But perhaps more important, and more outrageous, is Mrs. Clinton's cheap shot at the institution. . . . It's not very smart either," the Capitol Hill newspaper said.

Sasser gains

Gannett News Service says Sen. Jim Sasser's bid for Senate majority leader undercut notions of a regional contest with the announcement of public support from two Western Democrats — Sen. Patty Murray of Washington and Sen. Max Baucus of Montana.

Earlier, Sen. Russ Feingold, Wisconsin Democrat, and Sen. Barbara Boxer, California Democrat, also backed the Tennessee Democrat. This also dispelled predictions that his support would be confined to senior members.

Both Mr. Sasser and his rival, Sen. Tom Daschle, South Dakota Democrat, claim more than 20 votes. The Tennessean said the race is considered very close, with Mr. Sasser slightly ahead.

The Moynihan mystery

Robin Toner of the New York Times writes that a fundamental question arises among the weary troops of the health care struggle: Did it have to be this hard?

How much of "the confusion and brinksmanship" of the past month was due to the idiosyncrasies of the Senate Finance Committee and how much to those of its chairman, Daniel Patrick Moynihan?

Mr. Moynihan's defenders argue he held a bad hand. And if the outcome approaches universal coverage, he will have triumphed against the odds and his zigging and zagging will be forgotten.

But critics wonder whether he has ceded too much to Republicans, ponder the meaning of his first proposal and question the level of energy being expended to hold Democrats to a reformers' concept of the legislation.

In talking to skeptics of Mr. Moynihan, Ms. Toner made a useful discovery: "It is a measure of power in Washington that people are far more willing to criticize a president than a man who controls tax legislation."

Corruption scoring

GOP pollster Frank Luntz says the name of former House Ways and Means Chairman Dan Rostenkowski is beginning to come up unsolicited in his conversations with voters. Mr. Luntz sees this as a signal that the GOP message that Democrats are responsible for corruption in Washington is getting through.

The legal fund

"In purely political terms, President Clinton's decision to accept private contributions to pay his legal bills is awkward at best and potentially damaging at worst," write columnists Jack Germond and Jules Witcover.

They added in the Baltimore Sun, "It is hard to challenge the White House contention that, in the words of Press Secretary Dee Dee Myers, it is 'in the best interest of the country to have these bills paid.'

"A president has too much to do to be worrying about scraping up the money for his legal bills.

"But the picture of Bill and Hillary Clinton being protected by the fat cats who can afford $1,000 is not one that his campaign managers would prefer to offer to the electorate."

Ohio

The Dayton Daily News reports that national analysts are developing a consensus on the Ohio Senate race between GOP Lt. Gov. Mike DeWine and legal entrepreneur Joel Hyatt, a Democrat: "It's important, and it's close."

Analyst Charles E. Cook: "Watch Ohio. That's going to be a key state. Michigan and Ohio are the two states that really count in presidential campaigns."

Don Sweitzer, Democratic National Committee political director, said: "Pay attention to what happens in Ohio this year. Michigan and Ohio always are key battleground states for us."

Mr. Cook said he "initially was skeptical" of Mr. DeWine, whom he described as "a very nice, very capable guy — maybe a little on the boring side. But in this kind of year, beige may be beautiful."

"I think I'd rather be boring than controversial in this race," Mr. Cook said, adding that Mr. Hyatt is "controversial both inside and outside his party."

Lure of camp

In noting President Clinton's newly found interest in Camp David, the New York Times says it was Hillary Rodham Clinton who lured him back to the Cotoctin complex he once avoided.

"Like each of his predecessors since Franklin D. Roosevelt, Mr. Clinton seems at last to have discovered the compound that was founded as a wartime retreat to be an antidote as well to Washington and all its swampiness," wrote the Times' Douglas Jehl.

This was the third weekend in a row he went to Camp David with only Mrs. Clinton and their daughter, Chelsea. What he likes about it most, one official told Mr. Jehl, is that "he doesn't have to bother with you and he doesn't have to bother with us."

More to come

The first stage of the Whitewater-Madison official probe cleared President Clinton, but he still "has to endure a long summer of public inquiries and revelations about his past," says the Wall Street Journal.

Additional hurdles, such as developments in the Paula Corbin Jones case, will produce a "drumbeat of bad publicity . . . and it couldn't come at a worse time. This autumn, Mr. Clinton will face a pivotal point in his presidency.

"Indeed, just as he faces renewed scrutiny on Whitewater, Congress will be deciding the fate of his chief domestic priority, a health care overhaul."

The Journal said the White House is worried enough about that prospect to assign former Chief of Staff Thomas F. McLarty to lead its effort to bolster the president's public image.

Today's quote

Outgoing White House Chief of Staff Thomas F. McLarty says of successor Leon E. Panetta: "What this White House really needs is a chief of staff who can read Machiavelli in the original Italian."

OP-ED

NEA's theater of the sick

Imagine that Mimi, the tragic consumptive heroine in the Puccini Opera "La Boheme," played by an actress who really did have tuberculosis, spits blood into a handkerchief and then throws the handkerchief into the audience.

Imagine a medieval play about the Black Plague that sends highly contagious victims of the disease into the audience to sneeze and cough on the spectators.

Or conceive of Father Damien, the 19th-century missionary priest who treated lepers and who actually got leprosy himself, in a drama leading actors with limbs decaying from the disease down the aisle of a theater, forcing an audience to experience their terror, live.

Suzanne Fields

If your imagination is large enough to encompass such grotesque fantasies you'd probably say that the playwright had gone a tad too far to break down the barriers of reality between actors and audience. You'd probably also say you'd never buy a ticket to the play, even if it won a Tony. And playwrights depend on audiences to pay for their performances.

At least, that's how it used to be. Now such imaginative playwrights can be supported by a grant from the National Endowment for the Arts and don't have to please anybody but themselves and the bureaucrats who sign over the money. That's how Ron Athey's play called "Four Scenes in a Harsh Life," was produced at the Walker Art Center in Minneapolis.

Instead of an imaginary scenario with victims of consumption, Black Plague or leprosy, the playwright and leading man in the play who is HIV positive, uses a scalpel to carve a bloody pattern into the back of a "supporting actor," and blots the wounds with paper towels. (The blood donor was not HIV-positive, but the audience didn't know that.) Then he places the paper towels which have absorbed the blood — we're not talking ketchup — on a revolving clothesline that circles over the heads of the audience. Pity and fear are evoked, literally, as spectators worry that a blood-stained towel might fall on them.

In another scene of dramatic masochism, Mr. Athey pierces his tatooed arm with hypodermic needles and assistants draw HIV-positive blood piercing his scalp with acupuncture needles.

Not all art is for everybody," Jane Alexander, the chairman of the National Endowment of the Arts, with elitist understatement, told The Washington Post. "I appreciate that some people would find this art difficult. Americans are certainly not used to seeing bloodletting except in films."

She's right, but artistic indulgence hardly justifies creating a public-health hazard. Lady MacBeth can cry "Out, out damn spot," but the bloody hands of the actress need not hover over us to feel the terror of the murderous act. (Shakespeare did it with suggestion.)

This is the first controversy on Miss Alexander's NEA watch and she gave less than an award winning performance on behalf of her agency. When Sen. Robert C. Byrd, West Virginia Democrat, and Sen. Don Nickles, Republican of Oklahoma, who are responsible for overseeing NEA funding, asked her to ensure that government money would not be used to pay for such performances in the future, she defended the play's artistic merit as a modern day exploration of martyrdom through AIDS, and insisted that it's impossible to micromanage government grants.

Instead of spending money on the theater of AIDS, why not spend it on the horrific reality of AIDS?

Miss Alexander, a novice in inside-the-Beltway politics, unwittingly goes to the heart of the matter. The NEA risks wearing out its welcome — this time, it's not Jesse Helms who's the villain. Nobody any longer pretends that money isn't tight, and if she can't micromanage the money there's growing sentiment in Congress to take it away and be done with it. Instead of spending money on the theater of AIDS, why not spend it on the horrific reality of AIDS? Miss Alexander's politically correct but politically out-of-date response moved the Senate Appropriations Committee to recommend cutting $7 million (5 percent of its budget) out of NEA funding.

Cutting appropriations, it seems to me, is punitive and not to the point. Art, like beauty, is in the eye of the beholder, and individual artists worth their salt will always be too controversial for management by any government authority, micro or otherwise. Picasso never sought Franco's approval of Guernica. We forgot the iconoclastic nature of the artist when we established the NEA, and the NEA forgot how absurd the non-sequitur of a "government-financed avant-garde" would be.

Ron Athey has taken another play to a private homosexual stage in New York. In this one he dresses up, in woman's clothes, as the evangelist and faith healer Aimee Semple McPherson. He grabs and folds huge pieces of skin from the back, neck and waist of another man and inserts eight long needles with feathers through the folds of skin, attempting to portray St. Sebastian.

So far as we know he hasn't sought government money for this dramatic masterpiece. But if he did, could anyone be sure the NEA wouldn't fund it as a demonstration of modern day martyrdom?

Suzanne Fields, a columnist for The Washington Times, is nationally syndicated. Her column appears here Monday and Thursday.

Korean bridges gaps with risks

By Michael Breen
THE WASHINGTON TIMES

SEOUL — When he strolled through the Panmunjon truce village last month to work out details of this month's Korean summit, the North's chief delegate raised his arms in the air and waved vigorously to a crowd of foreign press photographers.

NEWS ANALYSIS

The gesture — from a man whose country is in the international doghouse over its nuclear program — showed unexpected confidence, especially compared with the scholarly demeanor of his Southern counterpart, Deputy Prime Minister Lee Hong-koo.

Meet Kim Young-sun, a key figure in North Korean policy-making circles and a man with a great deal to be confident about.

As secretary for South Korean affairs of the (North) Korean Workers' Party and chairman of the Reunification Policy Committee of the Supreme People's Assembly, he is point man for the all-consuming national goal of unification.

For experts trying to read the tea leaves on North Korea, Mr. Kim is an important man to watch simply because Pyongyang's degree of moderation on the nuclear issue has in the past three years risen and fallen with him.

His recent ascendancy is being taken as a key sign that President Kim Il-sung has, for now at least, decided to scale down the confrontation with the United States.

On the surface, Mr. Kim appears as hard line as any other official in North Korea.

"If anybody tries to violate our sovereignty or infringe upon our supreme national interests, we are ready to cope with it," he told a delegation visiting Pyongyang in April. The warning came in a two-hour monologue peppered with praise of the "Great Leader" and his "self-reliance" version of communism.

At the same time, Mr. Kim takes risks in the cause of progress, unusual in a totalitarian society where most officials keep their heads down and tread with extreme caution.

He accompanied Kim Il-sung to China and on other trips in the late 1980s. South Korean experts believe he advised the president and his son and heir, Kim Jong-il, that they should pursue an open-door policy after a tour of Europe in March 1990.

In 1991, as party secretary for international affairs, he argued in favor of diplomatic ties with the United States and lost his position the following year when he failed to produce any results.

He is believed to have opposed Pyongyang's threat to pull out of the nuclear Non-Proliferation Treaty, the move in March 1993 that raised the confrontation to such a level that Washington is now offering diplomatic ties to resolve it.

Mr. Kim is a close adviser to Kim Il-sung and Kim Jong-il. As such, he stands in a position to communicate between the two camps: the older generation of Communist hard-liners around Kim Il-sung and the younger technocrats around Kim Jong-il.

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